

NOTICE: This is an unofficial transcript of the portion of the Public Company Accounting Oversight Board's Investor Advisory Group meeting on April 24, 2024 that relates to the proposed rule, Firm Reporting. The other topics discussed during the April 24, 2024 meeting are not included in this transcript excerpt. The Public Company Accounting Oversight Board does not certify the accuracy of this unofficial transcript, which may contain typographical or other errors or omissions. An archive of the webcast of the entire meeting can be found on the Public Company Accounting Oversight Board's website at: <https://pcaobus.org/news-events/events/event-details/pcaob-investor-advisory-group-meeting-2024>

## PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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## INVESTOR ADVISORY GROUP

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## MEETING

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WEDNESDAY  
APRIL 24, 2024

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The Advisory Group met via  
Videoconference, at 1:00 p.m. EDT, Saba Qamar and  
Amy Copeland McGarrity, IAG Co-Chairs, presiding.

## PCAOB BOARD OF DIRECTORS

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NEMIT SHROFF, Ph.D.  
LYNN TURNER, CPA  
GARY G. WALSH, CFA, CPA

## PCAOB STAFF

SABA QAMAR, Investor Advocate  
CHRISTINE GUNIA, Director, Division of  
Registration and Inspections  
BARBARA VANICH, Chief Auditor  
MARC FRANCIS, Office of General Counsel  
STEPHANIE HUNTER, Associate Chief Auditor  
VINCE MEEHAN, Office of General Counsel

## ALSO PRESENT

EDWARD Y. ABBO, C3.ai  
KRIS BENNATTI, Hudson Labs  
WILL BIBLE, Deloitte  
HAMISH MACALISTER, Transparently.AI  
VALERI NIKOLAEV, University of Chicago

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1 annual fees, a constructive request for leave to  
2 withdraw from registration and to deem the firm's  
3 registration withdrawn.

4 And with that I'd like to conclude by  
5 thanking the IAG again for your comment letter.  
6 We're giving it careful consideration as we read  
7 letters that we have received. I'd just like to  
8 thank you for your engagement and attention  
9 today.

10 Stephanie, I'm not sure, should I hand  
11 it back to you or what's the next order of  
12 things?

13 MS. VANICH: You can just hand it to  
14 Marc, Vince. Thank you.

15 MS. QAMAR: Thank you, Barb.

16 MR. MEEHAN: All right, thank you,  
17 Marc.

18 MR. FRANCIS: Okay. Thank you, Vince.  
19 And good afternoon, everyone.

20 I'd like to provide you with a summary  
21 of the key proposed disclosure requirements  
22 contained in the firm reporting proposal that was

1 issued by the Board on April 9th. As an initial  
2 matter, the firm reporting proposal is intended  
3 to enhance audit firm transparency and improve  
4 the PCAOB's oversight of audit firms by eliciting  
5 more complete, standardized and timely reporting  
6 filing by audit firms.

7 In formulating the proposal the Board  
8 took into account the Staff's experience with the  
9 current reporting framework, the final report of  
10 the Department of the Treasurer's Advisory  
11 Committee on the auditing profession,  
12 developments in transparency reporting, including  
13 increased voluntary transparency reporting and  
14 the activities of other regulators, PCAOB  
15 advisory group discussions, and increased threats  
16 from cybersecurity incidents.

17 For background, the Board's current  
18 reporting framework includes two types of  
19 reporting obligations. First, it requires each  
20 registered firm to provide basic information once  
21 a year about the firm, and the firm's audit  
22 practice over the most recent 12 month period.

1 The firm must do so by filing an annual report on  
2 Form 2.

3 Second, upon the occurrence of  
4 specified events, a firm must report certain  
5 information by filing a special report on Form 3.  
6 The proposed changes would require enhanced  
7 reporting that would impact both forms 2 and 3.  
8 These new proposed reporting requirements relate  
9 to firm financial, governance and network  
10 information. More timely and expanded special  
11 reporting, new cybersecurity related reporting,  
12 and a onetime update to a firm's statement of  
13 applicant's quality control policies and  
14 procedures in the event that the Board's new  
15 quality control standard is adopted and approved.

16 You may note that throughout the  
17 proposal some information is to be reported  
18 publicly and some confidentially. In proposing  
19 to make certain items public and certain non-  
20 public the Board waived public interests in  
21 public reporting of this information, the  
22 potentially sensitive and developing nature of

1 certain information requested, and the Board's  
2 obligation under the Sarbanes-Oxley Act. And we  
3 believe the proposal strikes the appropriate  
4 balance between public and non-public reporting.

5 I will now touch on the reporting  
6 requirements in a bit more detail. With respect  
7 to financial information the proposal includes  
8 two primary components. First, the proposal  
9 would amend Form 2 to require enhanced  
10 information regarding a firm's audit fees. The  
11 Form 2 currently requires firms to report  
12 annually the total fees that were built to  
13 issuer clients for certain categories of services  
14 as a percentage of total fees built.

15 The proposed changes would eliminate  
16 the reporting of percentage information and  
17 replace it with actual dollar amounts to be  
18 reported publicly. The proposed changes would  
19 also require a more complete and further  
20 disaggregated fee information.

21 Second, the proposal would require  
22 that the largest firms provide annual financial



1 statements to the PCAOB on a confidential basis.  
2 The large firms here are defined as though that  
3 issue more than 200 audit reports for issuer  
4 audit clients and had more than 1,000 personnel  
5 during their relevant reporting period. These  
6 financial statements will be reported in  
7 accordance with the applicable financial  
8 reporting framework in the firm's jurisdiction  
9 and need not be audited.

10 Next, with respect to network  
11 information, the proposal would require firms to  
12 report on Form 2 a more detailed public  
13 description of any network arrangement of which a  
14 registered firm is apart, include describing the  
15 legal and ownership structure of the network,  
16 network related financial obligations,  
17 information sharing arrangements between the  
18 network and registered firm, and network  
19 governing boards.

20 Next, with respect to financial  
21 report. With respect to special reporting on  
22 Form 3, the proposal would shorten the time frame

1 for special reporting from 30 days to 14 days.  
2 Or more promptly as warranted.

3 In addition, the proposal would impose  
4 a new special reporting obligation for any event  
5 or matter that possess a material risk or  
6 represents a material change to the firm's  
7 organization, operations, liquidity of financial  
8 resources or provision of audit services. Such  
9 events would include, for example, a  
10 determination that there is substantial doubt  
11 about the firm's ability to continue as a going  
12 concern, any actual or anticipated noncompliance  
13 with loan covenants, and a change in a principal  
14 executive officer, among other events.

15 These items, only those that would be  
16 reported under the special reporting obligation,  
17 would be reported confidentially to the PCAOB.

18 Next I will address the proposed  
19 cybersecurity amendments, which have two  
20 components. First, the Board proposed new  
21 special reporting requirements for prompt  
22 reporting of significant cybersecurity incidents

1 as defined the release.

2 Specifically, the Board proposed to  
3 amend Form 3 to require the reporting of  
4 significant cybersecurity incidents within five  
5 days on a confidential basis. Second, the Board  
6 proposed to amend Form 2 to require a brief  
7 description of the audit firm's policies and  
8 procedures, if any, to identify, assess and  
9 management material risks from cybersecurity  
10 threats.

11 This proposed item instructs the audit  
12 firm to include whether and how any such policies  
13 and procedures have been integrated into the  
14 registrants overall risk management system or  
15 processes, whether the firm engages assessors,  
16 consultants, auditors or other third-parties in  
17 relation to cybersecurity risks, and whether the  
18 firm has policies and procedures to oversee and  
19 identify such risks from cybersecurity threats  
20 associated with its use of any third-party  
21 service provider.

22 Last, the Board proposed a reporting

1 related requirement that has evolved out of the  
2 Board's QC 1000 proposal. Currently, applicants  
3 for registration are required to furnish, as an  
4 exhibit to the Board's Form 1, a narrative  
5 summary description of the quality control  
6 policies of the applicant for its accounting and  
7 auditing practices. A statement of applicant's  
8 quality control policies and procedures.

9           The Board proposed to create a new  
10 form update to the statement of applicants  
11 quality control policies and procedures Form QCPP  
12 to require that if QC 1000 is adopted by the  
13 Board, approved by the SEC and becomes effective,  
14 than any firm that registered with the Board  
15 prior to the date that QC 1000 becomes effective  
16 would submit an updated statement of the firm's  
17 quality control policies and procedures pursuant  
18 to QC 1000.

19           This concludes our summary of the key  
20 elements of the firm reporting proposal. We  
21 think the proposed requirements would facilitate  
22 informed decision making and risk assessment by

1 investors, audit committees and other  
2 stakeholders. Further, the proposed requirements  
3 would generate data and information to support  
4 the PCAOB's regulator mission.

5 Finally, the proposed requirements  
6 would make reported information more useful by  
7 increasing standardization and comparability.  
8 And by getting useful information to the PCAOB,  
9 investors, audit committees and other  
10 stakeholders in a more timely manner.

11 We encourage you to review the  
12 proposal in its entirety on the PCAOB's website.  
13 We note the comment period is open until June  
14 7th, and we welcome comments on any and all  
15 aspects of the proposed reporting requirements.  
16 Thank you for your time today.

17 MS. VANICH: That concludes our  
18 prepared remarks. And we'll stay on in case  
19 anyone has any questions for a few minutes.

20 MS. QAMAR: Thank you, Barb. Thank  
21 you Stephanie. Does anyone have any questions?

22 MR. GOLDMAN: This is Ken. I don't