New SEC requirement will affect upcoming annual filings

At a glance
New SEC rules require most upcoming annual filings to include XBRL tagging of certain auditor information.

What happened?
As a result of the SEC’s December 2 adoption of amendments related to the Holding Foreign Companies Accountable Act (Release No. 93701), all registrants are required to add XBRL tags to certain information about their principal auditor in their Forms 10-K, 20-F, or 40-F for periods ending after December 15, 2021.

Why is this important?
Forms 10-K, 20-F, and 40-F will be required to include XBRL tags on the principal auditor’s name, location, and PCAOB identification number or the filing will be suspended (i.e., rejected) by the EDGAR system. This information is included in the following tagging elements:
• AuditorName – The plain text name of the principal auditor as it appears in the audit report
• AuditorFirmId – The Firm ID as assigned by the PCAOB (for PwC US, this is 238)
• AuditorLocation – The city along with either or both country, US state or Canadian province that appears in the audit report (not the firm headquarters associated with the Firm ID)

Suspended filings will have to be corrected (i.e., the appropriate tags applied) and resubmitted, which could cause a delay. A delayed filing could affect a company’s ability to use a short-form registration statement (e.g., on Form S-3). It is therefore important for companies to be aware of this new requirement and to address it in a timely manner.

Filers must tag this information using the 2021Q4 version of the Document and Entity Information (DEI) taxonomy, which contains the new elements for tagging auditor information as required in the SEC release. The updated DEI taxonomy is only compatible with the 2021 versions of other taxonomies (e.g., the US GAAP 2021 taxonomy). If a filer attempts to use the 2021Q4 version of the DEI taxonomy in conjunction with the 2020 version of another taxonomy in the same filing (e.g., the US GAAP 2020 taxonomy), the filing will be suspended.

Where should this information appear?
The placement of the required tags within the SEC filing is at the discretion of the registrant. AuditorName and AuditorLocation tags can be applied to the information in the audit report. However, we prefer not to include the Firm ID in our audit report, as the PCAOB has not changed its auditing standards to require this information. PwC’s Disclosure Checklist for Form 10-K filings reflects this new requirement.
Registrants should seek advice from their securities counsel on where to include this information and, if applicable, their third-party provider of inline XBRL services, but our preference is for the Firm ID to be disclosed and tagged on a page immediately preceding the audit report (e.g., in the Index included in Item 8 or Item 15 of Form 10-K) in a manner similar to the following:

<table>
<thead>
<tr>
<th>Item X. Financial Statements and Supplementary Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Registered Public Accounting Firm (PCAOB ID 238)</td>
</tr>
<tr>
<td>Consolidated Financial Statements</td>
</tr>
</tbody>
</table>

When multiple audit reports appear in an SEC filing (e.g., predecessor and successor audit reports), registrants are required to tag all three elements related to each principal auditor’s audit report.

**What’s next?**

These requirements impact Forms 10-K, 20-F, and 40-F for periods ending after December 15, 2021. Companies should take steps to ensure the required information is appropriately included and tagged prior to submitting the filing on the EDGAR system.

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