

**MEMO# 35694**

April 30, 2024

# PCAOB Releases Two Proposals Aimed at Enhancing Audit Firm Transparency

[35694]

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TO: ICI Members

Investment Company Directors

Accounting/Treasurers Committee SUBJECTS: Audit and Attest

Audit Committees

Fund Accounting & Financial Reporting RE: PCAOB releases two proposals aimed at enhancing audit firm transparency

On April 9, 2024, the Public Company Accounting Oversight Board (PCAOB) released two proposals for public comment aimed at enhancing audit firm transparency. The first proposal mandates registered public accounting firms auditing large accelerated filers and accelerated filers to disclose specified metrics concerning their audit practices annually. The second proposal focuses on modernizing the PCAOB's reporting framework by amending annual and special reporting requirements for registered public accounting firms.

## **Proposal One: Firm and Engagement Metrics - PCAOB Release No. 2024-002**[\[1\]](#)

The first proposal on firm and engagement metrics requires registered public accounting firms auditing large, accelerated filers and accelerated filers to publicly report specified metrics related to their audit practices annually. These metrics encompass various aspects such as partner and manager involvement, workload, audit resources, and quality performance ratings. The proposal aims to standardize disclosure practices and increase the availability of decision-relevant information for investors and audit committees. Consistent with ICI and IDC recommendations provided to PCAOB on their 2015 concept release on Audit Quality Indicators[\[2\]](#), the proposal excludes audits of investment companies.[\[3\]](#) The release notes that the Board is considering "more customized disclosures better suited"[\[4\]](#) to issuers such as funds.

## **Proposal Two: Firm Reporting - PCAOB Release No. 2024-003**[\[5\]](#)

The second proposal aims to modernize the PCAOB's reporting framework by amending annual and special reporting requirements for registered public accounting firms. Key areas addressed in this proposal include financial information, audit firm governance, network information, special reporting, and cybersecurity. By enhancing reporting requirements, the PCAOB seeks to provide informative and useful data to investors, audit committees, and other stakeholders.

The deadline for submitting comments on the proposals is June 7, 2024. ICI and IDC welcome your feedback on the proposals.

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Independent Directors Council

#### **Notes**

[1] Proposing Release: Firm and Engagement Metrics, PCAOB Release No. 2024-002, available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket\\_041/2024-002-firm-and-engagement-metrics.pdf?sfvrsn=f98148f\\_2](https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket_041/2024-002-firm-and-engagement-metrics.pdf?sfvrsn=f98148f_2).

[2] See ICI/IDC letter to PCAOB on Concept Release on Audit Quality Indicators, available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket\\_041/017\\_idc.pdf?sfvrsn=f2086cb1\\_0](https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket_041/017_idc.pdf?sfvrsn=f2086cb1_0).

[3] See page 109 of PCAOB Release No. 2024-002.

[4] See page 178 of PCAOB Release No. 2024-002.

[5] Proposing Release: Firm Reporting, PCAOB Release No. 2024-03, available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-055/2024-003-firmreporting.pdf?sfvrsn=e63cff7c\\_2](https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-055/2024-003-firmreporting.pdf?sfvrsn=e63cff7c_2).