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June 14, 2024

By e-mail: [comments@pcaobus.org](mailto:comments@pcaobus.org)

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, NW  
Washington, DC 20006-2803  
Attn: Phoebe W. Brown, Secretary

**Re: Proposed PCAOB Auditing Standards Firm and Engagement Metrics (PCAOB Release No. 2024-002, April 9, 2024: PCAOB Rulemaking Docket Matter No. 041) and Firm Reporting (PCAOB Release No. 2024-003, April 9, 2024: PCAOB Rulemaking Docket Matter No. 055)**

Dear Ms. Brown:

Tapestry Networks is pleased to respond to the proposals from the Public Company Accounting Oversight Board (PCAOB) on *Firm and Engagement Metrics* and *Firm Reporting* (the “proposals”). Since 2003, our firm has been a trusted convener of corporate directors, regulators, and capital markets leaders with a mission to foster dialogue and collaborate in problem solving.

This letter sets out select reactions to the proposals by audit committee chairs (ACCs) of large publicly traded companies, all with revenues of over \$1 billion, from our regional US-based networks. While the views expressed here do not represent a unanimous view of the participating ACCs, we heard broad agreement on many of the matters raised in this letter.

A quality audit contributes to the effective functioning of the financial reporting ecosystem, and ACCs are supportive of actions that contribute to audit quality. ACCs believe that new mandatory requirements should have a clearly articulated purpose and value in support of audit quality, and that the benefits of additional regulations should outweigh their costs. Participating ACCs questioned how the proposals would contribute to enhancing audit quality. If audit quality was not the primary objective, they asked, what were the underlying problems that the proposals were intended to address?

Broadly, participating ACCs are not optimistic about the additional value that the proposed information and metrics would deliver:<sup>1</sup>

- They question whether investors would make use of the proposed information and metrics in their decision-making. Some ACCs noted that most of the new information is rarely, if ever, requested by investors, much less the subject of discussions with investors. One ACC said, *“I haven’t heard any kind of groundswell from investors that they are looking for more information about the audit firm.”* Other ACCs agreed: *“I have been on 13 or 14 public companies over the last 35 years. No investor has asked me about an audit. No one has questioned me about the scope, the fee, the quality – nothing. Investors have asked to see me in other leadership roles, such as chair of the compensation committee, but not as the audit chair.”*
- The information that will be provided by the proposed metrics is reported only annually, whereas the evaluation of the auditor by ACCs is a continuous process: *“If you are not continually evaluating the auditor’s competence then you are not doing your job at the audit committee or as the audit chair. There will be more data points, but less information that will be useful.”* Another ACC added, *“Much of the data that will be provided will be old, so it is hard to believe that anyone will use that data to make a decision to increase or decrease their investment holdings in a company.”*
- ACCs already receive or have access to most of the information that the proposals would mandate. One noted, *“Audit chairs already have a good sense of the important things anyway. You know the industry knowledge of your auditor, you know the years on the job, you know what new people are being put on the audit. You know the hours specifically by rank and dollar, which is provided when discussing the audit itself and fees.”* Where information is not already provided as part of the audit process, ACCs are not concerned about their access to it: *“Of the proposed metrics, there are only two that I don’t routinely get as part of the audit plan and am confident I would get them if I asked. I have never been denied any information by my auditor.”* In addition, ACCs do not think the proposed information and metrics would enhance their oversight role: *“I don’t find their proposals helpful at all to me, as an audit committee chair, in the effective execution of my responsibilities. I think the guidelines we have already are quite sufficient to lead us to the issues that we need to look at.”*

ACCs highlighted other concerns:

- **Public access to the metrics could increase unnecessary risk.** ACCs fear that public disclosure of the information specified in the proposals could do more harm than good. In particular, they worry about litigation and reputation risk. One said, *“There is a risk with this data being publicly available – if there are metrics that seem to lean one way for the aggregate of companies or industry and your company is the outlier (and is an outlier for a very good reason), the perceived disparity could be used as leverage or by an activist or some person who wants to do harm to the company.”*
- **A ‘one size fits all’ approach could lead to incorrect or inappropriate conclusions.** The metrics themselves are nuanced; some ACCs expressed concern about their comparability and

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<sup>1</sup> Italicized quotations herein reflect direct comments from participating ACCs.

meaningfulness. One ACC said, *“Without context the data may or may not be helpful. Drilling down on a metric without truly understanding the broader context of the company and the differences in circumstances to comparable companies leads me to question whether the metric is ‘decision-useful’ or not. For example, the metrics may be very specific to an office, but you don’t care what happens in the firm’s Minneapolis office if your company makes semiconductors in the Bay Area.”* Some ACCs noted that the metrics would inevitably fail to take account of “intangibles” that are important for decisions. For example, *“I would rather have a great partner spend 30 minutes versus a mediocre partner spend four hours, and that perspective would not necessarily be captured by the metrics.”*

- **The proposals could further the crisis of talent in the profession.** ACCs are very concerned about the impact that more regulation will have on the profession’s appeal in the eyes of new talent. One explained, *“I’m worried about the impact on talent. In addition to more compliance requirements, you could end up with an environment where financial information and compensation and bonuses become publicly available. It can be demoralizing. We don’t have enough people going into the accounting and auditing profession as it is. Besides new talent, we also need to think about the impact making this information public could have on current partners and audit firm staff.”*
- **Proposals omit AI metrics.** While ACCs support timely reporting of cyber events, one noted that required reporting should include issues arising from the use of artificial intelligence.
- **Other unintended consequences.** ACCs are concerned about whether the PCAOB has considered all unintended consequences of the proposals, such as the additional costs incurred to generate the information required by the proposals: *“Would this additional information really help the PCAOB, or investors, identify a significant issue earlier than in the absence of these requirements?”*

We would be happy to respond to any queries or requests for further information. Please do not hesitate to be in contact if we can be helpful.

Yours sincerely,



Jonathan Day  
Chief Executive  
Tapestry Networks, Inc.

## About Tapestry Networks

Since 2004, Tapestry has been the premier firm for building collaboration platforms with leaders of the world's foremost organizations. Tapestry Networks brings senior leaders together to learn and to shape solutions to today's most pressing challenges. We are a trusted convener of board directors, executives, policymakers, and other stakeholders, connecting them with information, insight, and each other. Top experts join our discussions to learn from the leaders we convene and to share their knowledge. Our platforms help educate the market, identify good practices, and develop shared solutions. We call this the power of connected thinking.