

Trend Analysis of Critical Audit Matters (AS3101) From an Investor Perspective

Trish Driskill  
University of the Incarnate Word

Kelly Pittman  
University of the Incarnate Word

PCAOB's auditing standard AS 3101, effective June 2019, requires auditors of all publicly traded companies to report critical audit matters (CAMs) to provide transparency for potential investors. CAMs involve areas of an audit that require subjective or complex judgement related to material accounts and disclosures. After implementation, debate remains as to whether this recent requirement adds value to stakeholder decisions. Further analysis is needed to determine if investor benefits outweigh the potential liability and risk that comes with providing additional verbiage in the auditor's report.

The Public Company Oversight Board (PCAOB) released a report in 2020 after the implementation of AS3101. The initial report focused on the number of CAMs per audit report by large-accelerated filers and survey results from various stakeholder groups. The PCAOB replicated the survey in 2021 and 2022, noting various trends in the number of CAM (Critical Audit Matters) disclosures and the qualitative effects of the requirements noted by investors, audit teams and engagement partners.

This study's purpose was to measure value and transparency for investors against the potential increase in costs and liability by utilizing a survey developed by the researchers. After a pilot survey in May 2021, the study was expanded to a population of 904 respondents in 2022. Surveys were sent through the MTurk platform to individuals with at least a bachelor's degree, but not limited to individuals specifically employed in an accounting or finance position. Therefore, the respondents represented potential investors and shareholders that may utilize audit reports for investing decisions. This presentation reports the findings of the researchers' survey, including demographic analysis. The survey results include our findings on the value of CAM disclosures from the investor perspective, as well as trend analysis based on the survey respondent's demographics.

This presentation will also compare our survey findings with those trends noted in the PCAOB's most recent Interim Analysis Report conducted in December 2022. Future research plans will continue to analyze cost/benefit data from survey results and consider the post-implementation report expected from the PCAOB in 2024.