

---

**GRANT THORNTON LLP**

Grant Thornton Tower  
171 N. Clark Street, Suite 200  
Chicago, IL 60601-3370

**D** +1 312 856 0200  
**S** [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/grantthorntonus](https://twitter.com/grantthorntonus)

October 26, 2022

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street NW  
Washington, DC 20006-2803

Via Email to [comments@pcaobus.org](mailto:comments@pcaobus.org)

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

Dear Office of the Secretary:

Grant Thornton LLP appreciates the opportunity to comment on the PCAOB’s *Request for Information and Comment on the Application and Use of the PCAOB’s Interim Attestation Standards* (request for comment or RFC). We commend the Board’s outreach in this area, as the staff considers whether and how to modernize the interim attestation standards.

Other standard setters, such as the International Auditing and Assurance Standards Board (IAASB) and the American Institute of Certified Public Accountants (AICPA), have worked extensively on enhancing their attestation standards subsequent to the PCAOB’s initial adoption of the interim standards. Although the PCAOB’s interim attestation standards are used infrequently, we appreciate the Board’s consideration of making updates to its standards to modernize and enhance the requirements. If the Board undertakes a project, we encourage the Board to do so in a manner that aligns with the principles set forth in other sets of attestation standards that are currently used in practice. As we discuss in greater detail below, there are a variety of situations where multiple sets of standards are applied to a particular engagement. Creating requirements that significantly deviate from those requirements issued by other standard setters could cause operational challenges in these engagements, and, more importantly, these deviations may not best serve the public interest.

We respectfully submit our responses to certain of the questions within the RFC, as well as other comments and recommendations for the Board’s consideration.

## Responses to questions

### **Question 1: Aside from regulatory bodies, who are the users of attestation reports and how do they benefit from these reports? Please provide details.**

Based on our experience, regulatory bodies are the most common users of attestation reports that are issued under the PCAOB's interim attestation standards. Because the subject matter varies greatly in reports issued under AICPA or IAASB attestation standards, users of those attestation reports may include company management or those charged with governance; lenders or underwriters; investors; parties to contracts, such as vendors or suppliers; and auditors or other practitioners. We have also observed other stakeholders, such as employees, customers, and community members, taking an interest in reports prepared under AICPA or IAASB attestation standards as they seek to understand companies beyond their financial statements.

### **Question 2: Do users of attestation reports influence the type of attest engagements performed? If so, how? Please provide details.**

Some attestation engagements are unique, such that firms may work with engaging parties to understand their needs and the needs of identified specified parties. Accordingly, we believe the type of attestation engagement is driven by the level of assurance desired by the engaging party and that party's related information needs. Regulations or contract terms may dictate the level of assurance required, but in other instances, the engaging party may independently decide the level of assurance needed. Additionally, there are instances where the use of the attestation report is restricted to specified parties, such as when the subject matter or criteria are understood only by specific users. In such circumstances, it would be important for those users to be involved in the determination of the type of engagement to be performed and the form of the resulting attestation report.

### **Question 4: Could changes to PCAOB attestation standards help to inform or protect investors? Please provide details.**

Even though the PCAOB's attestation standards are used infrequently, it is possible that not updating the standards could harm investors by perpetuating possible confusion in the marketplace regarding the various sets of standards and whether those standards yield a different level (or type) of assurance in the practitioner's report.

### **Question 5: What types of attest engagements are currently performed under PCAOB attestation standards? Please describe the circumstances under which these engagements are performed and the type of attestation provided (e.g., examination, review, or agreed-upon procedures).**

The use of the PCAOB's interim attestation standards is very limited. Our firm currently performs the following attestation engagements in accordance with both PCAOB attestation standards and AICPA attestation standards:

- Compliance examinations performed pursuant to SEC Regulation AB
- Agreed-upon procedures reports performed pursuant to Securities Investor Protection Corporation (SIPC) requirements.

These engagements are performed under both sets of standards because the AICPA Code of Professional Conduct and Bylaws<sup>1</sup> requires practitioners to also follow the AICPA standards in an engagement that is not within the jurisdiction of the PCAOB. Due to the nature of these engagements, if the PCAOB updates its attestation standards, the profession would benefit from the PCAOB providing enhanced commentary on what requirements it deems to be incremental to those requirements promulgated by the other standard setters. Refer to our response to Question 8 below for additional discussion.

Our firm also performs broker-dealer examination and review engagements in accordance with PCAOB AT 1 and AT 2, respectively.

**Question 6: Are attest engagements being performed pursuant to AT 301, AT 401, or AT 701? If so, please describe the circumstances under which these engagements are performed, including the attestation standard used and the type of attestation provided (e.g., examination, review, or agreed-upon procedures). Are attest engagements being performed that apply the interpretations in AT 9101? If so, please describe the circumstances and nature of work performed.**

We are not aware of any engagements performed in accordance with PCAOB AT 301, AT 401, AT 701, or AT 9101.

**Question 7: As described above, some regulators require attestation reports to be issued under PCAOB attestation standards. Do other organizations or entities require attestation reports issued under PCAOB attestation standards? If so, please provide relevant details, including the subject matter and the specific standards applied. Alternatively, are there specific circumstances in which firms have chosen to voluntarily perform attest engagements under PCAOB attestation standards? If so, please provide relevant details.**

Besides the SIPC rules and the few narrow rules promulgated by the Securities and Exchange Commission cited in the RFC, we are not aware of any other organizations or entities that require attestation engagements to be performed in accordance with PCAOB attestation standards. Similarly, our firm has not been asked to voluntarily perform attestation engagements in accordance with PCAOB attestation standards. As noted above, engagements that must be performed under PCAOB attestation standards are also performed in accordance with AICPA attestation standards to comply with the AICPA Code of Professional Conduct and Bylaws.

**Question 8: Are specific improvements needed to PCAOB attestation standards, including as currently used or for anticipated future uses? If so, please describe the needed improvements.**

Generally, PCAOB attestation standards are used infrequently, and we do not necessarily expect a significant increase in the use of this set of standards in the future, regardless of whether such standards are updated by the PCAOB. Nevertheless, we believe that the general clarity of the requirements under these standards can be improved and modernized. We. The following are some areas

---

<sup>1</sup> See the "Compliance with Standards Rule" (AICPA ET Sec. 1.310.001) and Appendix A, "Council Resolution Designating Bodies to Promulgate Technical Standards."

where the AICPA's Auditing Standards Board made improvements that enhanced the overall quality and useability of their attestation standards. We believe the PCAOB could similarly improve these areas, and we encourage the PCAOB to remain principles-based in its revisions:

- Materiality
- Management assertions
- Terms of engagement
- Examples of procedures that may provide limited assurance when the subject matter is not conducive to analytical procedures (in a review engagement)
- Written representations
- Form and content of the practitioner's report.

A consistent approach to attestation requirements across standard setters in these areas would benefit the profession and ultimately users of attestation reports. It would allow for streamlined methodologies, which enhance quality, and could minimize confusion within the marketplace as to whether reports issued based on different standard setters' requirements provide a different level (or type) of assurance.

**Question 9: Is the work of others, including that of specialists and internal auditors, commonly used in performing attest engagements? If so, please describe the relevant circumstances, the nature of the work performed, and how it is used.**

Attestation standards can apply to a wide array of subject matters, and those subject matters continually evolve. We do not believe that the use of the work of others, including that of specialists and internal auditors, is common in the current environment, particularly for engagements where PCAOB attestation standards are applied. However, it is possible that the work of others is used in the context of an attestation engagement. We also believe that using the work of others will become more prevalent with the expected increase in attestation engagements related to environmental, social, and governance (ESG) subject matters, including greenhouse gas (GHG) emissions. We recommend that the PCAOB consider providing succinct, principles-based requirements for practitioners to follow when the use of others applies in attest engagements.

**Question 10: Are other accountants (e.g., other audit firms) used in performing attest engagements? If so, please describe the relevant circumstances, the nature of the work performed, and how it is used.**

We do not believe other accountants are used frequently in attestation engagements, particularly those subject to PCAOB attestation standards. However, we believe it is worth addressing with principles-based requirements, similar to those included in the AICPA attestation standards.

**Question 11: Are service organizations commonly used in relation to the subject matter of attest engagements? If so, please describe the relevant circumstances.**

Similar to our responses to Questions 9 and 10, we do not believe that service organizations are commonly used in relation to the subject matter of attestation engagements, but it is possible. This is another area that may evolve over time as attestation services continue to grow. We have observed anecdotally that many entities for whom our firm is performing assurance readiness engagements are using a service organization to assist with the capture, calculation, and reporting of GHG emissions. As a result, we anticipate an increased use of service organizations by issuers in this area, and attestation providers would therefore need to address such use in their engagements.

**Question 12: Are there circumstances in which accountants are engaged to perform agreed-upon procedures over an assertion rather than over subject matter? If so, please describe these circumstances.**

Generally, our firm is engaged to perform agreed-upon procedures over subject matter and not over an assertion. The SIPC agreed-upon procedures engagements, which are subject to PCAOB attestation standards along with AICPA attestation standards, are related to subject matter.

**Question 13: Are engagement quality reviewers used in attest engagements performed under PCAOB attestation standards as they are under AT No. 1 and AT No. 2? If so, please describe the circumstances in which they are used. What challenges or unintended consequences might arise if PCAOB attestation standards required an engagement quality review? Please describe specific concerns, if any, with such a requirement.**

Engagement quality reviewers are used in engagements performed under PCAOB attestation standards. Given the regulatory nature of the subject matter and related practitioner's report associated with such engagements, our firm generally requires engagement quality reviews for PCAOB attest engagements. These policies are driven through our firm's system of quality management as opposed to specific standards-related requirements.

We encourage the PCAOB to consider addressing the applicability and use of engagement quality reviewers on attest engagements through their quality control standards project. We believe this would enable firms to take a risk-based approach to reviewer assignments based on the nature of the subject matter and other relevant engagement factors.

**Question 15: What economic implications (including potential benefits and costs) may be associated with updating PCAOB attestation standards, such as unintended consequences from the possible consolidation or elimination of certain standards? Please provide data and other relevant information.**

Conceptually, the AICPA and IAASB attestation standards are largely converged. Such convergence benefits the global marketplace, as there has been an increase in requests for engagements performed under both AICPA and IAASB attestation standards, particularly with respect to examinations of service organization controls and attestation on GHG emissions and other ESG metrics. Additionally, global regulators are already building requirements for independent attestation into their existing regulations related to certain ESG metrics based on the current attestation

standards in place, which the market seems to accept. Standards with vastly different requirements could confuse the marketplace in an already rapidly evolving environment. While we believe there is a benefit in the PCAOB updating its standards, that benefit could diminish if the PCAOB's updated attestation standards deviate significantly from the other sets of standards. Developing significantly different standards could create confusion in the marketplace, as well as the perception that the practitioner's work and resulting practitioner's report are vastly different. If the PCAOB determines that incremental or different requirements are necessary, we encourage the PCAOB to draw attention to these requirements in its proposal and to provide enhanced guidance to practitioners with regard to such requirements. Such clarification would not only facilitate appropriate adoption but may also reduce the cost of implementation.

#### **Additional considerations for future standard setting**

Earlier this year, the SEC issued a proposed rule, *The Enhancement of Standardization of Climate-Related Disclosures for Investors*. Our firm's response letter dated June 17, 2022,<sup>2</sup> was supportive of the proposed requirements in Regulation S-K, Item 1505, on the attestation of Scopes 1 and 2 emission disclosures. In addition to providing our general support, we identified certain areas where additional guidance from the SEC may be needed. We encourage the PCAOB to work with the SEC and collaborate, where appropriate, in delivering high quality rules and standards that are easy to understand and execute in this area.

We also encourage the PCAOB to monitor other standard setters' projects, such as the IAASB's project on ESG attestation and the AICPA's enhancements to their guide on attestation engagements on sustainability information, as the demand for attestation over ESG metrics will continue to grow. Although it is not yet clear whether PCAOB attestation standards will be mandated for these engagements, global consistency of the various sets of attestation standards will ultimately foster high quality engagements that benefit the public interest.

\*\*\*\*\*

We would be pleased to discuss our comments with you. If you have any questions, please contact Jeff Hughes, National Managing Partner of Audit Quality and Risk, at (404) 475-0130 or [Jeff.Hughes@us.gt.com](mailto:Jeff.Hughes@us.gt.com).

Sincerely,

/s/ Grant Thornton LLP

---

<sup>2</sup> Grant Thornton LLP's comment letter can be found at <https://www.sec.gov/comments/s7-10-22/s71022-20131734-302158.pdf>.