

June 5<sup>th</sup>, 2024

Office of the Secretary  
Public Company Accounting  
Oversight Board  
1666 K Street  
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D.C. 20006-2803

submitted via email to [comments@pcaobus.org](mailto:comments@pcaobus.org)

**Re.: PCAOB Rulemaking Docket Matter No. 041  
PCAOB Release No.2024-002 of April 9<sup>th</sup>, 2024 “Proposing Release: Firm  
and Engagement Metrics”**

Dear Madam, dear Sir,

We would like to thank you for the opportunity to provide the PCAOB with comments on the PCAOB Release No. 2024-002 (hereinafter “the Release”).

In this letter, we address general matters and then outline the key issues with which our members have concerns. We have chosen not to respond to specific questions.

## **General Matters**

### *Support for Initiative*

The IDW supports the aims behind the proposals, recognising that sufficient information about audit firms and specific engagements is currently generally not available to allow informed decision-making on the part of all interested stakeholders.

We are also pleased to note the reference to the IDW’s own work in this area and to that of the European Organization Accountancy Europe.

### *Contextual information and usability concerns*

We would like to refer to our letter to the PCAOB dated September 29<sup>th</sup>, 2015 in which we expressed concerns as to the potential for isolated numerical AQIs

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(in the Release “metrics”) to be taken without contextual information to establish goals or ideals and to make comparisons since this could lead to misinterpretation, misinformed decisions but not necessarily to the enhancement of audit quality. For example, partner and manager involvement could be expected to vary with the relative level of complexity of the audit or circumstances encountered, so such context equally needs to be understood. Metrics depicting experience is another example where context is needed, as the depth of experience and whether it is current or not may differ considerably. Whilst we therefore welcome the fact that the proposal would allow limited narrative disclosures on both Form FM and Form AP to provide context and explanation for the required metrics, we are not convinced that the proposal to allow but not mandate this and to limit the number of characters to 500 is appropriate.

We also urge the PCAOB to foster comparability, especially in regard to non-US firms. There may be structural or jurisdictional factors including the structure of the auditing profession in a particular country or the availability of internal vs. external specialists that lead to differences in firms’ cultures and structures which, if not addressed and explained, would impair comparability.

These issues as outlined above, and in more detail in our afore-mentioned letter, remain one of our main general concerns. We urge the PCAOB to take a proactive role in educating all users as to the proper use of reported metrics, including the need for them to be interpreted in context and making users aware of potential dangers and drawbacks associated with a mere comparison of isolated metrics between firms. Whilst firms and audit committees will be in a position to obtain further contextual information, this is not the case for the public at large, including investors who may need to ask specific additional questions e.g., at shareholder meetings to inform their decision making regarding the audit.

## **Key Issues**

### *Cost benefit considerations for many non-US firms*

Our members are also concerned at the potential for proposed reporting of specified firm-level metrics on new Form FM, Firm Metrics, and specified engagement-level metrics on an updated Form AP to pose considerable practical challenges leading to disproportionate cost for firms who have a relatively modest level of engagement with the audit of accelerated filers, i.e., many non-US firms.

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Affected firms will firstly have to set up and maintain a process for collecting the information needed to report the proposed metrics. Based on our initial assessment, we foresee practical challenges in collecting some of this information. For example, sufficient information to report the proposed experience-related metrics is usually not held in the human resources administration (e.g., industry experience, experience of members of the engagement team with former employers, which could also involve personal information which may be subject to legal conflicts). Collecting robust information on these employee aspects will undoubtedly pose considerable practical challenges to individual firms. We also believe that the comparability of the reported metrics between audit firms may also be affected if such information is unavailable or estimates have to be used. Furthermore, as noted under the general matters above, the interpretation of the various metrics by potential addressees (like investors, audit committees) is also an issue needing further deliberation. Overall, we are not fully convinced that the costs for collecting the information to report the proposed metrics will be proportionate to the benefits of supplying each of the proposed metrics.

For firms with a limited involvement in issuer audits, the proposed firm metrics that also utilize information that is not limited to issuer audit engagements might give an incorrect impression of the metrics for the issuer. We would like to point out that certain metrics such as workload, retention, etc. might significantly differ between issuer audits and the rest of the firm's audit practice. The benefit of such information in relation to non-US firms with relatively little involvement with accelerated filers is therefore questionable.

*Potential legal conflicts may constitute obstacles to disclosure of specific items*

We urge the PCAOB to acknowledge that any expansion of firms' reporting obligations need to be subject to Rule 2207 regarding legal conflicts to disclosure.

When introducing the registration and reporting rules, the Board recognized the potential for legal conflicts for non-US PCAOB-registered firms relating to the disclosure of certain data on Form 2 or Form 3. PCAOB Rule 2207 describes the requirements for non-US PCAOB-registered firms which assert such conflicts in relation to their ongoing reporting. The PCAOB's forms and systems reflect this Rule, e.g. through the inclusion of legal conflict boxes at the bottom of specific form pages, which may be selected in order to assert that there are relevant legal conflicts.

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Proposal Docket Matter No. 041 contains several further data points which may also be subject to non-US law legal conflicts. While at this stage it is not possible to identify unequivocally the full extent of these potential conflicts, we expect they are more likely to apply to items within the category of engagement (and thus individual) level metrics. We encourage the PCAOB to recognize the significance of conflicts with non-US law and to follow the same approach as has been successfully followed thus far with the operationalization of PCAOB Rule 2207.

If helpful to the Board for the review process, the IDW could provide an informal preliminary legal assessment of the data points which are more likely to trigger legal conflicts issues.

We would be pleased to provide you with further information if you have any additional questions about our response, and would be pleased to be able to discuss our views with you.

Yours truly,

Torsten Moser  
Executive Director

Gillian Waldbauer  
Head of International Affairs

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