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June 7, 2024

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, NW  
Washington, DC 20006-2803

**Re: PCAOB Rulemaking Docket Matter No. 041**

Dear Ms. Brown:

Deloitte & Touche LLP (“Deloitte”) appreciates the opportunity to respond to the request for comments from the Public Company Accounting Oversight Board (the “PCAOB” or the “Board”) on PCAOB Release No. 2024-002, *Proposing Release – Firm and Engagement Metrics* (the “Proposal” or the “Release”).

**Overall Summary**

Deloitte is committed to the vital role that we, as independent auditors, play in strengthening confidence in the capital markets. We understand that the trust of our stakeholders is central to our role and building and maintaining trust starts with transparency. That is why we support increased transparency into the audit process and our firm through providing consistent, comparable, and meaningful information about the auditor and the auditor’s work.

Transparency stands to enhance confidence in the rigor of the independent audit process. It is the foundation of the extensive public information we provide today about our firm and our audits through our website and our annual Audit Quality and Transparency Reports (collectively, “Transparency Reporting”), as well as the information we provide to Audit Committees. The information we share is designed to support greater understanding of our firm, the audits we perform, and our unwavering commitment to audit quality.

In forming our views on the proposed metrics, we considered (1) the objective of the Proposal, which is to provide consistent and comparable information about the quality of the audit and the audit practice, (2) the feasibility of obtaining and aggregating information, and (3) how such information can best be disclosed or communicated. We believe that any required firm- and engagement-level metrics should be discussed with the audit committee; however, not all firm-level metrics should be disclosed publicly on new Form FM, *Firm Metrics* (Form FM) and engagement-level metrics should only be disclosed to the audit committee. Discussing metrics with the audit committee allows for better understanding of the engagement-level metrics and certain firm-level metrics and the relevancy of the results given the audit committee has context and knowledge about the circumstances of the issuer and the audit.

In this letter, we offer feedback and constructive suggestions with the objective of having a final rule that provides for the sharing of consistent and comparable information with the appropriate stakeholders who can use such information as a basis for making informed decisions. A summary of our observations and

recommendations regarding the Proposal follows, including potential unintended consequences and observations on the economic analysis, and implementation period, with further comments in [Appendix A](#) on specific proposed metrics.

### *Firm-Level Metrics*

We believe many of the firm-level metrics proposed by the PCAOB relate to areas that audit committees, investors, and other stakeholders may find information meaningful and informative. We support disclosure of those metrics in Form FM. However, to enhance the value and usability and best meet the stated objective of the Proposal, we have recommended modifications or alternatives to certain metrics. We also believe there are certain proposed firm-level metrics that are unlikely to provide useful information and achieve the objectives of the Proposal, and for these certain proposed metrics, we suggest the exclusion from a final rule. Refer to [Appendix A](#) for these recommendations.

### *Engagement-Level Metrics*

Given the unique characteristics, facts, and circumstances of each individual audit and the audit firm resources involved in delivery of each audit, we believe required public disclosure of engagement-level metrics would not provide consistent or comparable information. We have concerns that the proposed metrics are overly focused on certain measures, such as audit hours incurred, while ignoring other matters relevant to audit quality (such as the investment in and use of technology), which are best discussed and understood by those with an in-depth understanding of the circumstances of the issuer and the audit and with the ability to obtain appropriate context. For example, without an in-depth understanding and the ability to engage in dialogue with the auditor about judgments made and conclusions reached on the audit, the proposed metrics would not be meaningful (e.g., how the allocation of audit hours may be influenced by issuer transactions or business cycles). For these reasons and those further described below, we have concerns about the ability of the public disclosure of engagement-level metrics to achieve the objectives of the Proposal:

- Consistency and comparability of the metric across audit firms and audits – Certain of the proposed engagement-level metrics may not provide meaningful comparability between audits and audit firms, due to differences in the nature and circumstances of individual audits. While it may be assumed that audits of two issuers in the same industry will have similar results, there would likely be differences in disclosed metrics and without sufficient context it would be challenging to properly interpret the results. For example, the differences in metrics could be driven by differences in the extent of the issuer’s centralization or complexity of IT infrastructure, the number of entities or business units of the issuer, or the complexity of the issuer’s structure, which will result in the metrics not being comparable.
- Consistent calculation of metrics across audit firms and audits – The Proposal does not provide sufficient and clear guidance to the auditor to address potential variations in the interpretation of terminology used in the metrics, which could lead to inconsistent reporting across audit firms. For example, some metrics use partner and manager hours on the core engagement team, which include a threshold for inclusion in the engagement team. Conversely, other metrics use partner and manager hours on the engagement team, which includes partners and managers whose involvement is extremely limited. It is also not clear whether “engagement team” for purposes of this rule includes internal specialists, as the Proposal does not include internal specialists in many of the proposed metrics.
- Metrics that indicate audit quality – The proposed disclosure of engagement-level metrics will likely not provide information that is meaningful to assessing the performance of auditors and

can easily be misinterpreted without an in-depth understanding of the nature and circumstances of an engagement. The lack of sufficient and appropriate context could result in unintended consequences, including misinterpreting the metrics or drawing inappropriate conclusions on the perceived value and quality of the audit. This risk was specifically highlighted by the Release on page 6, “[For] some of our proposed metrics, numerical values may provide different signals in different contexts; for example, a relatively frequent use of auditor’s specialists could indicate a particularly thorough audit effort but may also point to a lack of relevant expertise on the engagement team.”

As an additional example, the audit hours spent on significant risk areas vary widely between audits as the identification of significant risks is based on the facts and circumstances of the engagement, as is the nature and extent of the audit response associated to significant risks. The lack of comparability of this proposed metric is further impacted by the number and nature of critical accounting estimates and critical accounting policies, which are determined by the issuer, and potentially overlap the significant risks identified by the engagement team.

Therefore, we recommend the Board not require public reporting of engagement-level metrics in Form AP (or the auditor’s report) and instead require auditors to disclose certain engagement-level metrics to audit committees as part of required audit committee communications.<sup>1</sup> In addition, the auditor should engage in a dialogue with the audit committee regarding the disclosed engagement-level metrics and other information relevant to the audit committee.<sup>2</sup> As audit committees have responsibility for the appointment, compensation, and oversight of the external auditor, providing relevant and meaningful engagement-level information and metrics to them may provide additional insights and information to assist in fulfilling their responsibilities. Audit committees also have a deep understanding of the issuer and the audit which allows them to assess the relevancy and results of the metrics.

In [Appendix A](#), we provide our observations on each of the proposed engagement-level metrics and whether we believe they would provide meaningful information based on our experience communicating with audit committees. In practice, we have found that engagement-level information based on the issuer and tailored to the needs of the audit committee are most useful. Accordingly, we believe before finalizing the rule the PCAOB should engage in specific public outreach to audit committees, such as roundtables, to determine the engagement-level information that would be most relevant to all audit committees to assist in the execution of their oversight responsibilities.

### *Materiality Threshold*

The Proposal lacks materiality thresholds for the disclosure of metrics (and any amendments to such disclosures) and includes terminology such as “all” and “every” (e.g., “every partner and manager who worked on any aspect of the audit, even if their involvement was extremely limited”), which appears to deviate from the auditor’s obligation under QC 1000, *A Firm’s System of Quality Control*, to design and operate policies and procedures that provide a level of reasonable assurance that externally reported information is accurate and not misleading. While many audit firms currently collect and report some of the information needed for the proposed metrics, due to the detailed nature of the Proposal and the lack of materiality thresholds, the Proposal could be interpreted by some to require that audit firms perform extensive procedures to precisely calculate the metrics to a zero tolerance for error level. We therefore recommend the Proposal be amended for the application of materiality thresholds based on reasonable

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<sup>1</sup> This could be achieved through amendments to AS 1301, *Communications with Audit Committees*.

<sup>2</sup> Staff Implementation Guidance, such as a Spotlight, could be issued to provide auditors with leading practices to facilitate the discussion with the audit committee regarding relevant metrics, both firm-level and engagement-level.

assurance. We further recommend the Board consider revisions to Rule 3211, *Audit Participants*, to add materiality thresholds based on reasonable assurance, for the same reasons.<sup>3</sup> We also recommend the Board clarify whether the current Form AP Staff Guidance<sup>4</sup> regarding amendments would extend to all metrics as well as how routine corrections and re-allocations of time entries and other matters affecting metrics reported on Forms FM are expected to be handled.

#### *Potential Unintended Consequences Arising from Proposed Firm-Level and Engagement-Level Metrics*

The Proposal does not adequately consider the full range of potential unintended outcomes or consequences that may result if the rule is finalized as proposed. These include:

- Creation of competitive disadvantages or the disclosure of information that would not typically be shared among competitor audit firms (e.g., disclosure of performance management systems and compensation structures as part of the quality performance rating and compensation metric).
- Potentially inadvertently providing insights as to the nature of an issuer’s internal operations that have not been disclosed by the issuer through the public disclosure of certain metrics (e.g., high use of specialists, high hours based on significant risks, and results of internal inspection including the nature of the deficiencies).
- Disclosure of personal information, such as the engagement partner’s workload.<sup>5</sup>
- Potential conflicts with laws and regulations in other jurisdictions that may result in an audit firm having to determine whether to comply with PCAOB rules or with local laws and regulations. The PCAOB has taken the position that no information can be withheld on the basis of a conflict with non-US law because it is “not aware of any realistically foreseeable possibility that disclosure of metrics, either at the firm or engagement, would conflict with applicable law outside of the U.S.” However, given the limited time we had to consider the Proposal and perform outreach across the Deloitte network, we have been unable to conclusively identify and evaluate all situations that could conflict with non-US law, but are aware of some jurisdictions where there may be conflicts. For example, if the laws of another jurisdiction require the non-US audit firm to obtain a consent to disclose information (e.g., internal monitoring results) and the non-US audit firm does not receive consent, this would place the non-US audit firm in the position of either (1) violating a local law or (2) not complying with the PCAOB rule. The PCAOB’s stated position does not address the constant changing of laws and regulations, and whether there could be potential conflicts in the future. As part of a final rule, the PCAOB should permit non-US audit firms to assert a legal

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<sup>3</sup> Form AP – *Auditor Reporting of Certain Audit Participants*, permits auditors to use a reasonable estimate for purposes of the calculation of total audit hours and hours attributable to participants, if actuals are not available, but does not include a threshold for evaluating errors in determining whether an amendment to Form AP is necessary. Errors may be identified for a trivial number of hours, which would require an amendment to Form AP and we do not believe would be material to an investor’s understanding of the audit.

<sup>4</sup> Staff Guidance – *Form AP, Auditor Reporting of Certain Audit Participants, and Related Voluntary Audit Report Disclosure Under AS 3101, The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion* (Nov. 21, 2023) (“Staff Guidance on Form AP”), Item 2.

<sup>5</sup> We have not addressed the Board’s authority to require some of disclosures in the proposal, but we encourage the Board to closely evaluate this subject as the proposed disclosures seem disconnected in certain respects from the core purpose of the Sarbanes-Oxley Act.

conflict in accordance with PCAOB Rule 2207.<sup>6</sup> For the same reasons, the PCAOB should also continue to make confidential treatment available in accordance with PCAOB Rule 2300.<sup>7</sup>

#### *Additional Costs Associated to the Proposal, Including Impacts from Other Standard-Setting Activities*

Notwithstanding our support for many of the firm-level metrics and our recommendation to disclose engagement-level metrics to audit committees (instead of public disclosure), we believe the Proposal underestimates the costs associated to implementing the proposal, including those that will be incurred by smaller firms and non-US firms. The Proposal recognizes that auditors “may pass on to issuers costs incurred as a result of the proposal in the form of higher audit fees”; however, we believe the time and cost to implement will be substantially higher than estimated by the PCAOB. The economic analysis does not sufficiently address the costs associated with:

- The impacts from the lack of materiality thresholds in the proposed rules, as previously described.
- The requirement to collect information from practitioners outside of the firm preparing the Form FM (e.g., partner and manager involvement and allocation of audit hours requires reporting of the entire engagement team, including other auditors), including the additional costs for non-PCAOB registered firms not currently contemplated in the economic analysis.
- The requirement to retrospectively review and calculate historical data to comply with the Proposal (e.g., industry experience).
- The cumulative impact from other new and proposed PCAOB standards and regulatory requirements that will impact the profession over the next few years.<sup>8</sup>

#### *Need for Sufficient Time to Implement*

We encourage the Board to reconsider the proposed effective dates as they do not contemplate the considerable amount of time that public accounting firms would require to implement this Proposal. Specifically, the proposed effective dates do not appear to provide the time needed for firms to design, test, and implement the systems and processes necessary to ensure compliance with many of the proposed disclosure requirements. The current effective date also does not contemplate that network firms may have different technologies and systems to capture time and that they will need to work across jurisdictions, and possibly across regulatory bodies and agencies, to evaluate whether it is possible to shift to one consistent system or develop new processes across multiple systems to facilitate reporting. We ask that the Board also consider the other ongoing standard-setting projects that are expected to be adopted and implemented over similar timeframes, and how it is critical that public accounting firms have sufficient time to implement appropriately and thoughtfully all new and amended rules and standards. In addition, we ask the Board to consider the impacts on non-US audit firms as a result of ongoing regulatory activities in other jurisdictions as these audit firms will have increased costs associated to implementing requirements that are different but may appear similar. This may also result in confusing information in

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<sup>6</sup> PCAOB Rule 2207, *Assertions of Conflicts with Non-U.S. Laws*.

<sup>7</sup> PCAOB Rule 2300, *Public Availability of Information Submitted to the Board; Confidential Treatment Requests*.

<sup>8</sup> For example, *Amendments Relating to the Supervision of Audits Involving Other Auditors* (effective for audits ending on or after 12/15/2024); AS 2310, *The Auditor’s Use of Confirmation* (effective for audits ending on or after 6/15/2025); AS 1000, *General Responsibilities of the Auditor in Conducting an Audit* (effective for audits starting on or after 12/15/2024); QC 1000, *A Firm’s System of Quality Control* (effective as of 12/15/2025); Proposed AS 2405, *A Company’s Noncompliance with Laws and Regulations; Proposed Amendments Related to Aspects of Designing and Performing Audit Procedures That Involve Technology-Assisted Analysis of Information in Electronic Form*.

these jurisdictions for users of the metrics as audit firms may be required to disclose similar metrics publicly to comply with various regulatory requirements, but due to the differences in the calculations the resulting metrics will differ. As a result, users may obtain varying results for metrics that appear to be the same.

We ask that the Board consider a phased implementation approach similar to the UK's Financial Reporting Council (FRC) Firm-level Audit Quality Indicators (AQIs): Definitions Note (March 2020 ("FRC AQI Consultation")). Analogizing this Proposal to the FRC approach, in the first year of implementation, audit firms subject to the Proposal would participate in a pilot to collect data for reporting to the PCAOB and in the second year of implementation, the firm-level metrics would be reported publicly (e.g., on Form FM). A pilot year, with confidential reporting to the PCAOB, would allow auditors the opportunity to test the implementation of their processes and controls. This would allow auditors to resolve implementation challenges and discuss questions among the profession and with the PCAOB in advance of public reporting, which will increase the consistency and quality of the information provided to investors and other users of the information.

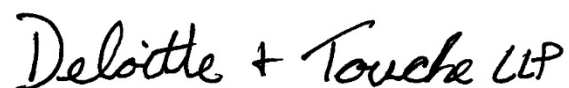
#### *Impacts to Non-US Deloitte Network Firms and Audit Firms with Limited Issuer Audits*

The Proposal does not sufficiently address the impacts to audit firms that issue a limited number of "accelerated or large accelerated filer" auditor reports annually. In these situations, many of the firm-level metrics (e.g., the internal monitoring metric) may result in essentially disclosing engagement-level information at the firm-level, which may (1) create privacy or confidentiality challenges (particularly for firms outside the US subject to other laws and regulations related to privacy or confidentiality), (2) create redundant reporting burdens for these firms, (3) not achieve the objective of reporting firm level metrics, and (4) result in the disclosure of confidential information of specific issuers. We believe the PCAOB should amend its applicable criteria in Rule 2203C, *Firm Metrics*, to require submission of Form FM when the audit firm has 100 or more issuers. In addition, this would permit the summarization of the firm-level information consistent with Footnote 155 of the Proposal, which states "firm-level reporting would consist only of summary data."

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We appreciate the opportunity to provide our perspectives on enhancing the transparency of the auditor to users of the financial statements. Our comments are intended to assist the PCAOB in developing a final rule that provides consistent, comparable, and meaningful information to users of the financial statements. We welcome the opportunity to engage in constructive discussions and to collaborate with the PCAOB on this important matter. If you have any questions or would like to discuss these issues further, please contact Bill Calder at (571) 766-7799, or Emily Fitts at (203) 423-4455.

Yours sincerely,

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, flowing style.

Deloitte & Touche LLP

## APPENDIX A

This Appendix provides context and additional considerations related to key matters for the proposed metrics.

The following tables are a summary of our recommendations for disclosure of firm and engagement-level metrics; additional information on our recommendations for certain metrics follow each table.

### Firm-Level Metrics

	Supportive of Public Disclosure	Supportive of Public Disclosure with Modifications	Not Supportive of Disclosure
<b>Firm-Level Metrics</b>	<ul style="list-style-type: none"> <li>• Audit Partner and Manager Involvement</li> <li>• Retention and Tenure</li> <li>• Allocation of Audit Hours</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Audit Workload</a></li> <li>• <a href="#">Audit Resources – Use of Auditor’s Specialists</a></li> <li>• <a href="#">Restatement History</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Audit Resources – Use of Shared Service Centers</a></li> <li>• <a href="#">Experience of Audit Personnel</a></li> <li>• <a href="#">Industry Experience of Audit Personnel</a></li> <li>• <a href="#">Quality Performance Ratings and Compensation</a></li> <li>• <a href="#">Audit Firms’ Internal Monitoring</a></li> </ul>

#### *Firm-Level Metrics: Supportive of Public Disclosure with Modifications*

**Audit Workload (Firm-Level Metric).** We are supportive of disclosing information about the average annual workload of audit personnel by level but believe the calculation as proposed is overly complicated and not practical to implement given the requirement to exclude time off as well as to classify partners as either (1) engagement partners or (2) partners. Specifically:

- The Proposal requires partners be classified as either “engagement partners” or “not engagement partners”, which creates practical challenges as in practice a large portion of partners generally fill both roles. The Proposal is not clear whether a partner for purposes of this metric is considered an “engagement partner” only when serving on an audit engagement or whether a partner could also be classified as engagement partner when primarily responsible for non-audit or attest engagements. The Proposal defines engagement partner consistent with AS

2101 but in the Release states for firm-level metrics “[e]ngagement partners as used in the firm-level metrics mean engagement partners for all of the firm’s engagements” (which would include non-audit or attest engagements, as well as engagements for non-issuers). This lack of clarity will result in practical challenges, including the consistency of calculation, and limit the comparability of the metric.

- The Proposal does not address how to determine the workload of personnel that hold a dual role (e.g., a Partner may have a firm-level leadership role or a Partner works in the US audit firm, but also is seconded for a portion of their time to a network firm or to a global network role). We recommend the PCAOB clarify that hours spent supporting other network firms and global roles count toward total hours worked, even if those hours are not spent specifically for the registered firm.
- The proposed metrics exclude time off, which is a key component of workload and may vary significantly between levels. We expect our personnel to take time off as this improves their overall well-being. By excluding time off or leaves of absences, the workload metric will not provide consistent and comparable information (e.g., personnel who had an extensive leave of absence may unduly impact the calculation). There may also be an unintended consequence of incentivizing personnel to not take time off, which is a behavior we do not want to encourage given the importance of personal well-being. Including time off is consistent with the workload calculation in the FRC AQI Consultation.

We suggest an alternative metric of average annual hours worked by level (e.g., partner, manager, and staff), inclusive of all chargeable and all non-chargeable time. Our alternative metric provides a more informed view of workload and addresses our challenges with the proposed metric. Disclosing workload by level also alleviates the practical challenges of classifying partners into different categories.

**Audit Resources – Auditor’s Use of Specialists (Firm-Level Metric).** We are supportive of disclosing information about the firm’s use of specialists but believe the calculation as proposed does not allow investors and other users to understand the extent of involvement of specialists in audits. We suggest, in addition to the proposed metric, the PCAOB should add an additional metric of disclosing the percentage of audit hours incurred by specialists on issuer audit engagements (as a percentage of the total audit hours on issuers), which we believe is a more meaningful metric. We also suggest the PCAOB include in Form FM the definition of specialist and specifically address that specialists are exclusive of Tax and Information Technology professionals.

**Restatement History (Firm-Level Metric).** We are supportive of providing an alternative firm-level metric related to the number of audits where a correction of error in a previously issued financial statement was checked on the cover page of Form 10-K, Form 20-F, and Form 40-F as this aligns with disclosures made by issuers in accordance with the *Listing Standards for Recovery of Erroneously Awarded Compensation* rule.

***Firm-Level Metrics: Not Supportive of Disclosure***

**Auditor’s Use of Shared Service Centers (Firm-Level Metric).** We do not believe the usage of shared service centers (SSCs) is a relevant metric of quality and will not provide meaningful and consistent



information. We believe this metric should be excluded from the final rule. Audit firms are structured in various ways and the use of the work of SSCs is dependent on the structure and resources of each firm and its SSCs and the specific needs of individual audit engagements. We do not believe there is empirical evidence that provides insights into whether more or less time charged by SSCs is an indicator of the quality of an audit.

The comparability among audits would be limited and not meaningful as the metric will not provide “apples to apples” comparisons due in part to the varying nature of SSCs. For example, an SSC comprised of highly skilled personnel may perform audit procedures on goodwill valuation; alternatively, an SSC may only perform administrative tasks such as preparing the first draft of an engagement letter. In this example, the goodwill SSC is highly accretive to audit quality, while the second SSC is still important to audit quality, however its impact is less significant.

**Experience of Audit Personnel (Firm- and Engagement-Level Metric).** The design of this metric will not provide consistent, comparable, or meaningful information and should be excluded from the final rule. The proposed metric is based on professional experience only at public accounting firms and does not contemplate alternative work experiences (e.g., industry experience, professional accounting fellowships, and governmental/regulatory experience), which nevertheless allow for and provide diverse perspectives and valued experiences to be brought to an audit team.

**Industry Experience of Audit Personnel (Firm- and Engagement-Level Metrics).** This metric should be excluded from the final rule at both the firm-level and engagement-level given the proposed metrics will not provide consistent, comparable, or meaningful information due to the nature of how the proposed metric is intended to be calculated (e.g., tracking based on prescribed industry codes that do not align to issuer’s classifications [or to groupings used within a firm] and based on whether personnel spent 250 hours or more on an audit designated in a particular industry). There are significant challenges with determining personnel’s historical industry experience as prescribed in the Proposal as it would require a full retrospective review of all industry experience by the defined industry codes. In practice, many firms have not been tracking this information and do not have systems to track information at this level. The Proposal does not address the cost associated with retrospectively reviewing historical data for each partner and personnel to comply with this requirement. For the engagement-level metric, the retrospective review would extend to the entire engagement team (e.g., lead auditor and other auditors) and would require information from other audit firms. We further believe there will be a lack of consistency and comparability of this metric due to the changes in industry classification for companies (including as companies continue to evolve and the industries in which they operate may change or expand).

At the engagement-level, this metric also does not address that not all audits require specific industry experience and that audit quality is enhanced when an engagement team includes personnel with diverse experiences. We believe the requirements in paragraph 47 of QC 1000 appropriately require a firm to have policies and procedures related to the assignment of the engagement partner and personnel with the competence to fulfill their roles, which considers the industry in which entity operates. This provision in QC 1000 acknowledges that there is no right level of industry experience and each entity audit may require different background and experience. We are concerned that focusing on the number of years of the engagement team’s industry experience will be misleading as it does not provide the full picture of the breadth of experience of an engagement team. In addition, we are concerned that this information without appropriate context will not provide investors with meaningful information as we are not aware

of the “right” number of years of industry experience to support audit quality.

**Quality Performance Ratings and Compensation (Firm-Level Metric).** We believe this metrics should be excluded from the file rule as it will not provide consistent, comparable, meaningful information. Each audit firm has unique performance management systems and compensation structures, including differences between equity and non-equity partners, which make consistency and comparability across firms an impossibility. There may also be laws and regulations outside of the US that prohibit such disclosures.

**Audit Firm’s Internal Monitoring (Firm-Level Metric).** For the audit firm’s most recent internal monitoring cycle completed, we are not supportive of disclosing (1) the period covered by such internal monitoring cycle, (2) the percentage of issuer engagements that were selected for internal monitoring in the cycle, and (3) the percentage of internally inspected issuer engagements where the Firm identified an engagement deficiency. The current proposed firm-level metric will not provide consistent or comparable information that is meaningful as there are a variety of factors that play into the design of an audit firm’s internal monitoring program which is governed by QC 1000. Such as, firms might have different frequencies of monitoring completed engagements due to size of firm and the requirement in QC 1000 to introduce of an element of unpredictability. Comparability may further be impacted due to differences in the monitoring activities performed by firms on completed engagements. This metric will be misleading for smaller firms or non-US firms that have a small number of issuer audits as the percentage of issuer engagements selected for monitoring could be very large or small depending on the year. In addition, we do not believe there is empirical evidence that supports the “right number” of annual internal inspections or a “gold standard” for number of identified deficiencies, as these metrics vary between audit firms due to a variety of reasons (e.g., the size of the audit firm or the design of their internal inspection program, such that results of the program are not comparable across firms).

### Engagement-Level Metrics

	Supportive of Disclosure to the Audit Committee	Not Supportive of Disclosure
Engagement-Level Metrics	<ul style="list-style-type: none"> <li>• <a href="#">Audit Partner and Manager Involvement</a></li> <li>• <a href="#">Audit Workload</a></li> <li>• <a href="#">Audit Resources – Use of Auditor’s Specialists and Shared Service Centers</a></li> <li>• <a href="#">Retention and Tenure</a></li> <li>• <a href="#">Allocation of Audit Hours</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Experience of Audit Personnel</a></li> <li>• <a href="#">Industry Experience of Audit Personnel</a></li> <li>• <a href="#">Audit Hours and Risk Areas</a></li> <li>• <a href="#">Audit Firms’ Internal Monitoring</a></li> </ul>

## *Engagement-Level Metrics: Supportive of Disclosure Only to the Audit Committee*

**Audit Partner and Manager Involvement (Engagement-Level Metric).** This metric will not provide meaningful information without additional contextual information obtained through a discussion. As an alternative to public disclosure, we believe the auditor can disclose leverage ratios specific to the audit engagement to audit committees; however, disclosure of the metric alone is not sufficient and would need to be accompanied by a discussion. Discussing this information with the audit committee allows meaningful information to be shared about the relative extent of participation of senior personnel in the context of the particular facts and circumstances of the specific audit, which may also include trends over time, or meaningful changes in any given year.

**Audit Workload (Engagement-Level Metric).** The current proposed metric does not take into account various factors that contribute to personnel's workload. Specifically, the proposed metric will not provide comparable information across engagement teams as it does not take into account various working arrangements that may be present on an engagement team (e.g., leaves of absences, flexible working arrangements) or the various roles held by the engagement partner (e.g., leadership roles, non-audit roles, and other firm-level contributions). We are supportive of disclosing annual workload for the partners and managers on the core engagement team to the audit committee. In order to have the appropriate context for the disclosure of the core engagement team's annual workload, disclosure should be accompanied with a discussion with the audit committee. This will allow for a conversation about what might have caused changes in the current year, including changes in working arrangements of core engagement team members (e.g., starting or ending flexible working arrangements or new roles).

**Auditor's Use of Specialists and SSCs (Engagement-Level Metric).** We believe these metrics could be misinterpreted and should not be disclosed publicly. There is no consensus regarding the "appropriate" extent to which an engagement team for a particular audit should use specialists or SSC resources, and therefore no way to determine objectively whether a particular number is higher or lower than the ideal for audit quality. In practice in accordance with AS 1301, engagement teams already disclose to the audit committee the composition of their engagement team, including whether they use specialists and personnel that are not registered firm. We are supportive of disclosing further information about the composition of the engagement team to the audit committee as the audit committee has the requisite knowledge of the issuer and ability to engage in a discussion about the nature and circumstances of the audit in order to understand the auditor's use of specialists and SSCs.

**Retention and Tenure (Engagement-Level Metric).** While we are not supportive of public disclosure of this engagement-level metric, we are supportive of auditors disclosing information about tenure on the audit engagement to the audit committee. We believe this information, coupled with the audit committee's knowledge of the engagement partner's tenure and rotation timing, will provide meaningful information to the audit committee to assist them in exercising their duties to oversee the auditor.

Furthermore, while we are supportive of disclosing tenure information to the audit committee, we do not support any required disclosure of engagement team retention metrics. The proposed retention metric does not consider that engagement team staffing is a firm-level decision and may be based on factors that are not engagement specific (e.g., the nature of the competency of the professionals on the engagement or available for staffing, or the workload of professionals, including if professionals are on leaves of absences and flexible working arrangements). Additionally, staffing is impacted by local laws and regulations and there may be limitations on what can be disclosed regarding to personal HR information.

**Allocation of Audit Hours (Engagement-Level Metric).** As an alternative to public disclosure of this metric, we are supportive of the auditor disclosing this information with the audit committee. There are a variety of factors that influence the allocation of hours on audit before or after the entity's year-end which are beyond the control of the auditor and may drive a disproportionate allocation of hours before or after the entity's year-end in a given audit, including those related to the entity entering into transactions and changes in the entity's operations or systems. We believe audit committees are in a position to have a rich understanding of the facts and circumstances that drive the percentage allocation of audit hours in the prior year and any changes in the current year. Therefore, we are supportive of auditors disclosing and discussing with the audit committees the allocation of audit hours (e.g., as part of the communication of the overall audit strategy and throughout the year as part of interim reviews).

**Experience of Audit Personnel (Firm- and Engagement-Level Metric).** See discussion above in the *Firm-Level Metrics: Not Supportive of Disclosure* section.

**Industry Experience of Audit Personnel (Firm- and Engagement-Level Metrics).** See discussion above in the *Firm-Level Metrics: Not Supportive of Disclosure* section.

#### ***Engagement-Level Metrics: Not Supportive of Disclosure***

**Audit Hours and Risk Areas (Engagement-Level Metric).** We are not supportive of this metric as it is inoperable given the nature of auditing. Among other things, some audit procedures address multiple risks and assertions (e.g., the testing of a control may address a risk of material misstatement that is both significant and not significant), and therefore it would not be practicable to try and bifurcate hours for purposes of this metric. In practice, engagement teams do not allocate their time by risk and if this metric is implemented, it will result in an exponential increase in administrative burden. In addition, there is a lack of comparability related to this proposed metric across audits engagements as no two audits engagements are the same given the professional judgements exercised by auditors in the determination of significant risks, the variability in management's identification of critical accounting policies and critical accounting estimates, and the variability of audit procedures performed across audits in these areas.

**Audit Firm's Internal Monitoring (Engagement-Level Metric).** We are not supportive of this proposed metric. Disclosing the nature of monitoring results heightens the risk of the auditor inadvertently disclosing original information about an issuer, as the information disclosed would be specific to the audit of that issuer and would not be sufficiently summarized to avoid disclosing original information.