



PCAOB RESPONSE METRICS

Issued 7 June 2024

ICAEW welcomes the opportunity to comment on *Docket 041: Firm and Engagement Metrics* published by the PCAOB on 9 April 2024, a copy of which is available from this [link](#).

For questions on this submission please contact the Audit and Assurance Faculty at tdaf@icaew.com quoting REP 54/24.

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MAIN POINTS

1. We support audit firm transparency, and appreciate the time taken between the 2015 Concept Release and this exposure, to refine the metrics proposed in the light of comments received. We congratulate the PCAOB on reducing the number of headings for proposed metrics in the current consultation to 11 areas, down from 28. Arguments can be made for and against all of the original metrics but we broadly agree with the decision to drop metrics including those relating to training, access to resources and investment in audit firm infrastructure.
2. We hope that the PCAOB will seek to finalise these proposals on a timely basis, while providing firms with sufficient time to put in place or amend systems and processes necessary to capture the required information.
3. We also hope that the PCAOB will seek to promote the responsible use of these metrics by encouraging the provision of clear, concise and high-quality explanations by firms of the metrics. The PCAOB also has a role to play in raising awareness among investors and other stakeholders about the purpose of a financial statement audit, the purpose of an integrated audit, and the nature of audit quality.

Policymaking considerations, publication of metrics and Form AP

4. ICAEW is an international body with members in many jurisdictions, including the UK, in which transparency reporting has been the norm for many years, and where the financial statements of firms are on the public record. The proposed metrics have the potential to provide useful information for investors, audit committees, and other stakeholders, as they have in other jurisdictions. It is understandable that those in the USA that have not been subject to such a regime are more concerned. We hope that the PCAOB will take these and the following observations into account when finalising its proposals to ensure that to the extent possible:
 - firms align their own metrics with those of PCAOB
 - metrics globally are aligned
 - the metrics encourage participation in the market for the audit of US registrants.
5. We know from experience that the mere publication of these metrics does not guarantee a proper understanding or even awareness of them by investors, audit committees or other stakeholders. The proposed limitations on narrative disclosure in Form AP are problematic.
6. It is not for the capital markets or investors alone to use the metrics as they see fit. The PCAOB has an important role to play in providing credible and independent information about the nature and purpose of these metrics. It is particularly important that the PCAOB emphasises that:
 - the metrics are estimates based on assumptions, and that while audit firms will disclose significant changes to the assumptions that they make, different firms will make different assumptions that may not be apparent in the absence of a dialogue with auditors. This is important in the light of fines and penalties imposed on firms for errors on Form AP. Disclosure of the involvement of other auditors on that form is not based on estimates
 - the metrics are averages, hiding skew, and that apparently similar metrics across different firms may arise for different reasons
 - it is important in interpreting the metrics to understand context, and investors should probe the metrics in their engagement with audit committees.
7. The way firms monitor their performance for internal purposes is more sophisticated than it was ten years ago. Nevertheless, a great deal more process will be required to accommodate internal monitoring relating to sustainability reporting, and for the purposes of reporting the metrics proposed in this consultation.

8. Firms will seek, as they already do in jurisdictions in which transparency reporting is already required, to align the required metrics with those already produced internally. We urge the PCAOB to engage with other audit regulators with a view to aligning requirements globally for the reporting of metrics. It will take time for these systems to mature and for regulators and auditors to refine and modify the regime to provide real value to both investors and firms. Regulators and firms should seek to work together to improve the quality of reporting, particularly in the early years, rather than taking an adversarial stance.
9. We have noted in previous responses to the PCAOB the value of a diverse and resilient audit market of auditors willing and able to conduct audits of US registrants. We caution again against disincentivising participation in this market by raising the compliance costs and the risk exposure to regulatory penalties to a level at which they are too high a bar.

Bases of calculation and context

10. Many of the metrics proposed are already shared at the tendering stage with audit committees, including information about the engagement partner's workload, audit hours, the use of shared service centres and the use of specialists. Audit regulators in several jurisdictions already have requirements in place for the disclosure of such metrics and US firms can take comfort from that. However, it is critical that greater clarity is provided regarding the basis of calculations: some appear to relate solely to large accelerated filers, others to all issuer engagements and others again could be read as relating to all audit engagement performed by the firm. We also believe that the PCAOB should consider, or reconsider, the value added by firms disclosing absolute numbers underlying the metrics, such as the number of engagements found to have different numbers of deficiencies (1, 2-5, etc), in addition to the percentage of engagements found to have deficiencies. Metrics expressed as percentages alone do not necessarily speak to the overall quality of audits performed without further, equally prominent context.
11. Information shared at the tendering stage invariably includes information about the number of issuers the engagement partner has to handle, and the spread of audit deadlines over the year. These figures are much less subjective than the number of hours spent on an engagement, particularly as they relate to significant risks and critical accounting policies, and as they relate to the aggregation of hours spent by different categories of staff on different areas. We are not clear as to the true rationale for the exclusion of a proposed metric on the number of issuers handled by an engagement partner. Similarly, we are not clear as to the rationale for the non-inclusion of metrics relating specifically to engagement quality reviewers, despite the fact that they are not part of the engagement team.
12. While we understand that unfettered 'context' can serve to obscure and confuse published metrics, we are disappointed that the PCAOB has seen fit to ask, once again, whether context should be provided at all. We fail to understand how these metrics could be used consistently and effectively in the absence of context.

RESPONSES TO QUESTIONS

Summary of the Proposed Metrics

- 1. *Would the proposed metrics, individually or collectively, provide useful information for investors, audit committees, or other stakeholders? Why or why not? How would stakeholders use the metrics?***
- 2. *Are any of the metrics we are proposing overly focused on the operations of larger firms? If so, which metrics and how could we make them more neutral?***
13. The proposed metrics have the potential both individually or collectively to provide useful information for investors, audit committees, and other stakeholders, but only provided:
 - they are presented in context
 - users understand them – and the PCAOB has an important role to play in this
 - refinement is permitted over time, and they are allowed to mature.
14. The mere publication of these metrics does not guarantee that investors, the audit committee and other stakeholders will engage with them, or even be aware of them, despite the fact that audit committees already have access to similar metrics provided by firms tendering for the audit.
15. We note below several areas in which we believe that disclosure of absolute numbers, as well as percentages, should be considered.

Comparability

- 3. *Are there other considerations we should be aware of that would increase or decrease comparability at the firm level? For example, would it be helpful to have subsets of information available by size of the firm or by size of the issuers the firm audits?***
- 4. *Are there other considerations we should be aware of that would increase or decrease comparability of the engagement-level metrics? For example, would it be helpful to capture information at the engagement level by industry sector, region, whether it is a first-year audit, or other criteria?***
16. It would be helpful to have information disaggregated to show data separately for, for example, first year audits, and IPOs and annual recurring audits, particularly for metrics relating to deficiencies and partner and manager involvement.
17. We are not persuaded that industry sector or even regions can be consistently identified across different firms to make reporting of all metrics by industry or region worthwhile.

Rounding and Use of Estimates

- 5. *Is it appropriate for firms to report metrics by rounding to the nearest whole number except in cases where additional decimal places (no more than two) are needed to properly interpret the result or enable comparison to prior periods? If not, what would an appropriate level of precision be?***
- 6. *Is it appropriate to allow firms to use reasonable estimates when actual amounts are unavailable? Should there be any other restrictions on the use of estimates? If so, what are they?***
18. It is appropriate for firms to report metrics by rounding and it is also appropriate to allow firms to use reasonable estimates when actual amounts are unavailable. As we note in our main points above, it is important for the PCAOB to help with a proper understanding of the nature of metrics.

Optional Narrative Disclosure

7. Should firms be permitted to provide narrative disclosure to provide context to the reported metrics? If not, why not? If yes, should narrative disclosure be allowed for all metrics or only certain ones? If limited, which ones?

8. Should we place limits on the length or content of the narrative disclosure? If so, what should they be? Is a 500-character limit per metric appropriate? Should it be less or more? Should there be no limit?

19. Firms should be required, not just permitted, to provide narrative disclosure to provide context to the reported metrics.
20. While unfettered 'context' can serve to obscure and confuse published metrics, we are disappointed that the PCAOB has seen fit to ask, once again, whether context should be provided at all, as we fail to understand how these metrics could be of any value to investors at all in the absence of context.
21. A 500 character limit for reporting purposes provides focus and discipline, as would a 1000 or 5000 character limit. More important is the work performed by the PCAOB on investor understanding of the metrics, and its encouragement of engagement between investors and audit committees to properly understand them.
22. When Key Audit Matters (KAM) were first published in the UK, they were intended to act as a hook for discussions between investors and audit committees. A great deal of information of variable quality in the form of KAM is now in the public domain. Some investors look at it very closely, but the extent and quality of the dialogue has not been as expected. While the publication of KAM and these metrics have value in their own right, action is needed by all stakeholders, including auditors, investors and the PCAOB, to ensure full leverage of the published figures.

Key Terms and Concepts

9. Are the definitions for partners, managers, and staff clear and appropriate? If not, how should they be changed?

10. If the firm assigns partners, managers, and staff to specific business lines (e.g., audit, tax), should the firm-level metrics only include partners, managers, and staff of the firm's audit practice? Why or why not?

11. Should we consider adding a threshold to the definition of partners or managers who participated on the engagement team, such as a minimum percentage of hours worked on an audit? If so, what should that percentage be for partners and managers?

12. Should other individuals involved in the audit (e.g., individuals in the firm's national office, engagement quality reviewers, employees of shared service centers, or individuals involved in loaned staff arrangements and alternative practice structures) be treated differently in the metrics? If so, how should they be considered in the definition of core engagement team?

13. Should engagement quality reviewers be added to any of the proposed metrics? If so, which metrics and should they be added as a separate category or together with a group, such as the engagement team?

14. Is the proposed definition of core engagement team appropriate? Are the proposed thresholds for core engagement team members appropriate?

a. The proposed threshold for partners (excluding engagement partners) is ten or more hours on the engagement. Should the hour threshold be higher or lower or based on a certain percentage of the total audit hours? If so, what is a more appropriate threshold to determine whether partners are part of the core engagement team?

b. The proposed threshold for managers and staff is 40 or more hours or, if less, 2% or more of the total audit hours. Should the hour or percentage thresholds be different?

If so, what should the hours and/or percentage be to determine whether managers and staff are part of the core engagement team?

c. Alternatively, should partners, managers, and staff who reported a certain percentage of the hours on the engagement, whether they are from the firm issuing the auditor's report (lead auditor) or other firms performing audit work (other auditors), be considered as part of the core engagement team? If so, why, and what should the threshold be for inclusion of individuals or other firms?

23. Our discussions about the proposed definitions and classifications suggest the potential for inconsistent interpretation and application in the absence of further clarification by the PCAOB.
24. Non-audit partners and managers assigned to audit teams should be included in firm-level metrics for the purposes of audit, to the extent that they participate in audits.
25. Other individuals involved in the audit including engagement quality reviewers and employees of shared service centres should be included in the metrics, and not be treated differently.
26. A 10-hour minimum for partners other than engagement partners is not an unreasonable floor for inclusion.

Key Terms and Concepts

15. Is the proposed term hours worked clear and appropriate? If not, how should it be changed?

16. Is it appropriate to use the Form AP hours for the total audit hours in the metrics? If not, how should the hours be accumulated for the metric calculations?

17. Is it appropriate to include total audit hours for all issuer engagements in the firm-level metrics, as proposed? Or should the metric be limited to total audit hours for large accelerated filer and accelerated filer engagements? Why or why not?

27. Our discussions about hours worked centred on 'non-productive' hours devoted to engagement specific training, admin and the development of documents for example, particularly where they form a high proportion of total hours. However, we concluded that the proposed term 'hours worked' is sufficiently clear to be workable. It would be helpful to align the hours used with those used for Form AP. Consideration should be given to the impact of the adoption of technology-based audit solutions on hours worked.
28. More thought needs to be given to the scope of the metrics. It is not helpful for some metrics to be calculated on the basis of all audit engagements, others on issuer engagements, and others again on large accelerated filer engagements. The PCAOB might consider starting with large accelerated filer engagements, and then cascading the learnings down over time to other engagements.

Partner and Manager Involvement

18. Are the proposed descriptions and calculations of the firm-level and engagement-level metrics for partner and manager involvement clear and appropriate? If not, why not?

19. Would it be helpful to separate the calculations for partner involvement and manager involvement? Why or why not?

20. Because of the importance of the engagement partner's role, would it be helpful to separate the calculation for engagement partner involvement from the calculation of the other partners and managers on the audit? Why or why not? Is there another way in which a metric could focus on the role of the engagement partner and, if so, what is the metric and how should it be calculated?

21. Instead of partner and manager involvement, should firms disclose partner and manager hours compared to staff hours on the audit (i.e., a staffing leverage ratio)? If so, why?

29. Our discussions about partner and manager involvement focused on the value and practicality of splitting out engagement partner, other partner and manager involvement. On balance, we concluded that while there are arguments for splitting the three categories for some engagements, overall, the aggregation of these roles is probably the least problematic in terms of consistency of application over all of the metrics.

Workload

22. Are the proposed descriptions and calculations of the firm-level metrics and engagement-level metrics for the engagement partner workload and partner (excluding the engagement partner), manager, and staff workload clear and appropriate? If not, why not?

23. Should we require separate metrics for partner (excluding the engagement partner), manager, and staff workload? If so, why? Should the metric be limited to workload information for partners (other than the engagement partner) and managers? Why or why not?

30. Our discussions about partner and manager workload focused on:
- the very different types, qualities and sizes of audit engagement that can render a partner workload apparently excessive when it is not, and vice versa, and the critical need for context in this case
 - variations in the way in which different offices of even the same firm manage audit engagements which can mean that the roles and responsibilities of individuals with the titles of manager or partner are very different depending on location, which has the potential to significantly distort the metrics
 - the potential value of the disclosure of the workload for the audit team as a whole.
31. We are not persuaded that the extent of variation arising from the issues noted above can be compensated for by explanation. This is a particularly sensitive metric and it is important that investors are not misled in this area. Further thought needs to be given to this metric before it is finalised.

Audit Resources – Use of Auditor’s Specialists and Shared Service Centers

24. Are the proposed descriptions of the firm-level and engagement-level metrics for use of (i) auditor’s specialists and (ii) shared service centers clear and appropriate? If not, why not?. In situations in which the hours are unavailable, we are proposing that firms estimate an hourly equivalent for auditor-engaged specialists. Is there another way this information could be captured? If so, what is it? Are there other practical challenges with respect to auditor engaged specialists that we should consider?

26. With respect to the firm-level metrics for the use of (i) auditor’s specialists and (ii) shared service centers:

- a. The metrics calculate the percentage of issuer engagements on which (i) auditor’s specialists and (ii) shared service centers were used. Alternatively, should these metrics calculate the average percentage of usage of (i) auditor’s specialists and (ii) shared service centers across all of the firm’s engagements?**
- b. The metrics for use of auditor’s specialists and shared service centers at the firm-level calculate the percentage of issuer engagements in which specialists or shared services centers, respectively, were used, no matter how minor their involvement may have been. Should the metric capture only engagements in which an auditor’s specialist or shared services center was used for a minimum number of engagement hours, such as 2% or 5%? If yes, what should the threshold be?**
- c. We have proposed that the firm-level use of (i) auditor’s specialists and (ii) shared service centers metrics be provided in aggregate across all of the firm’s issuer**

engagements. Alternatively, would it be beneficial to provide either of these metrics by industry for those industries included in a firm's industry experience metrics? Why or why not?

27. With respect to the proposed metrics related to shared service centers:

a. The description of what is a shared services center is consistent with the description in the Form AP guidance. Should the description be more broad to include other arrangements such as

- (1) those that are captive to an individual firm, where the staff are employees of the firm,**
- (2) service centers that have a separate legal entity but dedicated solely to the support of an individual firm,**
- (3) service centers that are external to a firm but provide similar services to several affiliated or non-affiliated firms,**
- (4) service centers that are located in the same jurisdiction as a firm, or**
- (5) solely those that are located in another jurisdiction?**

Why or why not?

b. At the engagement-level should the firm report the types of work performed by the service center (e.g., non-complex tasks such as data input, data validation and data formatting, checking schedules for mathematical accuracy, updating standard forms and documents (such as engagement letters and representation letters), rolling forward standard work papers (such as lead sheets), performing reconciliations, and similar activities) or indicate the specific areas of the audit in which work of shared service centers was used (e.g., revenue, cash)? If so, what should be reported?

32. We broadly agree with the proposals for the disclosure of metrics relating to shared service centres at both firm and engagement level. The use of such centres is growing but it is not well understood outside the profession and regarded with suspicion by some investors, partly because of a lack of understanding of how they contribute to audit quality, as well as audit efficiency. There are many types of shared service centres used in different ways by firms and they continue to evolve rapidly as technical advances combine with talent shortages to drive different ways of working post-pandemic. For all of these reasons, context is necessary to evaluation. We do not believe that the 500 character limit is appropriate for metrics in this sensitive area.

Experience of Audit Personnel

28. Are the firm-level and the engagement-level metrics we are proposing for experience of audit personnel clear and appropriate? Should relevant experience be limited to auditing experience rather than including all experience at a public accounting firm? Conversely, is there other relevant experience that would be valuable to include when determining years of experience (e.g., experience at a relevant regulator or standard setter)? If so, how should that experience be measured?

Industry Experience of Audit Personnel

29. Is three years of experience for managers and five years of experience for partners an appropriate threshold for industry experience? If not, what number of years should we use? Should the same number of years be used to determine industry experience for all levels of seniority (e.g., audit partner and audit manager)?

30. We have proposed the following considerations to be taken into account when determining an individual's industry experience:

- (1) industry experience may be, but is not required to be, exclusive to experience on audit engagements but must be relevant,**

(2) industry experience is not required to be in consecutive years, and

(3) auditors may have industry experience in more than one unrelated industry.

Are these the right considerations? Should industry experience be determined by a minimum number (or percentage) of hours on engagements within a particular industry? Does it matter whether the years of experience have been recent or if the experience was not obtained as an auditor? If so, please provide an explanation.

31. If an auditor does not work exclusively in one industry, what are the considerations to determine whether the auditor has qualifying experience in multiple industries? Should it be based on hours (time) worked in a specific industry with a minimum percentage, for example 250 hours or 25% of the auditor's time focused on a particular industry as we have proposed?

32. We have proposed the FTSE Russell Index as a reference for industry classification based on supersector and certain disaggregation to the sector or subsector level. Is this index and disaggregation appropriate? Is there a more suitable reference index? If so, what is it and what are the comparative benefits of other indices?

33. At the firm level we have proposed that firms disclose industry experience for those industries that represent at least 10% of the firm's revenue from audit services, with the option to include additional industries. Is 10% an appropriate percentage to use? If not, should the percentage be higher or lower?

34. Are there thresholds for disclosure that may be meaningful in addition to or instead of a percentage of the firm's revenue? For example, should we require firms to disclose industry experience for their top five or top ten industries by revenue from audit services? Are there other thresholds we should consider and, if so, what are they?

35. As proposed, firms would provide industry experience information at the engagement level based on only the issuer's primary industry. Would it be beneficial for this metric to be disclosed for additional industries in which the issuer operates? If so, are there practical considerations in determining the level of industry specialization disaggregation that should be requested or allowed? What threshold should be used to determine which other of an issuer's industries should be reported?

33. We broadly agree with the proposed firm- and engagement-level metrics for experienced audit personnel, and for the industry experience of those personnel. The relevant experience should be limited to auditing experience but should not be restricted to the audit of US registrants, not least because some metrics refer to all audit engagements performed by the firm.
34. Consideration should be given to how more weight can be attributed to recent partner experience in an industry. Ten years on the same audited entity may be relevant but the breadth and overall quality of that experience matters.
35. Notwithstanding our answer to question 4, above, we believe that metrics relating to the industry experience of audit personnel may be valuable to investors. However, some further guidance from the PCAOB on the classification of industries is necessary for comparability across firms.

Retention and Tenure

36. Are the descriptions and the calculations of the proposed (i) retention rate and (ii) headcount change at the firm level and engagement level clear and appropriate? If not, why not?

37. Are the description and the calculation of the proposed average number of the firm's partners and managers at the firm level clear and appropriate? If not, why not?

38. Are the description and the calculation of the proposed tenure on the engagement at the engagement level clear and appropriate? If not, why not?

39. Would it be beneficial to disclose the annual retention rate and the annual headcount change of staff with three to five years of experience (often called seniors)? Should disclosure be provided for all staff levels?

40. Are there alternative metrics that may be more useful than the proposed retention rate or headcount change? If so, what are they?

36. We are not persuaded that the proposals relating to retention rates and headcount change are likely to be meaningful or of value to investors in the current environment, or that this is likely to change in the near future, or that firms are sufficiently consistent in the way they calculate such rates to make it worthwhile.

Audit Hours and Risk Areas

41. Is the calculation of the audit hours and risk areas metric clear and appropriate, including the components of the calculation? Why, or why not?

42. Are firms currently tracking the time incurred by partners and managers on significant risks, critical accounting policies and practices, and critical accounting estimates? If not, what should the Board be aware of related to potential costs or challenges related to obtaining this information?

43. Should this metric only report the percentage of hours for the partners and managers on the core engagement team instead of all partners and managers on the engagement team? Why or why not?

44. Under the proposal, the definition of engagement team includes employed specialists, but not engaged specialists. Should this metric be revised to also include engaged specialist hours? Why or why not?

37. We are not aware that firms currently track partner and manager time on significant risks and critical accounting policies. Allocation of time will include non-productive time calculated in different ways by different firms and the result will be a high-level estimate at best. Auditing standards require a focus on such areas and a percentage alone is unlikely to provide high-quality insights without context.

38. As with other metrics, the absolute numbers of hours is important. A percentage alone may be particularly misleading if some significant risks are audited at component level, and in larger groups with multinational operations. This also suggests that reporting should be by all engagement partners and managers on the team.

39. Some firms have specialists within the audit team, others have them in pools within the audit practice that can be called on, others again have them within the firm but not within the audit practice and some call on specialists from outside the firm. It is important that essentially similar arrangement be reflected in similar ways where possible, regardless of a firm's internal structure and it would therefore be helpful to include both employed and engaged specialists.

Allocation of Audit Hours

45. Is the calculation of the allocation of audit hours to prior to and following the issuer's year end clear and appropriate? Why, or why not?

46. Would a different, more granular, metric be more appropriate, for example allocation of audit hours devoted to each phase of the audit—planning, quarterly reviews, interim field work, final field work up until report release date, and post-report release date until audit documentation completion date? Why, or why not?

47. Are there other considerations related to the reporting of this metric that would increase its usefulness and comparability (e.g., including a subset of the firm-level metric by industry, by client year end, etc.)?

40. We broadly agree with the proposals relating to allocation of audit hours.

Quality Performance Ratings and Compensation

48. Are the proposed metrics and calculations for quality performance ratings and compensation clear and appropriate? If not, why not? Are there other metrics that would be appropriate? If so, what are they? Is there another way to calculate the correlation between partner performance and compensation? If so, please provide an example.

49. Is the proposal to exempt firms that are exempt from the SEC's partner rotation rule clear and appropriate? If not, why not? Is there a more suitable threshold to exempt smaller firms from reporting this metric? If so, what would be an alternative threshold and why should those firms be exempt?

50. If firms do not have a specific quality performance rating for partners and use an overall performance rating instead, should they be required to indicate the use of an overall performance rating? Is there another way for these firms to report the correlation between partner performance and compensation? If so, what is it?

51. We do not propose to define partner compensation in Section III.B.1. Should the nature (e.g., cash vs. non-cash) or the types (e.g., distributions, bonus, partner draws, etc.) of compensation that should be included or excluded in the calculation be described? Are there any types of compensation that should be excluded? If so, what are they? And why?

52. The proposed metric does not differentiate between equity partners and non-equity partners in calculating and reporting this metric. Should equity partners and non-equity partners be differentiated and reported separately? Alternatively, should the metric only include equity partners? Why or why not?

53. Would it be more appropriate to disclose firm policies relating to partner compensation and how quality performance is measured and incorporated into the firm's policy, rather than reporting the proposed compensation and quality performance rating related metrics? Why or why not?

41. It would be more appropriate to disclose firm policies relating to compensation and the measurement of quality performance than to report the proposed compensation and quality performance metrics. The relationship between quality performance ratings and compensation is not linear, because other measures are also considered in determining compensation. It is not clear whether the metric would relate to large accelerated filer engagements, issuer audit engagements or all audits.

Audit Firm's Internal Monitoring

54. At the firm level, we are proposing to require firms to provide disclosure of (i) the period covered by the firm's most recently completed internal monitoring cycle, (ii) the percentage of issuer engagements selected for internal monitoring, and (iii) the percentage of internally monitored engagements that had an engagement deficiency. Should we also consider providing the actual numbers of engagement deficiencies identified in the firm's most recent monitoring calendar? Why or why not?

55. At the engagement level, firms would be required to disclose whether a previous engagement for the issuer was selected for internal monitoring in the most recently completed internal monitoring cycle and, if so, whether the firm identified any engagement deficiencies related to

(1) financial statement line items,

(2) disclosures, or

(3) other noncompliance with applicable professional and legal requirements.

Are these categories appropriate? If not, why not? Should there be additional categories? If so, what should they be and what types of deficiencies should they cover? Provide an explanation of your answer.

56. For each engagement deficiency identified, we are proposing that the areas of noncompliance and the type of testing deficiency or the standard or rule with which the noncompliance was identified also be disclosed. Is this an appropriate level of detail to

understand identified deficiencies? Why or why not? 57. For each engagement deficiency identified that relates to

(1) financial statement line items or

(2) disclosures, we are proposing that the type of testing deficiency be identified (e.g., testing of design or testing of control effectiveness), whereas for deficiencies related to

(3) other noncompliance with applicable professional and legal requirements we are proposing that the standard or rule with which the noncompliance was identified also be disclosed.

Should we require that the standard or rule with which noncompliance was identified be disclosed in all cases? Why or why not?

42. We note in our main points above the fact that firms will seek to align the PCAOB's metrics, and those required in other jurisdictions, with their own internal metrics. Over time, we hope that audit regulators globally will seek to align requirements relating to the reporting of metrics.

Restatement History

58. Are the proposed descriptions of revision restatement and reissuance restatement clear and appropriate? If not, what descriptions should we use?

59. Is five years an appropriate number of years to require firms to report? If not, what would be the appropriate number of years?

60. Should we require reporting of revision restatements? Why or why not?

61. Are firms currently tracking revision restatements, reissuance restatements, or both for issuer engagements for which the firm issued an audit report? If so, which category of restatements does the firm currently track and for how long does the firm track this information?

62. Do you agree with the proposal to count multi-year audit restatements based on each year impacted by the restatement? Why or why not?

63. Should we also require restatements to be reported at the engagement level on Form AP? Why or why not?

43. It is important that users of the metrics understand that restatements are only a proxy for audit quality, and that they vary considerably in their level of significance to audit quality.

44. The proposal to count multi-year audit restatements based on each year impacted by the restatement has the potential for a misleading multiplier effect. Multi-year effects might instead be covered by providing total years impacted by restatements as a supplementary metric.

Thresholds for Required Reporting

64. For firm-level metrics, is the threshold for reporting appropriate? If not, what would be an appropriate threshold? For example, should we require a threshold for firms that audit companies of a certain size, market capitalization, or another method?

65. Should smaller firms have different reporting requirements than larger firms? Why or why not? If so, how should the reporting of metrics differ?

66. For engagement-level metrics, is the threshold for reporting appropriate? If not, what would be an appropriate threshold? For example, should we require engagement-level metrics for audits of investment companies (other than BDCs that are accelerated filers or large accelerated filers) or non-accelerated filers? And if so, why?

45. We broadly agree with the thresholds for required reporting. We do not believe that differential reporting requirements are warranted.

Reporting of Firm-Level Metrics

67. Is September 30 an appropriate reporting date for firm-level metrics with a filing date of November 30? Is there an alternative reporting date that would be more appropriate and if so, what date? Is there an alternative filing date that would be more appropriate and if so, what date?

68. Rather than reporting on Form FM, should firms report firm-level metrics, as of March 31 on Form 2, which is due on June 30? If so, why?

69. Are proposed Rule 2203C, Firm Metrics, and proposed Form FM instructions included in Appendix 1, clear and appropriate? If not, why not?

70. Are there certain firm organizational or legal structures that might make reporting certain metrics challenging (e.g., alternative practice structures)? If so, please describe the structure and which metrics would pose a challenge and why.

46. We support the proposed timeline which aligns with the reporting timeline requirements of QC 1000.

Reporting of Engagement-Level Metrics

71. Are proposed amendments to Form AP instructions included in Appendix 2, clear and appropriate? If not, why not?

72. Should we require communication of firm-level and/or engagement-level metrics to the audit committee? If so, which ones and why?

Inclusion of Metrics in the Audit Report

73. Would it be appropriate for us to require inclusion of some or all firm- and engagement level metrics in the audit report in addition to PCAOB forms? On what basis should particular metrics be included or excluded?

74. Are there engagement-level metrics for which inclusion in the audit report would not be practicable, given the time needed to gather the data and make the required calculations? If so, which?

75. If we were to require inclusion of metrics in the audit report, is there a specific placement or format that we should require? If so, what should that be (for example, at the bottom of the audit report, below the firm signature, or as an attachment to the report)?

76. Are there costs associated with inclusion of metrics in the audit report that we have not considered? If so, what are they?

47. We do not believe that investors will be well served by the inclusion of these metrics in already lengthy audit reports. The audit report should relate to the audit of the entity, rather than the auditor. Their inclusion in the audit report will also lend them a spurious accuracy arising from their association with the audited financial statements.

Confidential Treatment and Conflicts with non-U.S. Law

77. Would it be appropriate to allow confidential treatment of any of the metrics required on Form FM or Form AP? If so, which metrics and on what basis?

78. Are there any U.S. or non-U.S. laws that would prohibit reporting the proposed firmlevel or engagement-level metrics to the PCAOB or publicly? If so, please describe such laws and the proposed metrics to which it is realistically foreseeable that they would apply. In particular, please identify any metrics that may call for disclosure of personally identifiable information and the type of personally identifiable information that could be required to be disclosed.

48. The PCAOB may find it necessary, or at least pragmatic, to permit confidential treatment of some metrics in some cases. This is particularly likely in relation information about

engagement partners, where information from non-US jurisdictions is unlikely to be provided on any other basis, because of data protection legislation or the threat of other legal challenge.

Documentation

79. Is the proposed documentation requirement clear and appropriate? If not, why not?

Potential Additional Firm and Engagement Metrics

80. Are there benefits to requiring a training metric at either the firm level or the engagement level that we have not considered? If so, what metric would provide useful information and how would the challenges that we have considered be overcome?

a. Would it be useful and appropriate to disaggregate by level for all audit professionals (e.g., partner, manager, and staff), or limit to only certain positions, (e.g., partners)? If so, what levels should be disclosed?

b. Would it be useful and appropriate to include a requirement for training to be disclosed for specific fields of study (e.g., accounting and auditing or independence and ethics, or fraud)? If so, what are they? Is it challenging to accumulate that information? Why or why not?

c. Would it be useful and appropriate to require disclosure of training hours? Or should we measure continuing professional education completion compliance rates instead of or in addition to training hours?

81. Are there other metrics related to training that we have not considered that would provide more useful information than those that we have considered? If so, what are they? Are there ways to capture the qualitative aspects of training in a metric? If so, how?

82. How could the information provided by a training metric be used by investors, audit committees, and other stakeholders? Would reporting a training metric have unintended consequences and, if so, what are they?

83. Are there benefits to requiring a metric at the firm level specific to technical resources that we have not considered? If so, what metric would provide useful information and how would the challenges that we have considered be overcome?

84. Would it be useful and appropriate to require disclosure of firm- and engagement-level metrics specific to use of the firm's national office resources? If so, how would such information be used?

a. "National office" is not a defined term and may have different meanings at different firms. How should "national office" be defined?

b. Would it be useful and appropriate for a metric regarding national office involvement include every consultation (e.g., required or voluntary) or should a distinction be made between types of consultations? If so, how should that distinction be made?

c. Would a firm-level metric indicating the percentage of audit engagements that have consulted with the national office be appropriate and useful? Why or why not? Would an engagement-level metric indicating the number of consultations performed by the engagement team be appropriate and useful? Why or why not?

d. How would such a metric work at firms that do not have a national office or equivalent? Should such firms provide information regarding consultations with others inside or outside the firm?

85. Are there benefits to requiring a metric at the firm-level specific to investment in infrastructure that we have not considered? If so, what metric would provide useful information and how would the challenges that we have considered be overcome?

86. Are there other metrics related to investment in infrastructure that we have not considered that would provide more useful information than those that we have considered?

87. How would investment in infrastructure be defined?

88. Are there specific considerations or other unintended consequences that we should take into account regarding the potential disadvantages of requiring such a metric for smaller firms?

Baseline

89. Have we appropriately described the baseline? If not, how can we improve the analysis?

90. Is the literature cited for the baseline fairly represented? If not, please explain.

91. Are there additional studies or data that would inform our analysis of the baseline? If so, please direct us to them and explain how they would inform the analysis.

Need

92. Have we appropriately described a problem and how the proposal would address the problem? If not, how can we improve the analysis?

93. Is the literature cited for the need fairly represented? If not, please explain.

94. Are there additional studies or data that would inform our analysis of the need? If so, please direct us to them and explain how they would inform the analysis.

Benefits

95. Have we appropriately described the benefits, including benefits to smaller firms or issuers? If not, how can we improve the analysis?

96. Are there additional academic studies or data that would inform our analysis of the benefits? If so, please direct us to them and explain how they would inform the analysis.

97. Are we fairly representing the academic literature related to the benefits? If not, please explain how.

98. Are there any quantifiable benefits? If so, please:

(1) identify them;

(2) describe a methodology to quantify them;

(3) explain why the methodology is appropriate and relevant to the proposal; and

(4) direct us to any studies or data that the methodology relies on.

Costs

99. Have we appropriately described the costs, including costs to smaller firms or issuers? If not, how can we improve the analysis?

100. Is the literature cited for the analysis of costs fairly represented? If not, please explain.

101. Are there additional studies or data that would inform our analysis of the costs? If so, please direct us to them and explain how they would inform the analysis.

102. Are there any quantifiable costs? If so, please:

(1) identify them;

(2) describe a methodology to quantify them;

(3) explain why the methodology is appropriate and relevant to the proposal; and

(4) direct us to any studies or data that the methodology relies on.

49. The PCAOB should acknowledge the additional cost of data collection arising from the fact that the data and collection methods, and assumptions and controls over the processes associated with collection and reporting, will be scrutinised by the PCAOB.

Unintended Consequences

103. Have we appropriately described the potential unintended consequences? If not, how can we improve the analysis?

104. Is the literature cited for the alternatives fairly represented? If not, please explain.

105. Are there additional studies or data that would inform our analysis of alternatives? If so, please direct us to them and explain how they would inform the analysis.

Alternatives Considered

106. Have we appropriately described alternatives? If not, how can we improve the analysis?

107. Are any alternative approaches preferable to the proposed approach? If so, please describe them and explain why they are preferable.

108. Is the literature cited for the alternatives fairly represented? If not, please explain.

109. Are there additional studies or data that would inform our analysis of alternatives? If so, please direct us to them and explain how they would inform the analysis.

Special Considerations for Audits of Emerging Growth Companies

110. Have we appropriately considered the impacts of the proposal on EGCs (including impacts on efficiency, competition, and capital formation)?

Effective Date

111. Would the effective dates described above provide challenges for auditors? If so, what are those challenges, and how should they be addressed?

112. Is a phased effective date appropriate for firm-level and engagement-level reporting? Should we phase in requirements based on the number of issuer audit reports issued, as proposed, or on some other basis (and if so, what)?

50. We support the proposed timeline which aligns with the reporting timeline requirements of QC 1000.