



THE AUDIT COMMITTEE COUNCIL

May 11, 2026

By email: comments@pcaobus.org

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Re: PCAOB Release No. 2026-001, *Strategic Priorities*

Dear Board Members:

The Audit Committee Council (ACC) appreciates the opportunity to provide input to the Public Company Accounting Oversight Board (PCAOB or Board) on its strategic direction. The ACC is an independent advisory committee of the Center for Audit Quality comprised of independent audit committee members, including audit committee chairs. We support the PCAOB's investor protection mission and offer the perspectives below to continue to help promote audit quality, regulatory effectiveness, and efficient use of resources.

In our view, the PCAOB's strategic priorities over the next two to five years should emphasize: (1) improvements to the inspections program—particularly its focus, consistency, and timeliness—given its central role in driving confidence in the audits of public companies; (2) regulatory efficiency and durability through consistent, transparent application of standards; and (3) disciplined prioritization of initiatives based on clear costs and benefits.

Key Points

Improve the inspection process as a top priority. The inspections program is a primary touchpoint for audit committees and firms. Enhancements to focus, consistency, and timeliness would meaningfully improve its usefulness to stakeholders and reinforce audit quality.

Regulatory efficiency and durability. Consistency in the interpretation and application of PCAOB rules and auditing standards is essential to durable improvements in audit quality. The Board should continue to evaluate whether regulatory actions are producing commensurate benefits relative to their costs for investors, issuers, auditors, and audit committees.

Prioritization is critical. The PCAOB's agenda should be disciplined and sequenced so that the highest-impact initiatives receive focus before launching additional projects that may create implementation risk or uncertainty. We are concerned that an overly expansive agenda will stretch the Board's resources too thin, thereby limiting the Board's ability to achieve the outcomes for which its aiming.

Responses to PCAOB Questions

1. *What should the PCAOB focus on as its strategic priorities in registration, inspections, and enforcement over the next two to five years to further its statutory mission?*

Inspections

- Review the inspections program for focus, consistency, and timing. We encourage the PCAOB to evaluate whether inspections are targeted to the areas of greatest or highest audit quality risk and whether inspection approaches are applied consistently across firms and inspection cycles. This includes a risk-based approach regarding the level of documentation required of auditors, which impacts companies. We are concerned that firms are required to produce a higher level of documentation than is necessary for low-risk areas. We provided recommendations in response to questions 2 and 3 that we believe should be a high priority for the PCAOB in this area.
- Evaluate the usefulness of current inspection reports to all users. The Board should assess whether the content, format, and timing of inspection reports provide decision-useful information to audit committees, investors, and other stakeholders. We do not believe tweaks to the current inspection report format will provide audit committees with meaningful or new information. Instead, making substantial changes to inspection reports should be a priority. We encourage the PCAOB to seek feedback broadly from stakeholders, including other audit committee members. We provided recommendations in response to questions 2 and 3 that we believe should be a high priority for the PCAOB in this area.

Standard Setting

- Finalize the NOCLAR project. We strongly suggest stopping the project related to AS 2405, *A Company's Noncompliance with Laws and Regulations* in its current form and commencing a new effort that clearly articulates the problem being addressed and considers international requirements in tandem with any approach to fraud-related responsibilities.

Enforcement

- Reduce duplicative oversight where possible. To the extent the Securities and Exchange Commission (SEC) and PCAOB have overlapping enforcement-related rules or processes, we encourage the PCAOB to consider opportunities to eliminate redundancies and improve overall regulatory efficiency and clarity without diminishing investor protection.

2. *What changes should the PCAOB make to its inspection program including, but not limited to, changes in light of its new quality control standard (QC 1000)?*

We support a PCAOB inspection program with a focus on a firm's system of quality control (SQC). A quality-control focused approach can provide more useful information about firm-level root causes and sustainable improvements than engagement-by-engagement findings alone.

- Provide more decision-useful information on firm systems and the profession. Reporting focused on quality control can better inform audit committees about how a firm designs, implements, and monitors its audit quality activities. Armed with such information, audit committees can discuss with the highest levels of their audit firms and help ensure focus, attention and investment is made where it is needed.

- Increase efficiency and recognize investments already made by firms. A focus on a firm’s SQC may be more efficient than an engagement-specific inspection approach and can better leverage firms’ existing quality management investments (which issuers ultimately pay for as part of their audit engagement fees, alongside the PCAOB’s accounting support fees).
- Relieve pressure on audit practice teams and reinforce accountability at leadership levels. Evaluating firm systems places appropriate emphasis on tone at the top, governance, and monitoring activities. While we support a robust and rigorous inspection process, we are concerned about the stress that the inspection process puts on talented firm personnel so much so that they are exiting the profession. This has a negative impact on continuity for companies and negatively impacts audit quality.
- Clarify that interpretation of auditing standards should reside with standard setting. We strongly support a model where interpretations are developed through the standard-setting function (with appropriate transparency), rather than being shaped through inspections or enforcement. This should reduce uncertainty and improve audit quality by clarifying expectations from the start.
 - Support robust consultation mechanisms. Long-standing consultation and pre-clearance processes at the SEC are invaluable to issuers and audit committees. These processes are well-known and utilized by issuers and auditors. The processes support consistent application of requirements. Therefore, we are delighted to hear of Chair Logothetis’ announcement that the PCAOB is designing a formal consultation process within the PCAOB’s Office of the Chief Auditor (OCA) to provide timely guidance on complex or novel auditing issues.¹ For this to be most effective, the Chief Auditor and Office of the Chief Auditor must be empowered in a manner comparable to the SEC’s Chief Accountant and Office of the Chief Accountant. This should be a high priority of the PCAOB.
 - Support Audit Practitioner Fellowship Program. Similarly, we strongly support the Audit Practitioner Fellowship Program and commend its launch.² Regulators need professionals with current, real-world experience, especially as audit execution and evidence continue to evolve. We urge the Board to maximize the program’s impact by expanding beyond the initial two positions and adopting staggered terms to ensure continuity.

In addition, we believe the evolution toward a quality-control focused inspections program does not hinge on QC 1000 becoming effective. Many firms have already implemented international quality management requirements that have significantly enhanced their quality control systems. We support the Chair’s direction to staff to develop a supplemental request for comment to seek public input on certain provisions of QC 1000. As the PCAOB considers next steps, we further encourage the Board to evaluate whether replacing QC 1000 with ISQM 1 would better promote alignment and implementation

¹ <https://pcaobus.org/news-events/speeches/speech-detail/chairman-logothetis-statement-on-pcaob-strategic-priorities>.

² Ibid.

clarity. Regardless of the path chosen, we urge the Board to minimize unnecessary differences between QC 1000 and ISQM 1, particularly prescriptive requirements that limit appropriate firm judgment.

3. *What inspection information would be most useful to stakeholders, and how could inspection reporting be enhanced under a quality-control focused inspection program?*

- Clearer communication of severity. Providing clearer distinctions in the relative severity of findings—and explaining their potential implications—would improve the usefulness of inspection reports for stakeholders. Not only is it important to make such distinction but only matters of high severity are important to audit committees. Less severe findings may be useful to firms and could be communicated in a nonpublic format for the benefit of continuous improvement.

We encourage the Board to develop a framework for assessing the severity of audit deficiencies identified during inspections. It is important that inspection findings are not referred to as “audit failures.” This is a mischaracterization. A framework should provide a definition for findings that are akin to a company’s material weakness, i.e. such that omitted procedures should be of such severity that a material error of the financial statements could reasonably have gone undetected.

In addition, it is necessary to develop a framework for determining what constitutes a quality control criticism (QCC) and what qualifies as remediation “to the satisfaction of the Board.” This would enhance both the consistency and the utility of inspection reports.

- Improved timeliness. Inspection reports are most valuable when issued promptly. The Board should prioritize reducing the lag between fieldwork and report issuance and establish clear timelines for completing and communicating key inspection milestones.
- Industry-level observations and trends. Aggregated observations on significant quality control themes by industry or audit area (as appropriate) would help audit committees have an informed discussion with their external auditor about what these trends mean relative to their firm which will further enhance our evaluation and oversight of the external auditor.

4. *What standard-setting projects should the PCAOB pursue?*

Maintain focus; avoid unnecessary overhauls. In our view, PCAOB auditing standards are largely fit for purpose and do not require significant, broad-based revision, absent a clearly articulated problem statement.

Address technology through principles-based guidance where feasible. Technology is fast-moving and may be better supported through implementation guidance rather than prescriptive standard setting, including areas such as anomaly detection and considerations related to reperformance, preparation, and review procedures.

Finalize the NOCLAR project. We did not support the PCAOB’s prior proposal on *AS 2405, A Company’s Noncompliance with Laws and Regulations* (NOCLAR).³ Do not leave the prior proposal

³ <https://www.thecaq.org/acc-comment-letter-pcaob-noclar>.

“on the shelf.” We strongly suggest stopping the project in its current form and commencing a new effort that clearly considers if there is a problem, and if yes, considers international requirements in tandem with any approach to fraud-related responsibilities. Accounting Standards Codification (ASC) 450, *Contingencies*, directly addresses the accounting for lack of compliance with illegal acts and other contingencies. To impose the requirements of NOCLAR as proposed by the prior Board would be a tax on the entire U.S. capital markets stemming from a few ineffective financial reporting and auditing incidents. This should be a priority of the Board.

Modernize independence while reducing duplication. Independence requirements are important and would benefit from modernization; however, the current framework is duplicative, with overlapping regulations. Only material matters should be reported to the audit committee – those matters that materially impact a reasonable person’s view of the objectivity and impartiality of the firm rather than technical violations that occurred and have been addressed or are being addressed by the firm in a timely manner. Reporting of minor violations to those charged with governance may detract from important matters that should be addressed at the audit committee level.

The Board should pursue improvements that enhance clarity without adding unnecessary complexity. We strongly support the promulgation and interpretation of auditor independence rules to rest with the SEC in practice.

5. *How can the PCAOB achieve greater alignment of its auditing standards with international auditing standards?*

We do not typically hear that harmonizing PCAOB and international auditing standards should be a short-term priority. We understand that differences can lead to complexity and increased costs. Therefore, we support a long-term effort focused on collaboration and minimizing unnecessary differences as follows:

- Evaluate and prioritize closing major gaps. We encourage the PCAOB to identify the most significant differences between PCAOB and International Auditing and Assurance Standards Board (IAASB) standards and reduce gaps where doing so would not diminish investor protection.
- Collaborate with international standard setters. Ongoing coordination can improve consistency and reduce implementation burden for global firms and multinational issuers.
- Emphasize principles-based requirements and avoid “gold plating.” To the extent possible, alignment efforts should focus on principles-based standards and implementation that does not add incremental requirements without clear benefit.

6. *In what ways should the PCAOB consider deploying technology, including AI, to further its investor protection mission?*

- Strengthen data foundations. The PCAOB should assess how its data—both internally generated and externally sourced—is captured, governed, and maintained to enable responsible use of AI and other advanced analytics.

- Establish robust governance over internal use of AI. Once the PCAOB determines how and where it will deploy technology, including AI, it will be essential to establish strong governance to oversee its use and to mitigate unintended risks or consequences. It will also be important for the PCAOB to clearly communicate to member firms when new technologies are being used and how the PCAOB is protecting the data of PCAOB-registered firms.
- Increase transparency on stakeholder input. The PCAOB could use technology to more systematically analyze, summarize, and publicize themes from comment letters and other feedback to improve stakeholder understanding of how input informs outcomes.

7. *How can the PCAOB enhance transparency with its stakeholders?*

- Engage with audit committees during and beyond inspection interviews. We encourage the PCAOB to enhance structured audit committee dialogue with audit committees during inspections and also expand engagement with audit committees outside of individual inspection interviews, including opportunities to discuss recurring themes and the usefulness of PCAOB communications.
- Promote two-way dialogue. Transparency is strengthened when stakeholders can provide feedback and understand how the PCAOB considered that feedback. Enhanced transparency during audit committee interviews in the inspection process – along with regular forums and clear communication of the PCAOB’s rationale - can help build durable trust and shared understanding.

As the Board gathers feedback from other interested parties, we would be pleased to facilitate a meeting of the Audit Committee Council with the Board regarding the views expressed in this letter. Please address meeting requests to hello@thecaq.org.

Respectfully submitted,

Members of the Audit Committee Council

cc:

PCAOB

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