

## Hey! What's New? 2024-129

### PCAOB Will Require Firms to Share a New Set of Metrics

Bryan Strickland writes in an article in the *Journal of Accountancy* that audit firms will be required to report a new set of firm and engagement metrics to the PCAOB as well as additional information during annual and special reporting. He notes that the AICPA issued a statement in response to the new firm metrics requirements, saying that the potential consequences of the requirements “are a significant risk.”

PCAOB Chair Erica Williams said in a news release that the new requirements “will make PCAOB oversight more effective and equip investors, audit committees and others with clear, consistent and actionable data related to audit firms and the engagements they perform.”

PCAOB-registered public accounting firms that audit one or more issuers that qualify as an accelerated filer or large accelerated filer will be required to publicly report specified metrics relating to such audits and their audit practices. Of the 11 metrics included in the PCAOB proposal in April, eight made it into the new requirements:

- Partner and manager involvement
- Workload
- Training hours for audit personnel
- Experience of audit personnel
- Industry experience
- Retention of audit personnel (firm-level only)
- Allocation of audit hours
- Restatement history (firm-level only)

“We’re glad the PCAOB took some comments to heart by extending implementation dates, particularly for smaller firms, and lowering the number of required metrics,” the AICPA statement said. “But the potential consequences of the remaining requirements – reduced competition and market diversity in the public audit space – are a significant risk. We hope the SEC will give these unintended outcomes the weight they deserve before giving final approval to the requirements.”

Strickland noted that the AICPA statement also said that the “rules will place a significant burden on small and midsized audit firms and could lead some to exit public company auditing altogether.”

He pointed out that the statement cited a recent survey of large firms showing that 51% with audit practices said they would rethink engaging in public company audits if the requirements were approved.

According to the PCAOB, Strickland adds, firm-level metrics will be required annually on new Form FM, and engagement-level metrics on a revised Form AP. Limited narrative disclosures will be allowed but not required to provide context and explanation for the metrics.

The requirements will take effect for firms that audit more than 100 issuers first, with the requirements taking effect for other firms the following year.

The PCAOB amended the current reporting requirements, with phased-in effective dates, on its Annual Report Form (Form 2) and Special Reporting Form (Form 3) in several areas:

- Financial information: All registered firms will report additional fee information, with the largest firms submitting financial statements confidentially to the PCAOB.
- Governance information: Firms will be required to report additional information regarding their leadership, legal structure, ownership, and other governance information, including reporting on certain key quality control operational and oversight roles.
- Network relationships: Firms will be required to report a more-detailed description of any network arrangement to which a registered firm is subject.
- Special reporting: For annually inspected firms, the amendment adds a confidential special reporting requirement for events material to a firm's organization, operations, liquidity, or financial resources, such that they affect the provision of audit services.
- Cybersecurity: Registered firms will be required to promptly report – confidentially – significant cybersecurity events; and report – periodically and publicly – a brief description of policies and procedures for identifying and managing cyber risks.

In addition, a new form will require any firm registered with the PCAOB prior to Dec. 15, 2025 – the effective date of the PCAOB's new quality control standard – to submit an updated statement of the firm's quality control policies and procedures pursuant to the standard.

Learn more at [PCAOB will require firms to share a new set of metrics](#).