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

Staff Request for Information and Comment – The Application and Use of the PCAOB’s Interim Attestation Standards

Dear Office of the Secretary:

KPMG LLP is pleased to respond to the Public Company Accounting Oversight Board’s (PCAOB or the Board) Staff Request for Information and Comment – The Application and Use of the PCAOB’s Interim Attestation Standards. We commend the PCAOB’s ongoing efforts to enhance transparency, including through this request to gather public input for consideration.

We believe high-quality auditing standards are the foundation of high-quality audits, and that concept is equally applicable to attestation standards and attest engagements. As the Board laid out in its Draft Strategic Plan, “our standards must adapt to keep up with developments in auditing and the capital markets.” With the fast pace of change in the current attest environment, we appreciate the challenge of maintaining attestation requirements that are prescriptive yet flexible while serving the public interest. We suggest as a first step that the Board refresh its interim attestation standards by leveraging the current American Institute of Certified Public Accountants (AICPA) attestation standards and then evaluating and identifying modifications necessary to meet the PCAOB’s objectives, as an independent standard-setter, while taking into consideration the needs of users of reports.

As the PCAOB continues to create and maintain high-quality standards, we believe dialogue with relevant parties such as the AICPA and the International Auditing and Assurance Standards Board (IAASB) who are also exploring possible enhancements to their current standards will be helpful. The utility of assurance is enhanced when there is a common foundation, as is the case today through the substantially converged AICPA and IAASB attestation standards. The PCAOB’s research and outreach may yield valuable contributions to the global dialogue.

In support of the PCAOB’s ongoing analysis of its interim attestation standards, we offer the following comments and observations for consideration. While we currently perform broker or dealer related attest engagements under the PCAOB’s AT No. 1 and AT No. 2 standards, our comments are focused on attestation engagements other than those conducted under AT Nos. 1 and 2.

Current Practice

In the absence of a requirement to apply PCAOB attestation standards, we conduct attest engagements under the AICPA attestation standards. We are not aware of any engagements performed exclusively under the PCAOB interim attestation standards. A small number of engagements are performed under both the PCAOB interim attestation standards and the AICPA attestation standards, commonly referred to as ‘dual-standard engagements’; examples include:

- Regulation AB examination engagements, performed under PCAOB AT 601 and AICPA AT-C 315; and



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— SIPC agreed upon procedures engagements, performed under PCAOB AT 201 and AICPA AT-C 215.

Marketplace demand for assurance over subject matters other than financial statements is increasing.¹ Attest engagements may be performed at either the reasonable or limited assurance level, based on the request of the engaging party and the perceived needs of users of the report. Currently, such voluntarily procured attest engagements performed by accountants are generally conducted under the AICPA attestation standards in the US and the IAASB's International Standard on Assurance Engagements (ISAE) 3000 (*Revised*) internationally.²

The complexity and scope of subject matter and the entity's reporting process impacts our use of the work of others. For our current attest engagements, we may involve firm specialists for certain subject matters (e.g. valuation and modeling specialists on Regulation AB engagements; climate specialists on greenhouse gas emissions attest engagements). There is limited use of the work of internal auditors or the involvement of other auditors in the attest engagements that we currently perform. Service organizations or other third parties may play a role in the entity's processes.

We have not identified any engagements performed under PCAOB AT 301, 401 or 701, and engagements under the corresponding AICPA standards are rare.

Potential Updates to Requirements

When considering potential updates to the interim attestation standards, we believe leveraging the current AICPA attestation standards as a starting point provides a strong foundation for the following reasons:

- updates to the AICPA attestation standards have been made since 2003 to reflect capital market demands and attestation practice developments;
- the updates have been through due process, including public comment and notice;
- the standards, along with authoritative and nonauthoritative application guidance developed by the AICPA, are widely used in the current marketplace³; and
- the AICPA attestation standards are largely consistent with the IAASB's ISAE 3000 (*Revised*), which is the prevalent attestation standard used internationally.

We believe globally consistent attestation standards benefit the US capital markets and users of attestation reports. Recalling the PCAOB's considerations discussed in the *Concept Release: Potential Approach to Revisions to the PCAOB Quality Control Standards*⁴ for potentially using the then Proposed International Standard on Quality Management (ISQM) 1 as a basis to revise the quality control

¹ For example, the percentage of companies which obtained assurance on some of their 2020 ESG reporting increased from 51% in 2019 to 58% in 2020, per the International Federation of Accountants (IFAC), [The State of Play in Reporting and Assurance of Sustainability Information: Update 2019 – 2020 Data & Analysis](#) (July 28, 2022)

² See IFAC, [The State of Play in Reporting and Assurance of Sustainability Information: Update 2019 – 2020 Data & Analysis](#) (July 28, 2022) and [The State of Play in Sustainability Assurance](#) (June 23, 2021).

³ For example, American Institute of CPAs (AICPA), *SOC 2 Reporting on an Examination of Controls at a Service Organization: Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy* (January 2018); AICPA, *Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information)* (June 2017), commonly referred to as the 'AICPA Sustainability Attestation Guide'.

⁴ [PCAOB Concept Release: Potential Approach to Revisions to PCAOB Quality Control Standards](#) (December 17, 2019).



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standards, we believe practical global alignment is equally important here. We acknowledge and support the need for the PCAOB to design requirements that fit the PCAOB's objectives and the needs of the US capital markets, and we encourage the PCAOB to weigh the potential challenges that arise when standards used in the marketplace diverge and, where possible, to seek alignment.

We observe that attestation standards are intentionally designed to be principles-based to address a wide range of subject matters. As market demands warrant, we encourage the PCAOB to consider issuance of guidance or requirements related to certain subject matters. For example, consistent with Goal 2 of the Board's Draft Strategic Plan, the PCAOB could issue staff publications to provide supplemental guidance to enhance consistent application of its attestation standards, similar to the AICPA's interpretive guidance related to greenhouse gas engagements.⁵ Additionally, the PCAOB may consider the need for additional requirements for certain subject matters, particularly as user demand for attestation over those subject matters grows – e.g. similar to the IAASB's ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*.

We recommend the PCAOB consider the following when evaluating a potential requirement relating to engagement quality reviewers in the updated PCAOB attestation standards:

- PCAOB AS 1220, *Engagement Quality Review*, applies to audits, interim reviews and engagements under PCAOB AT No. 1 and AT No. 2. While certain objectives of an engagement quality reviewer in AS 1220 may equally apply to attest engagements, modifications would be warranted to enable effective application to the varying nature of attest engagements; and
- Due to the diversity of subject matters, we believe flexible and scalable requirements for engagement quality reviews in attest engagements will be required.

Looking ahead, given the dynamic landscape of attest engagements, with fast-paced current and anticipated future developments on certain subject matters as well as evolving user needs, we encourage the PCAOB to continue with its collaborative mindset⁶ and to engage in effective dialogue with all stakeholders, including standard-setters such as the IAASB and the AICPA's Auditing Standards Board. For example, as the IAASB considers potential revisions to or development of new assurance standards⁷ to further adapt to the latest market demands and practice needs, monitoring such developments could provide useful insights to the PCAOB. Similarly, the PCAOB may have input to share with the IAASB to encourage their development of requirements that are reasonably aligned with needs of the US capital markets.

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⁵ AICPA Sustainability Attestation Guide, Chapter 5.

⁶ [KPMG Comment Letter on PCAOB Draft 2022-2026 Strategic Plan](#)

⁷ [IAASB Assurance on Sustainability Reporting Project Page](#)



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We appreciate the opportunity to provide our insights to the PCAOB's request for information on its interim attestation standards and would be pleased to discuss our comments with the Board and its staff at your convenience. We look forward to continuing our engagement with the Board and its staff in support of our shared commitment of investor protection and audit quality.

Very truly yours,

KPMG LLP

KPMG LLP

cc:

PCAOB

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