



Committee on Corporate Reporting

June 9, 2022

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

**Re: Interim Analysis No. 2022-001, Estimates and Specialists Audit Requirements**

Dear Ms. Brown,

This letter is submitted by Financial Executives International's (FEI) Committee on Corporate Reporting (CCR) in response to the Public Company Accounting Oversight Board's (PCAOB or Board) Request for Comment: *Interim Analysis of Estimates and Specialists Audit Requirements*.

FEI is a leading international organization comprised of members who hold positions as Chief Financial Officers, Chief Accounting Officers, Controllers, Treasurers, and Tax Executives at companies in every major industry. CCR is FEI's technical committee of approximately 50 Chief Accounting Officers and Corporate Controllers from Fortune 100 and other large public companies, representing more than \$12 trillion in market capitalization. CCR reviews and responds to pronouncements, proposed rules and regulations, pending legislation, and other documents issued by domestic and international regulators and organizations such as the U.S. SEC, PCAOB, FASB, and IASB.

This letter represents the views of CCR and not necessarily the views of FEI or its members individually.

**Executive Summary**

We commend the Board's commitment to performing robust economic analyses and post-implementation reviews of new auditing requirements to inform whether additional guidance or other measures may be appropriate. We believe that such rigorous due process is essential to the establishment and maintenance of auditing standards that protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.<sup>1</sup> The Board's approach of soliciting comments from a broad range of stakeholders is also laudable, and we appreciate the conscientiousness and receptivity displayed by the Board's consideration of feedback from a variety of stakeholder groups.

While we have found the impact of the new auditing requirements on companies to be minimal, we support the intent of the new requirements to strengthen audit requirements and promote a risk-based approach. We also appreciate the Board's responsiveness in addressing concerns raised when the new audit requirements were originally proposed in 2017 and recognize that many of the potential challenges

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<sup>1</sup> See the [PCAOB's mission statement](#).

of implementing the proposed amendments were likely mitigated through subsequent revisions<sup>2</sup> reflected in the adopting releases and through staff guidance<sup>3</sup> issued in advance of the effective date. The remainder of this letter addresses the questions in the Request for Comment relevant to our remit as financial statement preparers. We hope our feedback will prove helpful as the Board and staff continue the post-implementation review of the new auditing requirements on estimates and specialists.

### **Auditing Accounting Estimates, Including Fair Value Measurements**

Overall, we identified only minor impacts, if any, from auditors' adoption of the new requirements for auditing accounting estimates, with most impacts resulting from an increased focus on accounting estimates related to business combinations. In the following sections, we expand on these minor impacts as they relate to areas noted in the Request for Comment.

#### Impacts on Communication

We have not identified any significant impacts on communication between auditors, audit committees, and preparers as a result of the new requirements for auditing accounting estimates. In some cases, the new requirements resulted in more formalized discussion about estimates with audit committees and in audit planning sessions. In addition, some companies experienced a minor increase in dialogue with auditors, specifically around coordinating additional controls testing and discussing incremental documentation, particularly for controls over estimates related to fair value assessments as part of business combinations.

#### Impacts on Audit Fees and Other Costs

Our members generally have not identified increases in audit fees directly related to the new requirements for auditing accounting estimates, aside from some incremental fees associated with business combination activities where control documentation has become more robust. Additionally, some of our members have experienced minor indirect costs associated with increased documentation for existing general estimation controls.

### **Auditor's Use of the Work of Specialists**

We have identified only minor impacts resulting from the new requirements related to the auditor's use of the work of specialists, including some instances where documentation expectations were revised. In

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<sup>2</sup> For example, in the adopting release, the Board revised the proposed requirement in paragraph .A3(b) of [Release No. 2017-002](#) that would have required auditors to make inquiries of the investee rather than the investor (see paragraph AS 1105.B6, as adopted in [Release No. 2018-005](#)). Similarly, in the adopting release, the Board clarified the proposed requirement in paragraph .B6 of [Release No. 2017-003](#) for evaluating whether data was appropriately used by a specialist, which could have been interpreted as requiring auditors to reperform the work of specialists (see paragraph AS 1105.A6, as adopted in [Release No. 2018-006](#)).

<sup>3</sup> See the [four staff guidance documents](#) published on August 22, 2019, in advance of the effective date of the new estimates and specialists audit requirements.

the following sections, we expand on these minor impacts as they relate to areas noted in the Request for Comment.

#### Impacts on Communication

We have not identified any significant impacts on communication between auditors, audit committees, and preparers as a result of the new requirements related to the auditor's use of the work of specialists. While some companies experienced a minor increase in communication with auditors initially to align on revised expectations for documentation, most of our members indicated that the new audit requirements were reflective of existing documentation and audit procedures and required minimal or no changes for companies.

#### Impacts on Audit Fees and Other Costs

We have not identified any change in audit fees as a result of the new requirements related to the auditor's use of the work of specialists. We also have not identified any other incremental costs associated with the new requirements other than minor upfront costs from some instances of revised documentation to align with auditors' expectations under the new requirements.

#### Impacts on Pool of Qualified Specialists

We have not identified any strain on the pool of qualified specialists resulting from the new requirements related to the auditor's use of the work of specialists.

### **Conclusion**

We appreciate this opportunity to provide feedback on the Board's interim analysis of the audit requirements for estimates and specialists. If the Board or staff have any further questions related to the new audit requirements and their impacts on companies, we stand ready to assist and would welcome further discussion at your convenience.

Sincerely,

*Rudolf Bless*

Rudolf Bless  
Chair, Committee on Corporate Reporting  
Financial Executives International