

Communications Regarding PCAOB Standards

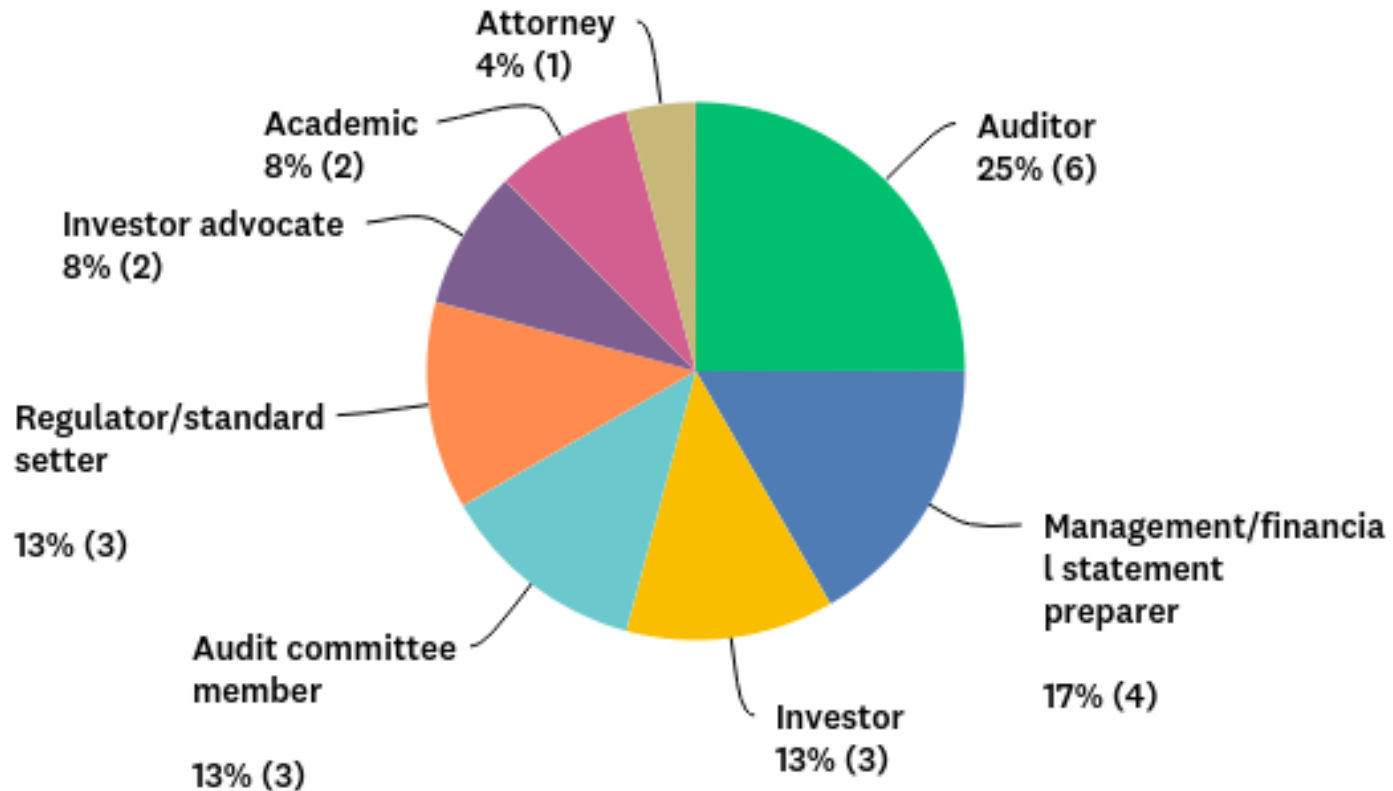
Selected Survey Results

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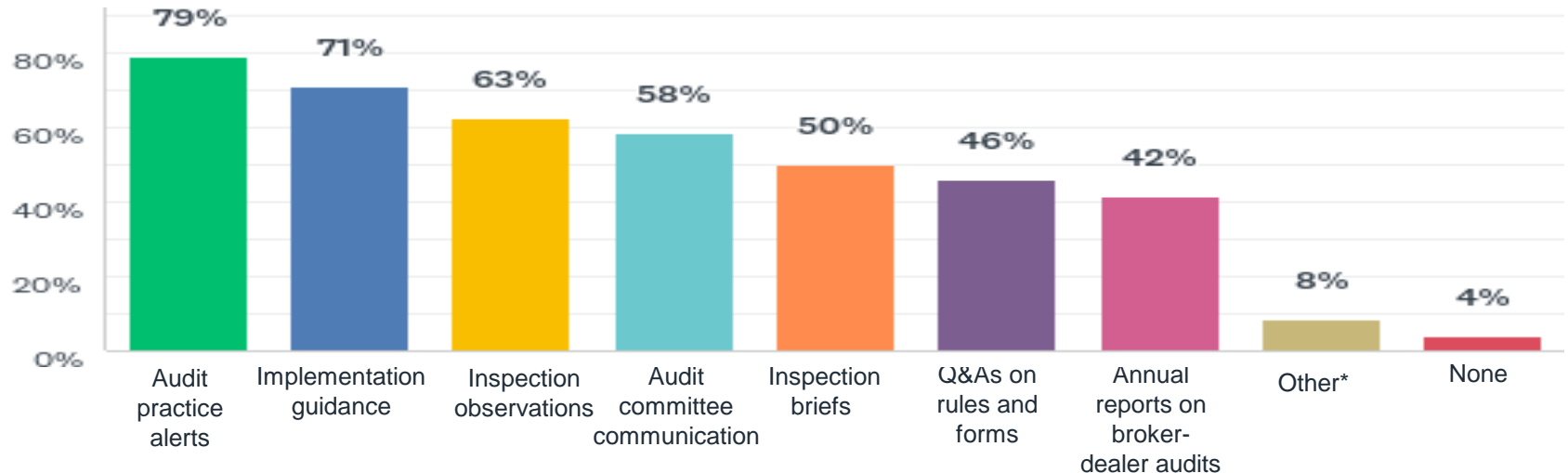
Office of the Chief Auditor

Who Responded?



Communications You Have Used

Respondents indicated that they have used the following types of PCAOB communications to acquire information about PCAOB standards or their application:



* Examples of "Other" include: releases accompanying standards, inspection reports, and Board Member speeches

You Want More Communication

- ❑ Almost all respondents indicated that they want *more communication* from the PCAOB regarding standards, at least in some areas
- ❑ Broad agreement about some aspects of increased communication (intended audience, when communication is most helpful)
- ❑ Diversity of views on other aspects (for example, mixed views regarding additional technical guidance; some commenters stressed improved communication regarding inspection results)

Comments about General Objectives/Concerns

- Survey respondents made some general comments about the objectives of, and potential concerns raised by, PCAOB communications about standards
- Objectives:
 - Assist implementation of new audit standards
 - Proactive involvement with registered firms and other stakeholders
 - Improve audit quality through prevention
- Concerns:
 - Risk of imposing de facto requirements—beyond the requirements of the standards or on parties the PCAOB doesn't regulate
 - Potential inconsistencies/misinterpretation
 - Too much reliance on guidance could inhibit innovation by the firms

Audience for PCAOB Communications

- ❑ Majority responded that the PCAOB should target all constituencies: all registered firms, audit committees, investors, and preparers
 - Auditors primary, but other stakeholders count too
- ❑ Communication should be targeted to each group separately to describe what the standard means for them
- ❑ Some communications should be targeted specifically to smaller firms or auditors of smaller issuers to assist them with scalability and implementation

Subject Matter for PCAOB communications

- ❑ Respondents ranked potential areas in the following order of priority:
 1. New auditing standards
 2. Patterns in inspection observations
 3. Answering questions about the application or effects of standards in specific circumstances
 4. Changes in the regulatory or business environment
 5. New accounting standards

New Auditing Standards: When to Communicate

□ Considerations:

- Some respondents thought all new standards should trigger additional communications, but most thought we should differentiate
- Magnitude of the change to standards
- Complexity of the new standard
- Will guidance advance audit quality/efficiency?

□ Timing: General preference for before the effective date

- Some respondents thought this would aid implementation, at least for particularly complex standards
- Others expressed concern that issuing guidance too close to the effective date may cause confusion/disruption—limit to critical implementation issues

New Accounting Standards: When to Communicate

□ Considerations

- When there is significant judgment and estimation in the accounting standard
- For more complex standards
- In response to specific identified issues
 - Discuss with auditors when guidance on new accounting standards is needed and any unintended consequences

□ Communications should be coordinated with FASB/SEC to ensure consistent messaging

Most important attributes of PCAOB communications

Respondents ranked the following attributes in the order of importance about communicating PCAOB standards or their application by auditors:

1. Timely
2. Responsive to specific questions raised by stakeholders
3. Comprehensive
4. Targeted to a specific audience (e.g., all firms, small firms, investors, audit committees, preparers)
5. Detailed technical explanations
6. Plain English presentation that can be understood by non-accountants
7. Other*

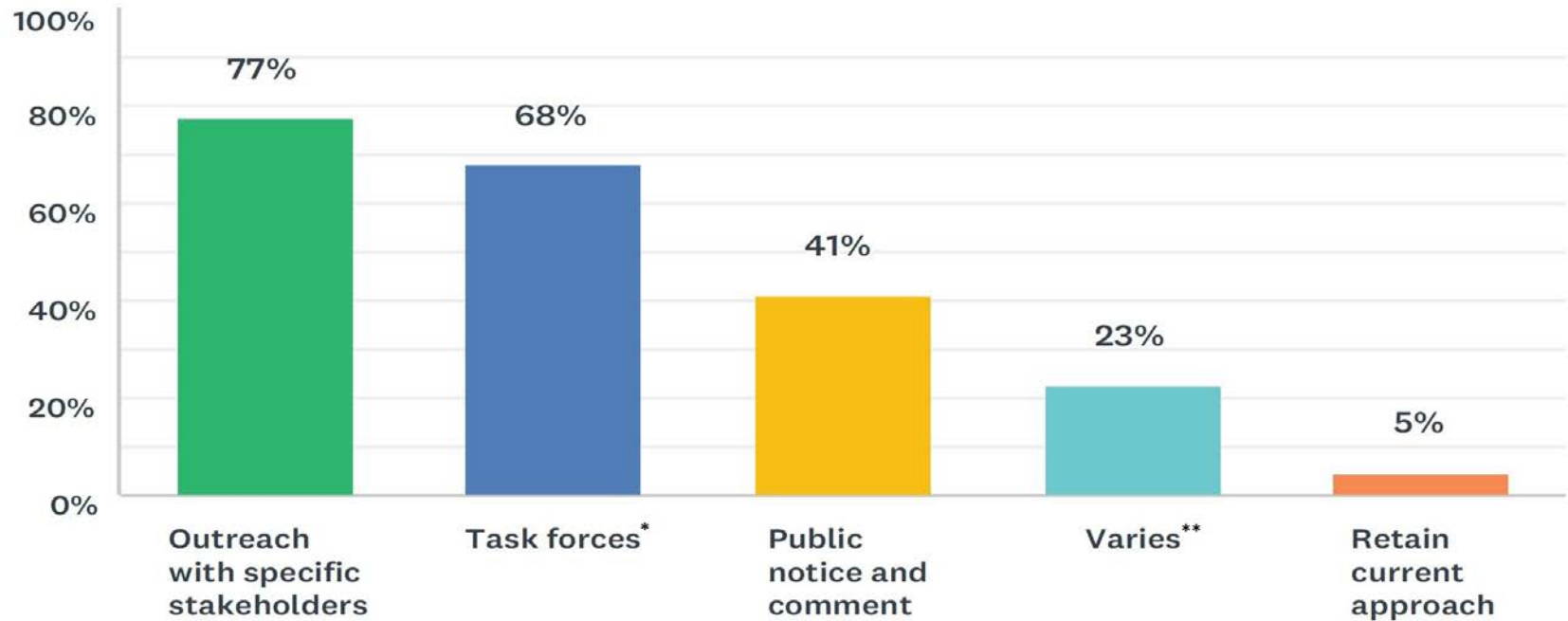
*Examples of “Other” include: recent trends in the profession, discussions with auditors regarding needed guidance and unintended consequences.

Form of Communication - Future

- ❑ Form of communication should depend on the nature of the information
- ❑ Formats that are easier to read
- ❑ Consider other media besides written communication
 - Webinars
 - Training sessions

Note: Any media used should be easily accessible and readily available for stakeholders
- ❑ Informal or formal consultations for auditors to ask specific questions regarding application of standards

What process should the PCAOB consider in developing communications to stakeholders?



* Task forces could be used, for example, to assist in identifying emerging issues or to understand stakeholder objectives and concerns.

** Some respondents indicated that communications should vary depending on the audience it is targeting and the matter being communicated about.

SAG Discussion