

# Comment Letter Analysis

## CAQ Analysis of PCAOB Proposed Auditing Standard – General Responsibilities of the Auditor in Conducting an Audit and Proposed Amendments to PCAOB Standards (AS 1000)

November 2023

# CAQ

[www.thecaq.org](http://www.thecaq.org)

**We welcome your feedback!**

Please send your comments or questions to [info@thecaq.org](mailto:info@thecaq.org)

As of November 2, 2023, the PCAOB received [28 comment letters submitted](#) in response to proposed AS 1000. The CAQ has summarized the comment letters by theme. See the Appendix for a detailed summary by stakeholder type for more information.

### WHO RESPONDED?

Stakeholder Type	Submitted Comment Letter	% of Total Comment Letters
Accounting Firms (and Related Groups)	16	57%
Investors	4	14%
Other	5	18%
Academics	3	11%
<b>Total</b>	<b>28</b>	<b>100%</b>

### GENERAL THEMES

1. The proposal expands the auditor’s responsibilities
  - + While the Board stated the amendments were clarifications of existing standards, there is widespread concern among audit firms that the proposal goes beyond simply clarifying requirements and expands the responsibilities of the auditor in certain areas.
2. The proposal eliminates key concepts and principles from the extant standards
  - + The proposed changes related to the general principles and responsibilities, including the principles of due professional care, reasonable assurance, professional skepticism, professional judgment, and the distinction between the responsibilities of the auditor and management, eliminate key concepts included in the extant standards that provide clarity about the auditor’s role and responsibilities. The elimination of these concepts may lead to confusion for investors and other stakeholders.

### 3. Auditor's legal obligation to protect investors

- + Most respondents expressed concern that the proposal creates confusion about the auditor's role and will have other unintended consequences.
- + Investors are highly supportive.

### 4. Fair presentation

- + Accounting firms and related groups, among other commenters, oppose the clarification of the meaning of fair presentation and state it is important that the auditor's evaluation of the presentation of the financial statements be applied within the applicable financial reporting framework.
- + Investors strongly support the amendments to clarify the meaning of present fairly; however, they express that additional guidance may be needed for auditors to meet this responsibility.

### 5. Accelerated documentation completion date from 45 days to 14 days

- + Accounting firms and related groups are largely supportive of the accelerated documentation completion date; however, some recommend that additional time should be provided for smaller firms to comply with the requirement.
- + Investors also support accelerating the documentation completion date, but some recommend that it should be further accelerated to two days.
- + Academics are not supportive of the accelerated documentation completion timeline, noting that costs for firms (not already in compliance) would be nontrivial.

Most respondents expressed concern that the proposal creates confusion about the auditor's role and will have other unintended consequences.

# Appendix

## Summary of Responses by Stakeholder Type

### ACCOUNTING FIRMS (AND RELATED GROUPS):

1	RSM US LLP	Accounting firm
2	PricewaterhouseCoopers LLP	Accounting firm
3	Center for Audit Quality	Accounting organization
4	Grant Thornton LLP	Accounting firm
5	National Association of State Boards of Accountancy	Accounting organization
6	Plante & Moran , PLLC; Plante Moran, P.C	Accounting firm
7	Ernst & Young LLP	Accounting firm
8	ICAEW	Accounting organization
9	Texas Society of Certified Public Accountants	Accounting organization
10	KPMG LLP	Accounting firm
11	Mazars USA LLP	Accounting firm
12	BDO USA, LLP	Accounting firm
13	Crowe LLP	Accounting firm
14	Johnson Global Accountancy	Consulting firm
15	Deloitte & Touche LLP	Accounting firm
16	AuditClub	Consulting firm

### KEY COMMENTS:

1. Certain elements of the proposal expand the auditor's responsibility

The proposed standard and related amendments will result in more significant changes than what the Board describes within the release text and certain aspects of proposed AS 1000 go beyond current standards and expand the auditor's responsibilities (RSM, PwC, CAQ, Plante Moran, Texas Society of CPAs, Mazars, Crowe, and Deloitte).

2. Auditors' fundamental obligation to protect investors

While the auditor's fundamental role is to serve the public interest within the financial reporting ecosystem and enhance the confidence and trust of investors in financial reporting, the proposed requirements could create confusion regarding the auditor's role and may be interpreted as a legal

obligation of auditors to third parties that goes beyond that already clearly established by years of jurisprudence (RSM, PwC, CAQ, Plante Moran, EY, KPMG, Mazars, and Crowe).

3. Competence

- ✦ The proposed requirements related to auditor competence should apply to the collective engagement team, including specialists (RSM, CAQ, Grant Thornton, Plante Moran, and Mazars).

- ✦ The proposed competence requirements may demand a level of legal expertise related to SEC rules and regulations that auditors do not possess without bringing in specific legal experts (Mazars, BDO, and Crowe).

- ✦ The competence requirements should not go beyond the definition of competence included in proposed QC 1000. As currently proposed, AS

1000 introduces the concept of expertise which is incremental to the proposed requirements in QC 1000 (KPMG, BDO, and Johnson Global).

#### 4. Due professional care

- + Certain concepts and definitions related to due professional care from extant AS 1015 should be retained in AS 1000. Some of the paragraphs that are proposed to be removed provide explanatory language that puts the auditor's responsibility in appropriate context (CAQ, Grant Thornton, Plante Moran, KPMG, Mazars, and Crowe).
- + Certain concepts from Cooley on Torts (included in extant AS 1015.03) should be retained in the final AS 1000 (Plante Moran, CAQ, KPMG, Mazars, and Crowe).
- + The PCAOB should reconsider if the changes to definitions included in AS 1000 are absolutely necessary as many of the existing definitions have long-standing legal precedent (NASBA).

#### 5. Reasonable assurance

- + The proposed amendments eliminate key information from the extant standard that describes the difference between reasonable assurance and absolute assurance. The elimination of this discussion could cause confusion amongst financial statement users and may widen the expectation gap (Eleven accounting firms (and related groups)).
- + The PCAOB should reconsider if the changes to definitions included in proposed AS 1000 are absolutely necessary as many of the existing definitions have long-standing legal precedent (NASBA).

#### 6. Distinction between responsibilities of the auditor and management

It is important for the final standard to describe the distinction between the responsibilities of the auditor and management, particularly management's responsibility for the preparation of the financial statements as included in extant AS 1001.02 and .03 (CAQ, KPMG, Mazars, and Deloitte).

#### 7. Professional skepticism

- + The expansion of professional skepticism from "audit evidence" to "information related to the

audit" is overly broad. Additionally, proposed AS 1000 does not provide a framework for the auditor to use to critically assess information related to the audit beyond audit evidence (PwC, CAQ, Grant Thornton, EY, Mazars, Crowe, and Deloitte).

- + It is unclear the degree of documentation, including obtaining contradictory evidence, expected in order to meet the requirement to consider potential bias on the part of the auditor (PwC, CAQ, Grant Thornton, Mazars, and Deloitte).
- + The PCAOB should update the guidance around professional skepticism to align with improvements made by other standard-setting bodies such as the IAASB and ASB (RSM).

#### 8. Professional judgment

- + The proposed definition of professional judgment fails to take into account the reasonableness of the auditor's conclusions and could result in hindsight challenges of auditor's judgments (PwC, CAQ, and KPMG).
- + The existing definition of professional judgment should be retained (NASBA and Deloitte).
- + The PCAOB should provide additional guidance regarding the degree of documentation needed to demonstrate an auditor's reasoned judgment (Johnson Global Accountancy).
- + The PCAOB should clarify if the definition of professional judgment is intended to have the same meaning as in the IAASB and AICPA standards. If the PCAOB's intention is for this term to have a different or added meaning, the PCAOB should explain those differences so that firms can adhere to the definition (RSM).

#### 9. Requirement for the auditor to take into account relevant guidance (PCAOB Auditing Interpretations, Board-Issued Guidance, and Releases Accompanying the Standards, Amendments, and Rules)

- + The scope of what is included in "Board-issued guidance and releases" is unclear and the PCAOB should provide additional clarity (RSM, CAQ, NASBA, KPMG, and Deloitte).
- + The release text of only the final standards should be authoritative, as previous discussions in proposals or concept releases may have been

superseded by the final release (PwC, CAQ, EY, Texas Society of CPAs, and Mazars).

- + The PCAOB should codify all relevant guidance so that it is usable for audit practitioners (PwC, Mazars, Crowe, Deloitte).
- + The PCAOB should provide guidance on how to evidence that the firm/engagement team “took into account” relevant guidance of existing standards, amendments and rules of the PCAOB to comply with the proposed requirement (EY and BDO).
- + There should be a clear hierarchy of authoritativeness of Board-issued guidance (BDO).

#### 10. Fair presentation

- + The auditor does not have an existing responsibility under the extant standards to evaluate the fairness of the financial statements beyond the evaluation of whether they are presented in conformity with the applicable financial reporting framework. It is important that the auditor’s evaluation of the presentation of the financial statements be applied within the applicable financial reporting framework (Eleven accounting firms and related groups).
- + ICAEW supports the classification of the meaning of fair presentation but acknowledges that auditors will need additional support in this area.

#### 11. Accelerated documentation completion date

- + The proposal to accelerate the documentation completion date from 45 to 14 days is appropriate (RSM, CAQ, Grant Thornton, ICAEW, EY, Texas Society of CPAs, KPMG, BDO, Johnson Global Accountancy, and Deloitte).
- + The proposal to accelerate the documentation completion date is not appropriate as there may be unintended consequences and challenges for smaller firms (NASBA and AuditClub).
- + The PCAOB should consider a phased adoption approach or otherwise provide additional time for smaller firms to comply with the requirement (Grant Thornton, Texas Society of CPAs, Mazars, Johnson Global Accountancy).

#### 12. Other

- + The PCAOB should leverage the work performed by other standard setters and eliminate unnecessary differences wherever possible (NASBA and Johnson Global Accountancy).
- + ICAEW recommends specific topics from ISA 200 be included in AS 1000.
- + AuditClub recommends that the PCAOB focus more on the impact of the talent shortage in the audit profession on audit quality.

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### INVESTORS:

1	Members of the Investor Advisory Group (MIAG)
2	Council of Institutional Investors (CII)
3	Public Citizen; Americans for Financial Reform Education Fund
4	CFA Institute

### KEY COMMENTS:

#### 1. Auditors have a fundamental obligation to protect investors

- + The proposal to clarify the auditor’s obligation owed to investors is appropriate (MIAG, CII, and CFA Institute).
- + “Fundamental obligation” should be further clarified. As currently drafted in the proposed

standard, the concept is not defined and is open to interpretation (MIAG and CFA Institute).

#### 2. Competence

- + The requirements related to auditor competence should also discuss the need for knowledge of the business being audited, including knowledge of its operations that affect the financial statements and risks of material errors in those statements (MIAG and CFA Institute).

- + The requirements to develop and maintain competence through training should include a focus on investors and how audits can be more responsive to investor needs (CII).

### 3. Due professional care

The final standard should require an auditor to exercise due professional care “in all matters related to the audit.” (MIAG)

### 4. Reasonable assurance

The final standard should include guidance towards determining whether audit risk is reduced to an appropriately low level, requiring consideration of changes in technology, the nature and quality of an issuer’s financial reporting system, relevant academic and other research, and any other factor that can reduce the risk of material misstatements or fraud (MIAG).

### 5. Professional skepticism

The final standard should be strengthened regarding professional skepticism to specifically require the auditor to affirmatively consider the risk of bias arising from the financial relationship between management and the auditor (MIAG).

### 6. Professional judgment

The final standard refer to “sound” judgment, similar to IESBA (MIAG).

### 7. Requirement for the auditor to take into account relevant guidance (PCAOB Auditing Interpretations, Board-Issued Guidance, and Releases Accompanying the Standards, Amendments, and Rules)

This requirement may lead to increased costs and lower audit quality as it may become more difficult for auditors to find relevant guidance. All authoritative guidance, interpretations, releases, amendments, and rules in the same location as the applicable auditing standards be included in

final standards issued by the PCAOB and the same location (MIAG and CFA Institute).

### 8. Present fairly

- + Supportive of the amendments to clarify the meaning of present fairly (MIAG, CII, Public Citizen, and CFA Institute).

- + Additional guidance may be needed on how auditors would be expected to meet the “present fairly” responsibility (CII).

- + The proposed language in the requirements should be clarified to clearly state the PCAOB’s intention to ensure the auditors’ obligation is broader than mere technical compliance with GAAP (CFA Institute).

- + The present fairly responsibility should also extend to climate-related estimates and assumptions included in the financial statements (Public Citizen).

### 9. Accelerated documentation completion date

- + The documentation completion date should be accelerated to two days, rather than 14 days as proposed (MIAG and CII).

- + The proposed accelerated documentation completion date (of 14 days) is appropriate (CFA Institute).

### 10. Other

- + The proposal should also include amendments related to critical audit matters (CAMs) (MIAG, CII, and CFA Institute).

- + CAMs should be elevated to a “must contain” item in the auditor’s report (MIAG and CFA Institute).

- + CAMs should require disclosure of the auditor’s response/approach to addressing the critical audit matter in the audit (CII).

## OTHER:

1	Saul Roe
2	Thomas H. Spitters, CPA
3	U.S Chamber of Commerce, Center for Capital Markets (Chamber)
4	American Bar Association, Business Law Section (ABA)
5	Robert A. Conway

## KEY COMMENTS:



### 1. Auditors have a fundamental obligation to protect investors

- + One of the roles of the auditor is to protect investors, but there are other considerations that are also integral to the investor protection landscape. The auditor is obligated to conduct an audit in accordance with applicable auditing standards. Whether the audit protects investors is extrinsic to this analysis (ABA).
- + The PCAOB risks misleading investors and others by stating that auditors have a fundamental obligation to protect investors. The proposal conflates the overall benefits from independent audits for investors in our capital markets with any potential legal duties in the context of the facts and circumstances of individual engagements (The U.S. Chamber).

### 2. Competence

- + The proposed requirements related to competence do not fully consider the competence of an audit team as a whole (The U.S. Chamber).
- + The competence requirements may demand a level of legal expertise that cannot be expected from non-lawyers (ABA and Chamber).

### 3. Due professional care

- + Do not agree with removal of certain paragraphs from extant AS 1015 that describe the nature of auditor responsibilities for conducting audits with due professional care (The U.S. Chamber).

### 4. Reasonable assurance

- + Do not agree with removal of certain language from extant AS 1015 that provides transparency on the concept of reasonable assurance, which may confuse investors (The U.S. Chamber).

In its current form, the Chamber cannot support the Proposal as fit for purpose. The Chamber strongly urges the PCAOB to withdraw it and substantially reconsider, recraft, and re-expose a revised proposed standard on the general responsibilities of the auditor in conducting an audit.

### The U.S. Chamber of Commerce, Center for Capital Markets Competitiveness

### 5. Professional skepticism

- + Do not agree with the change of the phrase “audit evidence” to “information” in the description of professional skepticism or inclusion of a requirement to evaluate the bias of the auditor (in addition to management) without sufficient explanation or guidance (The U.S. Chamber).

### 6. Professional judgment

- + The concept of materiality should be included in any provision on professional judgment (The U.S. Chamber).

### 7. Requirement for the auditor to take into account relevant guidance (PCAOB Auditing Interpretations, Board-Issued Guidance, and Releases Accompanying the Standards, Amendments, and Rules)

- + The Board should define what is included in “Board-issued guidance” and recommends that



only documents accompanying final standards should be authoritative (ABA).

- ✦ The PCAOB should revise the definition of authoritative PCAOB guidance to exclude releases accompanying standards and rules and believes that any relevant authoritative guidance should be included in a PCAOB rule or standard itself (The U.S. Chamber).

8. Present fairly

The proposed amendments related to the meaning of present fairly are not appropriate (ABA and

The U.S. Chamber) and will contribute to the expectation gap for investors (The U.S. Chamber).

9. Accelerated documentation completion date

The accelerated documentation completion date should not be changed (from 45 days to 14 days) as this may negatively impact smaller firms (The U.S. Chamber).

10. There should be mandatory audit firm rotation every four years (Saul Roe).

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**ACADEMICS:**

1	<a href="#">Auditing Standards Committee of the Auditing Section of the American Accounting Association (ASC)</a>
2	<a href="#">Rick C. Warne (University of San Diego) &amp; Robert M. Cornell (University of Nevada)</a>
3	<a href="#">Stephen Zeff, Rice University</a>

**KEY COMMENTS:**

1. Auditors have a fundamental obligation to protect investors

Do not agree with the updated language regarding the auditor’s fundamental obligation to protect investors. The proposed requirements encourage auditors to adopt an investor perspective when making judgments, which research highlights may be detrimental to audit quality. The PCAOB should redraft the requirement to focus on the auditor’s requirement to comply with applicable professional and legal requirements in conducting an audit without reference to auditors keeping in mind their role in protecting investors (ASC).

2. Competence

The standard should be strengthened with a clearer recognition of professional competencies, similar to the AICPA (ASC).

3. Due professional care

Support the added emphasis on supervision and review, but concerned that the responsibilities of engagement partners are expressed as being a substitute for, rather than in addition to, the broad principles for all auditors. Direction, supervision, and review are performed by auditors at various levels, not just engagement partners (ASC).

4. Professional skepticism

- ✦ The discussion of professional skepticism should expand to focus on both obtaining and evaluating information, rather than the current focus only on evaluating information (ASC).

- ✦ Professional skepticism deficiencies need to be addressed by the PCAOB in a manner that dramatically exceeds the revisions proposed in AS 1000 (Rick C. Warne & Robert M. Cornell).

5. Accelerated documentation completion date

For firms not already in compliance with the accelerated documentation completion timeline, the costs to comply would be nontrivial. The PCAOB should reconsider this requirement that provides little additional benefit (ASC).

6. Other

The auditing profession’s ability to attract and retain talent is important to maintain audit quality. The PCAOB should monitor how their regulatory efforts and public messaging may be affecting the attractiveness of the profession, which could have the potential unintended consequence of lowering audit quality (ASC).



# About the Center for Audit Quality

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of U.S. public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by U.S. public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, U.S. public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of U.S. public company auditors and audits to dynamic market conditions.

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