

Website Update

New PCAOB Staff Report Provides Insights on SPAC and De-SPAC Audits

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A new PCAOB [staff report](#) sheds light on an area where PCAOB inspectors have observed relatively high rates of audit deficiencies: special purpose acquisition companies (SPACs).

From 2020 to 2021, U.S. markets experienced an unprecedented surge in the number of initial public offerings by SPACs. SPACs typically have no commercial operations and are public companies formed solely to raise capital to merge with or acquire a private company, effectively taking it public.

In recent years, the PCAOB has considered SPAC-related risks to investors as it has planned its inspections. Earlier this week, PCAOB inspectors once again included SPACs among their list of [priorities for 2023 inspections](#).

From 2021 to 2022, PCAOB inspectors reviewed more than 100 audits of companies that were either considered SPACs or that were formed through a de-SPAC transaction. As detailed in the staff report:

- The PCAOB reviewed 44 SPAC-related audits performed in 2021. Of those audits, 61% had at least one deficiency.
- The PCAOB reviewed 71 SPAC-related audits performed in 2022. Of those audits, 37% had at least one deficiency.

Based on these inspections, the report presents several key takeaways for auditors. Among others, these takeaways include exercising due professional care and professional skepticism, considering whether presentation and disclosures in the financial statements conform with GAAP, understanding the public company's processes to develop its accounting estimates, and remaining alert to changes in

the public company's or the auditor's circumstances which may give rise to situations that could impair auditor independence.

Advancing the PCAOB's strategic objective of improving audit quality through delivery of useful inspection information, this staff report offers investors and other stakeholders a view into inspection observations and offers valuable staff insights.