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October 26, 2022

Ms. Phoebe W. Brown
Secretary
Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006

Re: Request for Information and Comment on the Application and Use of the Public Company Accounting Oversight Board's (PCAOB) Interim Attestation Standards

Dear Ms. Brown:

Deloitte & Touche LLP is pleased to respond to the *Request for Information and Comment on the Application and Use of the PCAOB's Interim Attestation Standards* (request for information and comment). We commend the PCAOB staff's outreach to stakeholders to augment the PCAOB's analysis of the interim attestation standards and related attestation engagements performed in accordance with those standards. Seeking information and comment from the public enhances the rigor and transparency of the PCAOB's standard setting process and promotes the development of high-quality standards.

In recent years, we have seen greater demand globally for independent assurance over subject matters other than historical financial information. Those subject matters include digital tagging of financial information prescribed by taxonomy regulations; cybersecurity; and climate-related environmental, social, and governance (ESG) metrics. We believe attestation engagements and related reporting on these and other subject matters (e.g., other information in company filings such as Management Disclosure and Analysis (MD&A)) enhances public trust by driving high-quality, relevant and reliable disclosures and providing greater transparency to investors and other stakeholders. Further, we believe that the credibility of attestation reporting is enhanced when performed by certified public accountants, whose skills and capabilities in performing assurance engagements are underpinned by robust ethics and independence requirements, rigorous standards, and with foundational principles of due professional care and the exercise of professional skepticism.

We support the PCAOB's considerations related to modernizing its existing standards and issuing new standards where necessary. We encourage the PCAOB to consider aligning its attestation standards and guidance, as appropriate, with PCAOB auditing standards (e.g., consistent risk assessment procedures for all reasonable assurance engagements), clarifying stakeholder understanding of the different levels of assurance available through attestation engagements, and leveraging other

standard setters' attestation standards, where relevant and appropriate, to support consistency in execution.

Use of Attestation Reports

Attestation engagements can be executed across a broad range of subject matters, and for diverse purposes. As such, the users of attestation reports vary in nature. In our experience, intended users include investors, underwriters, governmental/regulatory agencies, lenders, and companies. Audit firms may also be intended users of certain attestation reports (e.g., SOC reports) as part of the audit of financial statements.

We have observed growing interest in attestation reporting as users continue to see increased value in obtaining independent assurance over subject matters other than historical financial information. For example, in evolving areas such as ESG reporting, investors and other stakeholders expect companies to provide reliable and comparable ESG information to enable them to make informed investment decisions. Once an investment is made, these users continue to monitor the company's ESG information to measure performance and progress toward the company's ESG goals, much in the same way the company's financial information is used. As a point of reference, Deloitte's 2021 ESG Executive Survey¹ showed that three in four executives planned to obtain assurance over ESG disclosures in the next reporting cycle.

Beyond ESG-related subject matters, we believe investors and other stakeholders can benefit from attestation reports on a variety of subject matters other than a company's historical financial information. As technology continues to evolve in its impact on financial reporting and company operations, we believe independent assurance on areas such as XBRL tagging, algorithms used by companies, and cybersecurity may provide useful information to investors and other stakeholders and can enhance public trust.

As the PCAOB considers use of attestation reports, we note that the perceived value investors and other stakeholders receive from attestation reporting is largely dependent on their understanding of the nature and level of assurance that is being provided. In our May 21, 2022,² letter in response to the request for public comment from the Securities and Exchange Commission (SEC or Commission) on the proposed rule, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, we noted that the Commission may want to consider determining whether investors understand the variety of attestation standards used on current ESG-related engagements, and observed the continuing need to provide awareness to investors about the value of assurance in supporting consistency, comparability, and reliability of disclosure. In practice, we have observed varying degrees of understanding that users have of the differing levels of assurance provided (i.e., no assurance, limited assurance, and reasonable assurance) and the related attestation report (i.e., agreed upon procedures, reviews, and examinations) and how "verification" differs from attestation, which can lead to investor confusion in the marketplace. Irrespective of the subject matter, we believe clarifying the levels of assurance in conducting attestation engagements under the standards of the PCAOB as part of any standard setting activity will be helpful to users' understanding.

¹ See [ESG executive survey: Preparing for high-quality disclosures](#) (March 2022).

² See [Deloitte & Touche LLP Comment Letter](#).

Current Practice

We currently perform attestation engagements under the PCAOB attestation standards only when required by law or regulation as follows:

- Examinations of certain statements made by a broker or dealer in a compliance report prepared pursuant to Securities and Exchange Act of 1934 ("Exchange Act") Rule 17a-5, 17 CFR § 240.17a-5 ("SEC Rule 17a-5") of the SEC, under the requirements of PCAOB Attestation Standard No. 1, *Examination Engagements Regarding Compliance Reports of Brokers and Dealers*, (PCAOB AT No. 1)
- Reviews of the statements made by a broker or dealer in an exemption report prepared pursuant to SEC Rule 17a-5 under the requirements of PCAOB Attestation Standard No. 2, *Review Engagements Regarding Exemption Reports of Brokers and Dealers*, (PCAOB AT No. 2)
- Examinations of a servicer's compliance with the servicing criteria of the Asset-Backed Securities Regulation issued by the SEC (Regulation AB),³ (PCAOB Interim Attestation Standard (PCAOB AT) 101, *Attest Engagements*, (PCAOB AT 101) and PCAOB AT 601, *Compliance Attestation*, (PCAOB AT 601)), and
- Agreed-upon procedures relating to broker or dealer compliance with 17 CFR § 240.17a-5(e)(4) of the Exchange Act and the Securities Investor Protection Corp (SIPC) Series 600 Rules,⁴ (PCAOB AT 201, *Agreed-Upon Procedures Engagements*, (PCAOB AT 201) and PCAOB AT 601).

We do not generally perform engagements pursuant to PCAOB AT 301, *Financial Forecasts and Projections*, (PCAOB AT 301), PCAOB AT 401, *Reporting on Pro Forma Financial Information*, (PCAOB AT 401), or PCAOB AT 701, *Management's Discussion and Analysis*, (PCAOB AT 701), or apply the interpretations in PCAOB AT 9101, *Attest Engagements Interpretations of Section 101*, (PCAOB AT 9101). We primarily perform attestation engagements in accordance with the clarified and revised American Institute of Certified Public Accountants (AICPA) attestation standards, driven by requirements of laws and regulations, and as requested by engaging parties (refer to Appendix A, for examples of the various attestation engagements performed under the AICPA attestation standards).

Potential Updates to Requirements

As the PCAOB interim attestation standards have remained largely unchanged since they were adopted in 2003, we recommend the PCAOB consider how its standards may be modernized to align with concepts in its auditing standards, such that there is greater consistency across similar assurance-level engagements irrespective of whether the subject matter is historical financial information or another subject matter. Further we encourage the PCAOB to develop guidance applicable to subject matters that may not have been contemplated in the original drafting of the interim attestation standards.

³ For Regulation AB, practitioners are required by the AICPA Code of Professional Conduct ("Compliance With Standards Rule" (ET sec. 1.310.001)) to also perform this engagement in accordance with AICPA attestation standards. Therefore this examination engagement is performed under both PCAOB and AICPA attestation standards.

⁴ For SIPC, practitioners are required by the AICPA Code of Professional Conduct ("Compliance With Standards Rule" (ET sec. 1.310.001)) to also perform this engagement in accordance with AICPA attestation standards. Therefore this agreed upon procedures engagement is performed under both PCAOB and AICPA attestation standards.

We encourage the PCAOB to consider the attestation standards of other standard setting bodies which have been revised more recently than the PCAOB's interim attestation standards. For example, the AICPA issued clarified statements on attestation standards in 2017 and made further revisions in 2019 and 2020. These revisions allowed for greater flexibility with respect to available reporting options, and were generally written to allow for their application and use over a broad range of subject matters. In addition, the AICPA continues to modernize their interpretations and guidance for evolving areas, for example, it issued the AICPA Guide, *Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information)*.

In addition, the International Auditing and Assurance Standards Board has existing standards for practitioners related to assurance engagements, including ESG. In light of the global increase in user demand and required reporting for assurance over ESG information, having commonality in professional standards will result in consistent, reliable, and comparable attestation reports globally, which may be particularly important for attestation engagements related to multinational companies.

In terms of prioritization, we encourage the PCAOB to consider the following recommendations:

- Given the broad applicability and increased interest, but current limited use of PCAOB AT 101, PCAOB AT 201, PCAOB AT 601, and PCAOB AT 701, as noted above in *Current Practice*, we recommend that the PCAOB prioritize the modernization to update these specific standards
- Given the narrow topical focus and limited use of PCAOB AT 301 and PCAOB AT 401, we recommend the PCAOB assess the relevance and suitability of those interim standards, with possible elimination.

Furthermore, as part of the PCAOB's request for additional information related to certain topics, we offer the following observations to help inform how to proceed with modernizing the interim attestation standards:

Using the Work of Others (including Specialists and Internal Auditors), Other Accountants, and Service Organizations. Given the increasing demand for assurance over emerging and specialized subject matters, we believe it is important to include requirements and/or guidance related to the diverse participants in these engagements, including specialists and other accountants. For example, in attestation engagements over ESG subject matters such as emission calculations under the GHG Protocol, the involvement of specialists with a specialized skill or knowledge may be needed for more complex calculations. Further, as the number of attestation engagements for multinational companies increases, guidance on the use of other accountants will be important. We believe aligning guidance on these topics, as well as service organizations and use of the work of others, with the auditing standards where relevant and appropriate, will assist in consistent high-quality execution.

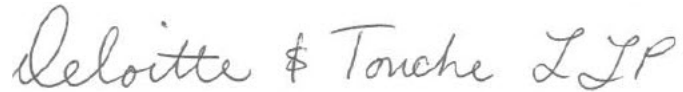
Agreed-upon Procedures (AUPs) Over an Assertion. Following the issuance of Statement on Standards for Attestation Engagements No. 19, *Agreed-Upon Procedures Engagements*, which removed the requirement of obtaining an assertion from the responsible party, the predominance of AUPs are now performed over the subject matter rather than over an assertion from the responsible party.

Engagement Quality Reviewers (EQRs). We believe that the involvement of an EQR further enhances the quality of attestation engagements, and would be supportive of the PCAOB attestation standards requiring an EQR.

* * * * *

We would be pleased to discuss any of our observations and thoughts expressed in this letter with you at your convenience. If you have any questions or would like to discuss our views further, please contact Jen Haskell at (203) 761-3394.

Sincerely,

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Deloitte & Touche LLP

cc: Erica Y. Williams, Chair
Duane M. DesParte, Board member
Christina Ho, Board member
Kara M. Stein, Board member
Anthony C. Thompson, Board member
Paul Munter, Acting Chief Accountant, U.S. Securities & Exchange Commission

APPENDIX A — EXAMPLE ATTESTATION ENGAGEMENTS PERFORMED IN ACCORDANCE WITH AICPA ATTESTATION STANDARDS

Attestation engagement	Examples
Assertion-based examination engagements	<ul style="list-style-type: none"> • Internal controls at a service organization (i.e., SOC 1, SOC 2), • Use of proceeds related to green or sustainable financial instruments, • Transfer agent/registrar internal controls pursuant to Rule 17Ad-13 of the Exchange Act, Paragraph 601.01(B) of the NYSE Listed Company Manual, or other stock exchange rules, • Custodian internal controls pursuant to Rule 206(4)-2 (Custody Rule) and Release No. IA-2969 under the Investment Advisors Act of 1940, • The Global Investment Performance Standards (GIPS), • Public Utility Schedule of Fuel Adjustment Clauses, and • Compliance with requirements of specified laws, regulations, rules, contracts, or grants: <ul style="list-style-type: none"> ○ Uniform Single Attestation Program for Mortgage Bankers (and other similar minimum servicing standards), ○ Rule 17f-1 and Rule 17f-2 of the Investment Company Act of 1940, ○ The Custody Rule and Rule 204-2(b) under the Investment Advisors Act of 1940.
Review engagements	<ul style="list-style-type: none"> • Sustainability report (e.g., report on economic, ESG performance), and • Greenhouse gas (GHG) statement, or selected indicators (e.g., stand-alone presentation, indicators specified within a sustainability report or other communication).
Agreed-upon procedures engagements	<ul style="list-style-type: none"> • Asset-backed securitization offerings, • Award tabulations, • Internal company initiatives (e.g., employee incentive plans), • Extensible Business Reporting Language (XBRL), • Submission to U.S. Department of Housing and Urban Development (HUD) via the LEAP, and: • Compliance with or internal controls over compliance with specified requirements: <ul style="list-style-type: none"> ○ EPA regulations specific to owners and operators of hazardous waste management facilities governed by the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as "Superfund".