

June 12, 2020

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803
USA

Re: Interim Analysis No. 2020-01, *Critical Audit Matter Requirements*

Deloitte & Touche LLP (“D&T” or “we” or “our”) is pleased to respond to the request for comment from the staff of the Public Company Accounting Oversight Board (PCAOB) Office of Economic and Risk Analysis (the “staff”) on its interim analysis to assess the phased implementation of the critical audit matter (CAM) requirements included in PCAOB Auditing Standard 3101, *The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion* (AS 3101). We commend the PCAOB for its efforts to gain an understanding of how auditors responded to the CAM requirements, whether and how investors are using CAM communications, and related audit committee and preparer experiences.

D&T is also participating in the staff’s other data collection activities, including a survey of our engagement partners regarding their experience implementing the CAM requirements and a firm-level survey. Our response herein addresses questions posed to auditors in the PCAOB’s request for comment and supplements the information provided to the PCAOB through our participation in the engagement-partner and firm-level surveys.

Overall, we believe the CAM requirements have achieved the objective of providing meaningful and useful information about the audit to investors and other financial statement users.

Changes to Audits as a Result of the CAM Requirements

The staff asked whether the CAM requirements led to changes in the audit. Because it is a reporting standard, it did not fundamentally change the nature, timing, or extent of audit procedures performed for those matters identified as CAMs. However, the CAM requirements did result in other changes to the audit such as determining and documenting which matters communicated to the audit committee met the definition of a CAM, drafting CAMs for inclusion in the auditor’s report, and discussing CAMs with the audit committee and management.

Changes in Communications with Audit Committees and Management as a Result of the CAM Requirements

The staff asked whether the CAM requirements led to changes in communications between auditors, audit committees, or preparers. Audit committees and management expressed interest in learning about the CAM requirements and their implementation. While we did not see an increase in the frequency of scheduled audit committee meetings specifically as a result of the CAM requirements, the topic of CAMs was often discussed at scheduled audit committee meetings and throughout the audit with management. Discussions included the matters we evaluated as CAMs, how we concluded that certain matters were CAMs, and other matters that were not CAMs. For those matters identified as CAMs, we held discussions with audit committees and management about the draft CAMs, including how they compared to CAMs reported for other companies in the same industry.

Significant Activities Related to Implementation of CAM Requirements

The staff asked for the most significant activities that led to CAM-related costs. D&T undertook several significant activities at the firm and engagement levels related to the implementation of the CAM requirements, including:

- Developing policies, guidance, and tools.
- Developing and conducting multiple trainings.
- Designing and performing pilot and dry run programs in advance of the effective date. The purpose of the pilot and dry run programs was to evaluate matters that might be CAMs, consider how CAMs should be drafted, and discuss potential CAMs with management and audit committees to help them understand and prepare for the CAM requirements before they became effective.
- Establishing a network of partners and managing directors within our quality and professional practice network to perform reviews of CAMs during the dry runs and the first year of implementation of the CAM requirements in addition to the reviews performed by the engagement team and the engagement quality control reviewer.
- Developing a database research tool to assist engagement teams in obtaining information about CAMs publicly reported to assist in responding to inquiries from audit committees and management about CAMs reported for other companies.

Timing of Efforts Related to CAMs

The staff asked at which stages of the audit process did most of the auditor's activities related to CAMs occur. Initial efforts to identify, document, and draft CAMs occurred before the company's fiscal year-end as the information and procedures necessary to carry out such activities became available and were performed. Efforts occurring after year-end included considering whether matters communicated to the audit committee prior to issuance of the auditor's report were CAMs; completing documentation; finalizing the CAM communications in the auditor's report; and providing to and discussing with the audit committee and management the final auditor's report, including the CAM communications.

* * *

We appreciate the opportunity to share our thoughts and experiences on the implementation of the CAM requirements. We hope the staff will find our input helpful in performing its analysis. If you have any questions or would like to discuss this matter further, please contact Christine Davine at 202-879-4905 or Lisa Smith at 203-761-3218.

Very truly yours,

Deloitte & Touche LLP

Deloitte & Touche LLP

cc: William D. Duhnke III, PCAOB Chairman
J. Robert Brown, Jr., PCAOB Member
James G. Kaiser, PCAOB Member
Duane M. DesParte, PCAOB Member
Rebekah Goshorn Jurata, PCAOB Member
Megan Zietsman, Chief Auditor and Director of Professional Standards
Dr. Nayantara Hensel, Director and Chief Economist

Jay Clayton, SEC Chairman
Hester M. Peirce, SEC Commissioner
Elad L. Roisman, SEC Commissioner
Allison Herren Lee, SEC Commissioner
Sagar Teotia, SEC Chief Accountant
Mark Panucci, SEC Deputy Chief Accountant
Paul Munter, SEC Deputy Chief Accountant