

[Securities Regulation Daily Wrap Up, ACCOUNTING AND AUDITING—PCAOB seeks interim feedback on impact of CAM requirements, \(Apr. 23, 2020\)](#)

Securities Regulation Daily Wrap Up

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By [John M. Jascob, J.D., LL.M.](#)

The accounting oversight agency wants stakeholder input to help assess the phased implementation of the requirements to communicate critical audit matters.

The Public Company Accounting Oversight Board (PCAOB) has requested public comments to help inform the agency's understanding of the impact of the critical audit matters (CAM) requirements on audit firms, preparers, audit committees, and investors. The Board has undertaken an interim analysis to gain an initial understanding of how auditors responded to the CAM requirements, whether and how investors are using CAM communications, and the experiences of audit committee and preparers.

AS3101. Adopted by the PCAOB in 2017, [Auditing Standard 3101](#) requires an auditor to communicate CAMs, which are defined as any matters arising from the audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements; and (2) involved especially challenging, subjective, or complex auditor judgment. For each CAM communicated in the auditor's report, the auditor is required to: (1) identify the CAM; (2) describe the principal considerations that led the auditor to determine that the matter is a CAM; (3) describe how the CAM was addressed in the audit; and (4) refer to the relevant financial statement accounts or disclosures that relate to the CAM. The standard is designed to make the auditor's report more relevant and informative to investors and other financial statement users by requiring more information about the audit.

The CAM requirements are in now effect for audits of large accelerated filers with fiscal years ending on or after June 30, 2019. The second effective date, which impacts audits of all other companies to which the requirements apply, is for audits of fiscal years ending on or after December 15, 2020. In approving AS 3101 in [Release No. 34-81916](#), the SEC set out an expectation that the PCAOB would complete a post-implementation review "as soon as reasonably possible," including an analysis between effective dates for CAMs.

Request for comments. The PCAOB's [request for comments](#) is intended to supplement the agency's collection of data from surveys and targeted interviews of impacted stakeholders in order to inform its interim analysis of CAM implementation. The PCAOB expects to produce a report in the fourth quarter of 2020 to communicate findings and provide stakeholders with early insights into initial CAM implementation.

Among its specific questions for investors, analysts and other financial statement users, the PCAOB asks whether users have read any auditors' reports that contain CAMs and, if so, what effects they have experienced. For example, the agency seeks comments on whether the communication of CAMs altered their ability to analyze companies' financial statements or make investment decisions, or whether the content of analyst reports or their interactions with management has changed, such as developing new or better-informed questions.

Among its questions to preparers and audit committees, the PCAOB asks whether those stakeholders have experienced any changes in the financial reporting process as a consequence of CAM communications in the auditor's report. For example, has the communication of CAMs led to changes in controls or practices around financial reporting and disclosure? Other questions seek comments on the impact of CAM communications on how audit committees approach their role and responsibilities, as well as on any changes in communications between auditors, audit committees, or preparers. The PCAOB also seeks information from preparers or auditors about the most significant activities that led to CAM-related costs as well as a description of those activities.

The PCAOB requests that interested parties submit their comments no later than June 15, 2020.

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