

---

**GRANT THORNTON LLP**

Grant Thornton Tower  
171 N. Clark Street, Suite 200  
Chicago, IL 60601-3370

**D** +1 312 856 0200

**S** [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)

[twitter.com/grantthorntonus](https://twitter.com/grantthorntonus)

January 2, 2025

U.S. Securities and Exchange Commission  
Office of the Secretary  
100 F Street, NE  
Washington, DC 20549

Via Email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Re: Securities and Exchange Commission Release No. 34-101724 (File No. PCAOB 2024-06), Public Company Accounting Oversight Board; Notice of Filing of Proposed Rules on Firm and Engagement Metrics and Related Amendments to PCAOB Standards**

Dear Office of the Secretary:

Grant Thornton LLP appreciates the opportunity to comment on the SEC's consideration of approving the Public Company Accounting Oversight Board's (PCAOB's) recently approved rules on firm and engagement metrics (the final rule).

In our comment letter to the PCAOB dated June 7, 2024,<sup>1</sup> we supported meaningful transparency to relevant stakeholders that will enhance their understanding of audit firms. However, we also emphasized the need for additional study on the topic of using metrics to enhance that understanding in order to determine (1) what information is truly meaningful to the broader population of stakeholders and (2) whether the proposed metrics would provide such meaningful information, particularly with regard to engagement-level metrics. We agree with the Board's observation that audit quality cannot be measured, in whole, by calculated metrics. Yet, despite this observation, the Board approved a final rule that requires eight calculated metrics that we continue to believe have ambiguous intentions and usability.

There were aspects of the proposal that we supported, in particular, firm-level metrics reporting. We also expressed a variety of concerns to the PCAOB, and we continue to have considerable concerns with the final rule. We do not believe the Board sufficiently articulated, in its adopting release, why the final rule is necessary and appropriate in the public interest. The speed with which the final rule was approved suggests that sufficient due process was not undertaken, and we believe certain concerns raised by commenters, including tangible operational challenges, were not adequately addressed by the Board in the final rule. For such reasons, we ask the SEC not to approve the final rule.

---

<sup>1</sup> [Grant Thornton LLP comment letter to the PCAOB on firm and engagement metrics, June 7, 2024.](#)

### Timing and due process

We recognize that firm and engagement metrics, in some form, have been a topic of Board discussion for several years. We appreciated the opportunity to provide feedback on the concept release as well as the proposal that led to this final rule. Nevertheless, we strongly believe that sufficient time was not provided for meaningful feedback to be gathered and articulated to the Board. We agree with Board Member Christina Ho's statement that:

[T]he PCAOB does not believe [more is better] to be the case when it comes to soliciting public comment on its proposed standards and rules, because it only gives stakeholders a sixty-day comment period, which is particularly short given the PCAOB's simultaneously proposed standards.<sup>2</sup>

We also were not afforded the opportunity to comment on the new metric for training hours for audit personnel, which was introduced in the final rule. Specifically, we agree with Board Member Ho's observation that since "training is mandatory across states for licensure purposes, this is redundant information, which adds no value in ascertaining audit quality, much less investor protection."<sup>3</sup>

Additionally, we believe that some sort of coordinated pilot testing is necessary in order for the Board to adequately determine that the information gleaned from these metrics is useable and meaningful and that the calculation of such metrics is operational. This testing would give firms an invaluable opportunity to identify potential challenges and unintended consequences, which would ultimately serve the public interest. However, the Board rejected the notion of pilot testing for various reasons, including the perception that there would be limited participation by firms.<sup>4</sup> We are disappointed that the Board did not take the opportunity to perform more extensive outreach to firms to determine whether that perception was a reality. We would be keenly interested in participating in pilot programs that would help inform the best possible outcome for standard setting.

### Public interest

We do not believe the Board has adequately evaluated the potential costs and potential unintended consequences of the final rule as it relates to the public interest. While we fully support the mission of the PCAOB with regard to investor protection, the related costs and potential unintended consequences associated with the final rule cannot be dismissed. It is not in the public interest to rush rulemaking, particularly rulemaking that could detract from audit quality. We agree with Board Member Ho's statement that:

[C]ontinuing to force feed the auditing profession with a voluminous number of standards within the limited funnel of a couple years is going to have catastrophic impacts to audit quality. Capacity is an important factor that the PCAOB has not seriously considered as part of its most ambitious standard-setting and now midnight rulemaking agenda in PCAOB history.<sup>5</sup>

---

<sup>2</sup> *Statement on the Firm & Engagement Metrics Adopting Release – Will This Unusually Rushed Auditing Standard Suffer the Same Fate of the Auditing Standard 2?*, Christina Ho, November 21, 2024.

<sup>3</sup> Ho Statement on the Firm & Engagement Metrics Adopting Release, November 21, 2024.

<sup>4</sup> Page 261 of the Adopting Release.

<sup>5</sup> Ho Statement on the Firm & Engagement Metrics Adopting Release, November 21, 2024.

We are concerned about the impact the final rule will have on overall audit quality in light of the significant administrative burden that will be borne by engagement teams as well as the brief timeframe allowed to implement the final rule. We acknowledge that the Board reduced the total number of metrics from eleven to eight in the final rule. Nevertheless, the Board still required nearly 130 pages in the adopting release to explain the eight metrics, which suggests that the calculations of the components of the metrics are not intuitive and may be overly complex.

What's more, the Board acknowledges that certain definitions used for the metrics do not align with definitions used in other existing auditing standards, and that the components comprising the metrics require a handful of variations of populations to which the metrics relate (refer to pages 55-68 of the final rule for discussion of populations). This lack of both cohesion and definitional consistency could introduce implementation challenges and increased costs. Further, while we recognize firms have up to 35 days after an audit report is included in an SEC filing to file Form AP, the average filing time is currently shorter than that. We anticipate that the expansion of reporting on Form AP of engagement-level metrics could take auditors away from handling important audit matters and instead diverting them to administrative data-gathering and scrubbing. Such distraction is not in the public interest and likely will increase the average filing time of Form AP.

\*\*\*\*\*

We would be pleased to discuss our comments with you. If you have any questions, please contact Jeff Hughes, National Managing Partner of Assurance Quality and Risk, at 404-475-0130 or [Jeff.Hughes@us.gt.com](mailto:Jeff.Hughes@us.gt.com).

Sincerely,

/s/ Grant Thornton LLP