

May 30, 2023

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street NW  
Washington, DC 20006-2803  
comments@pcaobus.org

Re: PCAOB Release No. 2023-001: PCAOB Rulemaking Docket Matter No. 049, Proposed Auditing Standard – *General Responsibilities of the Auditor in Conducting an Audit and Proposed Amendments to PCOAB Standards*

Secretary Brown and PCAOB Board Members:

AuditClub is writing to share our views on the proposed auditing standard regarding the general responsibilities of the auditor and other amendments to PCOAB standards.

At AuditClub, we are committed to transforming how public accounting firms deliver audit and assurance services. We are backed by a licensed accountancy corporation based in the United States and registered with the PCAOB. Through our unique subscription access model, AuditClub provides on-demand AICPA and PCAOB audit and assurance support to top 10, regional and local CPA firms throughout the United States. Our solutions include support for audit and assurance, quality management, regulatory matters, training, and transformation.

As a company, it is our mission to make the accounting and auditing profession better. With our week-to-week subscription model, CPA firms can gain access to our entire team of highly experienced Chief Auditors and dedicated Crew members to assist in providing high quality audit and assurance services. It is our goal that this will provide a more positive working experience for our members and the profession overall. With this in mind, we kindly ask you to fully consider our comments on certain areas related to the proposed standard and other proposed amendments.

#### I. Core Auditor Principles and Responsibilities

We understand the main purpose of the proposed standard, AS 1000, is to modernize the professional standards that were first adopted on an interim basis back in 2003 to reinforce the essential role auditors play in protecting investors in the capital markets. We further believe it is the PCAOB's intention to reemphasize the foundational principles and responsibilities of the

auditor considering today's current financial environment to further promote high-quality auditing and reduce the number of audit deficiencies identified in PCAOB inspections.

We agree that the principles around reasonable assurance, due professional care, professional skepticism, independence, competence, and professional judgment are important to the foundation of a quality audit, which is fundamental in our obligation to protect investors. We are supportive of the proposed changes that seek to modernize and streamline these core principles and responsibilities. However, if it is truly the PCAOB's intent to promote the protection of investors through high quality audits, there are other underlying issues that need to be addressed that are not necessarily related to the auditing standards itself.

### *Time & Resource Constraints*

Specifically, time and resource constraints are negatively impacting an auditor's ability to appropriately exercise the aforementioned core principles. It is our belief that most auditors have a general understanding of their roles and responsibilities via other resources (e.g., CPA exam, Ethics exam, other continuing professional education requirements, etc.), but often may not have the capacity to execute them appropriately. Given the tight regulatory timelines, auditors find themselves in a position to "just get it done" rather than exercising the due professional care and skepticism that is critical to a quality audit. We have further discussed these issues and potential solutions in the sections that follow.

## II. Role of the Engagement Partner

We acknowledge the importance of the active role of the engagement partner throughout the phases of an audit and proactively emphasize this point to the partners of the member firms that we provide audit and assurance support. We commend the PCAOB for reinforcing this point around what is expected of the engagement partner in the planning, supervising, reviewing, and documenting of engagement activities within the proposed amendment. However, like the paragraph above, there are other underlying issues related to the roles of engagement partners that are not specifically related to the auditing standards.

### *Business Models*

Specifically, the traditional business model is contributing to the resource constraint challenges mentioned. It is our view that the average partner-to-staff compensation ratio is outlandish in relation to the number of hours staff work, particularly within "busy season." The current partner mentality that "I paid my dues to get where I am" means some partners are unwilling to take a pay cut to invest in the well-being of their employees and to fairly compensate them based on the number of hours worked. Unfortunately, the reality is that many partners push their staff to

achieve billable hour targets which leads to overworked staff, increased overtime hours, and discouragement when employees exceed budgeted hours.

### *Collaboration with the AICPA*

The AICPA recently released their Pipeline Acceleration Plan to address the talent shortage of CPAs. One of the root causes to be addressed is current firm culture and the business model challenge. We encourage the PCAOB to actively join the AICPA and to be an advocate for change by offering suggestions for how CPA firms might reassess their business models and strategy to cultivate an environment meant to attract, retain, and develop staff to ensure the overall success of the profession. This, we believe, should lead to better audit quality and greater confidence from investors in the capital markets.

### III. Audit Documentation Standard Amendment

We disagree with the proposal to shorten the time to assemble final audit documentation from no more than 45 days to 14 days. Although it is the Board's intention to modernize the audit documentation standard given the advancements in audit software and technology, it is not universally true that it takes accounting firms significantly less time to compile a complete set of audit documentation from when the original audit documentation standard was released in 2004.

### *Complexity and Human Capital Challenges*

In the past twenty years, the financial accounting, reporting, and auditing landscape has only become more and more complex. There have been several significant Accounting Standard Updates issued by the FASB (e.g., ASC 606, ASC 842, ASC 326, etc.), along with new standards issued by the PCAOB, on top of the introduction of other new and complex matters in the financial marketplace (e.g., crypto currency, SPACs, offshoring, etc.) that consume a significant amount of an auditor's time. Furthermore, as mentioned above, the current talent crisis the profession is facing is causing a shortage in qualified resources to not only complete audit procedures within the already compressed Form 10-K filing deadlines, but will present even greater challenges to complete the audit documentation in a shortened timeline.

The regional and local accounting firms that AuditClub often supports are already struggling with human capital issues and compressing timelines even further will just continue to worsen the situation. This endless pattern of added regulation and compressed timelines, when combined with the known shortage of audit professionals, will likely lead to more audit quality issues and an unintended consequence of the Board's proposal. It will also further contribute to the talent shortage as current professionals, who are already reportedly working on average over 72 hours a week during busy season (based on study cited within the Board's proposal on A Firm's System

of Quality Control), will now have more stringent deadlines after report release date to complete audit documentation. The Board should reconsider its proposal on shortening the audit documentation deadline and should even advocate to the SEC for a reconsideration of filing deadlines given the increased complexities in the capital markets as well as the shortage of qualified professionals.

### *The PCAOB Inspection and Remediation Process*

Lastly, another relevant factor to discuss that appears to be contributing to the time and resource constraints of accounting firms is the PCAOB's inspection process. At AuditClub, we offer CPA firms support on regulatory matters including assistance in responding to PCAOB inspection comments and remediation efforts. During our support of these firms, we have observed firsthand that the overall inspection process is disruptive to their day-to-day business and difficult to manage, especially for smaller firms who already lack resources. As an example, there have been instances where firms had received initial comment forms from an inspection that had occurred months prior and yet were only given a week to provide responses. In other instances, we have seen follow-up questions received from inspection teams on remediation responses that were provided more than a year after the inspection had originally occurred, and yet again firms were required to provide responses within a week. In some cases, certain members of the engagement team who were involved in the inspection process were no longer employed with the firm, putting more pressure on current resources to accommodate the gap. Such long and unknown gaps in communications between firms and the inspection process creates a "drop what you're doing and all hands-on deck" atmosphere for firms, who are already scrambling to keep up with business as usual. This can certainly be seen as a contributing factor to the long hours and extended overtime our profession has been experiencing. We would encourage the PCAOB to revisit the overall inspection process and timelines and look to provide more transparency and structure to the remediation process, while being sensitive to the burdens it creates. This will allow firms to properly allocate resources to better manage working hours and ultimately help to make the profession better.

### *Summary*

At AuditClub, we specifically focus on our human capital experience as part of our mission to make the accounting and auditing profession better. We offer a year-round 4-day work week with a maximum of 36 hours per week. We believe this allows our employees to operate at their peak levels in order to support our member firms to the best of their ability with the highest quality in mind. We have consciously limited our capacity to make this available to our employees, which undoubtedly has reduced our top-line revenue potential. However, at AuditClub we value our purpose over profits.

In conclusion, AuditClub appreciates the opportunity to comment on Matter No. 049 related to the PCAOB proposal to modernize standards on core auditing principles and responsibilities. Within the proposed standard, the PCAOB states:

*Through this standard-setting project, we are reaffirming the general principles and responsibilities to ensure that the foundation continues to be solid and appropriate for maintaining high-quality audits. These principles and responsibilities, together with modernized auditing standards, should equip the auditor with better tools to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.*

We believe that the proposed standard, while well-intentioned, misses a greater opportunity to effect change around more critical issues underlying the profession. We thank the PCAOB for the opportunity to comment and would be pleased to discuss with you further if needed.

Sincerely,

*AuditClub*

AuditClub