PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

Staff Guidance – Insights for Firms

AS 2901: RESPONDING TO ENGAGEMENT DEFICIENCIES AFTER ISSUANCE OF THE AUDITOR'S REPORT

Updated as of September 15, 2025

This guidance was prepared by PCAOB staff to help firms when implementing AS 2901 requirements. This staff guidance document sets forth the staff's views on issues related to the implementation of the rules and standards of the PCAOB. It does not constitute rules of the Board, nor has it been approved by the Board. It relates to PCAOB Release No. 2024-005, *A Firm's System of Quality Control and Other Amendments to PCAOB Standards, Rules, and Forms* (May 13, 2024), and *Form 19b-4*, PCAOB File No. 2025-01 (Aug. 28, 2025).

SUMMARY OF SEPTEMBER 15, 2025 UPDATES

Below is a summary of the updates made to this guidance from the previous version issued in November 2024. Clicking a linked update description will direct you to the updated material.

Section	Update
I. Introduction	Revised the effective date from December 15, 2025 to December 15, 2026.

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I. INTRODUCTION

In connection with the adoption of QC 1000, *A Firm's System of Quality Control*, the Board expanded the auditor's responsibility to respond to deficiencies on completed engagements under an amended and retitled AS 2901, *Responding to Engagement Deficiencies After Issuance of the Auditor's Report*. The amendments to AS 2901 are effective on December 15, 2026.[1]

Analogous requirements for broker and dealer engagements can be found in paragraphs 39 – 42 of Attestation Standard No. 1, *Examination Engagements Regarding Compliance Reports of Brokers and Dealers*; and paragraphs 21 – 24 of Attestation Standard No. 2, *Review Engagements Regarding Exemption Reports of Brokers and Dealers*.

II. OVERVIEW OF CHANGES

- Broadened the scope of AS 2901 to incorporate the term "engagement deficiency" from QC 1000, and extended it to cover engagement deficiencies in ICFR audits, not just engagement deficiencies identified in financial statement audits.
- AS 2901 covers all engagement deficiencies, both those that affect the auditor's opinion and those that do not.
- Remediation is required for all engagement deficiencies.

III. SCOPE AND APPLICABILITY

AS 2901.01-02

AS 2901 requires firms to take action to respond to all engagement deficiencies identified on completed engagements unless it is probable that the auditor's report is not being relied on.

AS 2901 applies to all engagement deficiencies on completed engagements (unless it is probable that the auditor's report is not being relied on).

Inclusion of an auditor's report (either directly or through incorporation by reference) in the most recent filing on an SEC form that requires inclusion of such an engagement report evidences that the report is being relied upon, unless there are circumstances indicating that reliance is impossible or unreasonable (e.g., cessation of a trading market for issuer securities).

The determination of whether an auditor's report is being relied upon would primarily be influenced by whether the auditor's report and related financial statements are readily available and whether a trading market exists for the company's securities. If an auditor's report is included in the most recent SEC filing, a firm will most often conclude that the

[1] *See Form 19b-4*, PCAOB File No. 2025-01 (Aug. 28, 2025).

engagement report must be treated as being relied on. The fact that the issuance of the subsequent year's auditor's report is imminent does not mean the report is no longer being relied on. However, circumstances may exist where it is reasonable for the firm to conclude that reliance on the report is impossible or unreasonable, even though it appears in the most recent SEC filing, such as the cessation of a trading market for the issuer's securities or the issuer having been acquired.

Other circumstances that may suggest an engagement report is no longer being relied upon could include:

- So much time has elapsed that the financial statements covered by the auditor's report are no longer required to be included in SEC periodic reports.
- The issuer's or broker-dealer's business has been dissolved or gone into liquidation.

IV. RESPONDING TO THE ENGAGEMENT DEFICIENCY AS 2901.03-04

AS 2901 requires firms to take actions to respond to engagement deficiencies related to financial statement or ICFR audits, regardless of whether the deficiency results in the audit opinion being unsupported. The requirements for responding to engagement deficiencies differ based on whether, as a result of the deficiency, the auditor obtained sufficient appropriate audit evidence to support the auditor's opinion.

A. Engagement deficiency resulting in an unsupported auditor's opinion

For an engagement deficiency where the auditor did not obtain sufficient appropriate audit evidence to support their opinion, the auditor is required to perform procedures to obtain additional evidence, to the extent necessary, such that the opinion is supported by sufficient appropriate evidence. The type of procedures that the auditor performs in response will be guided by the type and amount of evidence needed to support the auditor's opinion.

Example
During monitoring activities performed over a completed engagement, it was determined that an engagement team did not obtain sufficient appropriate audit evidence over an issuer's fixed assets because it used the firm's sampling tool incorrectly when testing the company's fixed asset additions. In response to the engagement deficiency, the engagement team generated a new list of fixed asset addition samples and performed procedures to obtain sufficient appropriate audit evidence, without identifying any exceptions.

If the auditor is unable to obtain sufficient appropriate evidence. If the auditor is not able to obtain sufficient appropriate evidence to support the opinion, the auditor should take appropriate action to prevent future reliance on the audit report by following the requirements in paragraphs .06 - .09 of AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*.

B. Other engagement deficiencies

In circumstances where the auditor obtained sufficient appropriate audit evidence to support its opinion but other engagement deficiencies were identified, the auditor is required to take action to address the deficiency, considering the nature and severity of the deficiency.

Examples
• An engagement team did not include all relevant work papers in its final assembled set of audit documentation. • An engagement team did not make certain required communications to the issuer's audit committee related to the overall audit strategy. • An engagement team did not provide the issuer's management with a complete list of uncorrected misstatements to be attached to the management representation letter. • An engagement team did not determine whether a matter was a critical audit matter (CAM) or did not make certain required communications about CAMs in the auditor's report.

Types of actions The actions taken by the firm to respond to engagement deficiencies may include preventive or corrective actions or a combination of both, such as actions: (1) to address engagement deficiencies on completed engagements; and (2) to deter future engagement deficiencies. See section XI.C.2.e of *Staff Guidance – Insights for Firms, QC 1000 – A Firm's System of Quality Control* for further guidance on preventive and corrective actions.

V. DOCUMENTATION AS 2901.05

When the auditor's response to engagement deficiencies involves adding information to the auditor's working papers, the requirements of paragraph .16 of AS 1215, *Audit Documentation* will apply. Under AS 1215, audit documentation may not be deleted or discarded after the document completion date, but information may be added. Any documentation added must indicate the following:

- The date the information was added;
- The name of the person who prepared the additional documentation; and
- The reason for adding it.

When documenting the actions taken to address engagement deficiencies as part of the monitoring and remediation process, firms are also required to comply with the requirements of QC 1000.82. Refer to section XIII of *Staff Guidance – Insights for Firms, QC 1000: A Firm's System of Quality Control*, for further guidance on documentation.