



May 13, 2026

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

RE: PCAOB No. 2026-001, Request for Public Comment, PCAOB Strategic Priorities

Dear Madam Secretary,

We appreciate the opportunity to provide input on the PCAOB's strategic priorities. We commend the board for its transparent and inclusive approach to engaging with stakeholders as it sets priorities. We support the board's plans to release its first standard-setting agenda consultation, which we understand will also seek recommendations to improve the overall standard-setting process. We welcome the chance to share our perspectives.

Strong, effective oversight of public company auditors promotes audit quality.

As auditors, we play a vital role in fostering trust in the accuracy, reliability, and consistency of information that supports the US capital markets—and audit quality is at the heart of all we do. The multi-stakeholder approach underpinning the Sarbanes-Oxley Act of 2002 (SOX) has meaningfully strengthened the quality of financial reporting and audits over the past two decades. Effective oversight of public company auditors has been, and will continue to be, a critical contributor to audit quality. This oversight is exercised through standard setting, inspections, and enforcement, all of which should operate in an appropriate balance.

Both the overall financial reporting ecosystem and the audit landscape are facing unprecedented and rapid change driven by new and emerging technologies, particularly artificial intelligence (AI). Like PwC and most organizations in the current environment, the PCAOB should take the opportunity to reflect on these developments, challenge the status quo, and prepare for the future. Within this letter and its appendix, we offer our perspectives and initial recommendations for the PCAOB's consideration as it sets and executes its strategic plan for 2026-2030 (the 2026 Plan) and seeks to enhance its operational effectiveness and efficiency, including its standard-setting process. To vet these and other recommendations and gather further input in setting the 2026 Plan and supporting agenda, the board should consider mechanisms such as public roundtables and working groups. Most importantly, the PCAOB should be

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transparent about its final choices in the 2026 Plan and the basis for them, including why each supports the PCAOB's mission.

The PCAOB's mission is enduring, but how it fulfills that mission and engages with its stakeholders must evolve.

We commend the PCAOB for taking this important first step toward more transparent and agile processes founded on increased multi-stakeholder engagement. Multi-stakeholder engagement and transparency should be foundational principles for the PCAOB. It is also important that the 2026 Plan and supporting agenda are grounded in the PCAOB's dual mission—to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports. PCAOB actions are most effective in supporting audit quality and protecting investors when they (1) are underpinned by a robust economic analysis, and (2) consider the respective responsibilities of preparers, audit committees, and auditors, resulting in actions that appropriately complement other rules, regulations, and policies across the financial reporting ecosystem.

To supplement its work with its advisory groups,¹ the PCAOB and its staff should pursue deeper engagement with audit committees and related organizations, given their shared oversight responsibilities with the PCAOB, their fiduciary duty to investors, and their ability to interact directly with firms to monitor audit quality. Similarly, enhanced coordination with the SEC will be beneficial both in relation to accounting and disclosure matters affecting preparers and in considering complementary actions that may be necessary to protect investors, for example, with respect to audit committee oversight. Continued robust engagement with the SEC, the FASB, and fellow US and international auditing standard setters will be important to developing comprehensive solutions to the emerging issues that affect the financial reporting ecosystem.

Finally, the PCAOB can be more agile in how it engages with its advisory groups to fully benefit from their expertise and perspectives; those groups should not be restricted in the timing or frequency of meetings or when they can provide feedback on proposals.

The impact of technology, particularly AI, is a defining challenge requiring coordinated, ecosystem-wide action.

The impact of technology on a company's operations—and on audits and attestation engagements—is the most significant development that is likely to impact the PCAOB's standard setting and other activities in the next five years, and it should therefore be a priority within the 2026 Plan. While the staff guidance issued to date has helpfully raised

¹ See further descriptions of the **Investor Advisory Group** (IAG) and **Standards and Emerging Issues Advisory Group** (SEIAG), which to date have met semi-annually.

awareness, the PCAOB's efforts will need to become more pronounced and proactive to address emerging issues and effectively serve the public interest as the environment in which audit and attestation engagements are conducted continues to evolve. The near-constantly changing economic and business environment requires the PCAOB to be agile, thoughtful, and responsive to emerging issues to achieve its mission. As a matter of priority, the PCAOB should address the use of AI by companies and auditors.

We have developed and advanced our own methodology, guidance, and training to enable our teams to effectively address these topics in our audits. We continue to learn from our experience deploying AI in our audits and have developed business rules and governance mechanisms to enable its responsible use, and we have been pleased to share feedback about our AI journey, including at recent SEIAG and IAG meetings. In order to promote more consistency across the profession and support audit quality, the PCAOB should consider how it could best address the risks that firms and auditors may deploy AI and other technological tools without the necessary governance, may over-rely on the output of such tools without appropriate review, and may fail to communicate transparently with audit committees about how AI is being used in their audits. The board's efforts in this space will likely need to comprise both a short-term focus on issuing relevant guidance grounding new concepts such as generative AI in existing principles-based standards, as well as a longer-term dialogue about the nature and extent of potential changes to auditing and quality control standards to drive audit quality and consistency across firms and public company audits.

On an initial basis, we recommend the PCAOB continue to engage with stakeholders to understand and evaluate:

- How firms are addressing these topics in their methodologies and whether there are best practices and observations regarding companies' and firms' use of technology that could be highlighted through PCAOB staff guidance
- How best to collaborate with other US and international auditing standards setters and professional accountancy organizations, including to enable a dialogue about whether there are complementary actions needed by the SEC, FASB, or COSO,² in order to address the use of AI in a timely and holistic manner. For example, it would likely be helpful for the SEC to discuss the advancements in AI in the context of public companies' obligations to maintain accurate books and records, internal accounting controls, and an effective system of internal control over financial reporting, given how these concepts transcend changes in technology and serve as the basis for management certifications and the audit.

² See COSO's publication, [**Achieving Effective Internal Control over Generative AI**](#).

The implementation of QC 1000 provides a valuable opportunity to strengthen inspections and support the PCAOB's vision of forward-looking, responsive, and innovative oversight.

A strong and effective system of quality control consistently underpins and helps drive audit quality—which is why our firm has invested significantly in efforts to strengthen and modernize our system of quality management in light of the environment in which we operate. Our consistent track record on quality has been supported by these investments and demonstrates the importance of focusing on timely monitoring and remediation activities, including evaluating and responding to root causes when issues arise.

That's also why we welcomed the development of QC 1000, **A Firm's System of Quality Control**,³ which (1) facilitates international alignment given its similarities to the International Auditing and Assurance Standards Board's (IAASB) ISQM 1,⁴ (2) is integrated, risk-based, and scalable for application by firms of all sizes, and (3) promotes accountability. Its implementation represents a unique opportunity for the board to evaluate how best to modernize and improve the inspections program. We support the PCAOB's plans to form a task force composed of experts across the financial reporting ecosystem to help inform transparent proposals related to potential changes to the inspections program. In our response to question 2, we offer initial recommendations with the premise that the PCAOB's focus will be on whether a firm's system of quality control is appropriate for the size, complexity, and risk of its audit practice.

The goal of aligning the inspections program with the desired outcomes of QC 1000 and modernizing the program is to enhance audit quality and reduce unnecessary duplication and cost across the system. The PCAOB's evaluation of a firm's system of quality control gleaned through the inspections program can and should be used to tailor the nature, scope, and extent of that firm's individual engagement inspections—scaling up or down depending on the PCAOB's view of a firm's system of quality control, its internal and PCAOB inspection history, and other factors. Similar to how auditors think about companies' components of internal control when developing their risk assessments and audit responses, the PCAOB would be able to leverage the results of the firm's monitoring programs and remedial actions, as well as the PCAOB's observations related to the firm's system of quality control, to design and execute the PCAOB's further work to inspect individual engagements in a given year. Finally, the outcomes of the PCAOB's and firms' inspections of individual engagements can be taken into account when scoping both the planned evaluation of the firm's system of quality control and the nature and extent of individual inspections in subsequent years.

We also recommend fulsome consideration be given to the content and timing of inspection reports to enhance their usefulness and understandability. Inspection reports can provide valuable insights to audit committees, investors, and others about matters that could significantly affect audit quality. But care should be taken that the reports' value is not

³ In our **comment letter** to the SEC, we identified aspects of QC 1000 that could be improved. We therefore support the planned supplemental request for comment to seek public input on targeted changes to QC 1000.

⁴ International System of Quality Management (ISQM) 1, **Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements**

compromised by a lack of contextual information about the severity of Part I.A comments to an overall audit or diminished by inclusion of matters that did not affect the accuracy of the firm’s audit reports or otherwise have little or no effect on audit quality. Other communication mechanisms may also be relevant to convey the PCAOB’s observations gained through its inspections program and views on audit quality both in relation to individual firms and the profession as a whole. Our responses to questions 2 and 3 in the appendix provide further details that could be used to support a multi-stakeholder dialogue on an appropriate way forward.

The board should be clear as to its decisions on previous standard-setting projects and its agenda going forward.

We appreciate the board intends to take a fresh look to inform its prioritization of standard-setting projects. Taking a multi-stakeholder engagement approach, the PCAOB should identify areas where standard-setting activities or additional guidance would most meaningfully contribute to audit quality. This will likely drive a focus on areas that either frequently result in inspection comments or where there is inconsistency in practice that needs to be resolved—rather than focusing on disclosure (e.g., Form AP and standard-setting related to firm and engagement metrics) and broader policy matters that divert attention from performance and quality control standards.

Opportunities exist for the PCAOB to work closely with preparers, audit committees, other accounting and auditing standard setters, and the profession to understand emerging issues and what an appropriate response would be (standard setting, implementation guidance, etc.). Efforts by other auditing standard setters, including the IAASB and the US Auditing Standards Board (ASB), to enhance their respective suites of standards can help inform the PCAOB’s work, including any efforts to modernize its own suite of standards.

We appreciate the transparency with respect to the board’s current efforts on its recently updated **project webpage**, and support those areas as a matter of immediate priority. As further described in our response to question 4, on an initial basis we recommend the board move forward in a measured way in three areas of focus in standard setting:

1. Emerging technologies
2. Reset, advancement, and closure of longstanding projects with outcomes more closely aligned to the role of the auditor, audit committee, and management
3. Deferred maintenance on areas of alignment with accounting standards

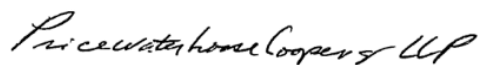
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In establishing the 2026 Plan, the focus of its standard-setting agenda, and other areas in which to invest board and staff resources, the PCAOB should give due consideration to the views of all stakeholders and be transparent about the decisions it makes based on the feedback it receives to this request for public comment and through other outreach. Robust economic analysis at all stages of policy making and standard setting is critical to the board’s

success. Including a clear articulation of the issues to be addressed, why a standard-setting response is being pursued, what inputs were taken into account (including the work of other regulators, standard setters, and policymakers), and how alternatives were considered will help stakeholders better evaluate the board's proposals and protect the board from criticism that it is unduly influenced by any one stakeholder group or political affiliation. Finally, as the environment in which audits are conducted continues to evolve, it is vital to acknowledge that not all issues may require a regulatory solution.

We look forward to the opportunity to further engage with the board, staff, and stakeholders more broadly on our observations and initial recommendation. Please contact Deanna Byrne (deanna.marie.byrne@pwc.com), Dan Felgner (dan.felgner@pwc.com), or Brian Croteau (brian.t.croteau@pwc.com) regarding our submission.

Sincerely,

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP

Detailed responses to the questions posed in the request for public comment**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?**

The 2026 Plan must be grounded in the PCAOB's mission. The priorities should be those that are expected to have the most meaningful impact on audit quality and support the capital markets.

Registration and inspections

The PCAOB's main priority should be reimagining the inspections program for the future, informed by multi-stakeholder engagement and considering the impacts of QC 1000, ISQM 1, and the PCAOB's knowledge and experience with each firm's track record in maintaining its systems of quality control. Additionally, the PCAOB should work with the SEC to enhance or establish policies and procedures aimed at improving operational effectiveness and consistency in the regulatory approach that focuses on quality and can transcend political party shifts over time. Two of the more pressing issues are:

- How firms can effectively engage in a timely manner with SEC staff on accounting and auditor independence matter that may arise during PCAOB inspections; formalizing such a process would acknowledge the SEC's responsibilities for oversight of accounting and auditor independence matters and help make sure that these matters are resolved with the benefit of all the facts, including from the companies whose audits are being inspected, and in a timely manner to the satisfaction of the PCAOB, SEC, the firms, and the companies themselves.
- Finalizing the scope of a permanent broker-dealer inspection program as contemplated by SOX, which we were pleased to see is contemplated in the PCAOB's updated projects webpage. To best serve investor protection and effectively use staff resources, this program could be focused on annual inspections of carrying brokers and dealers subject to AT 1 examination engagements, with a potential risk-based approach related solely to the exemption report and AT 2 review engagements for introducing brokers (rather than a set schedule).

Enforcement

PwC strongly favors a robust enforcement regime in order to maintain and enhance investor confidence and thereby ensure well-functioning capital markets. That said, more than two decades after the enactment of SOX, it is at best unclear whether the benefit of having a second enforcement program with powers duplicative of, but less than, those of the SEC's outweighs the inevitable costs of duplication. We therefore offer the following observations for the board's consideration assuming there remains a standalone PCAOB Enforcement regime, but note the importance of that threshold issue:

Detailed responses to the questions posed in the request for public comment

- The board, in coordination with the SEC, could benefit from implementing a more consistent and calibrated approach to assessing which matters warrant formal investigation or sanction that distinguishes between potential substantive audit quality failures and administrative compliance matters.

While all violations of PCAOB standards and rules merit appropriate attention, the board should consider how best to utilize its enforcement resources by distinguishing between those substantive matters that directly impact audit quality, investor protection, or credibility in financial reporting versus administrative compliance matters (such as inadvertent and minor form filing deficiencies)⁵ that, while requiring correction, do not reflect underlying audit quality concerns or pose meaningful risks to the capital markets. Such an approach would be consistent with recent remarks by SEC Chairman Atkins about refocusing enforcement on harm to investors, consistent with Congressional intent.⁶

- The board, again in coordination with the SEC, should consider an approach that eliminates duplication with the SEC's own enforcement program.

This is all the more relevant in light of the SEC's recent announcement that it is forming a new "SOX Group" within the SEC's Division of Enforcement that will "investigate and litigate matters involving potential violations of auditing and related professional standards and provisions of the Sarbanes-Oxley Act and other relevant federal securities laws" that will complement the SEC's continued active role in auditor-related enforcement. Duplicative enforcement efforts do not produce incremental investor protection benefits but do impose real costs on both agencies and on firms and companies that must respond to concurrent investigations, sometimes in completely separate and uncoordinated proceedings, requiring redundant work for all involved. A clear delineation of roles—or coordinated protocols to avoid duplication—would advance both agencies' missions more efficiently. One possibility would be for PCAOB Enforcement to focus exclusively on threats to its inspection regime, such as non-cooperation or spoliation matters.

- Absent such a focus, the board should consider how better to leverage its supervisory model by striking an appropriate balance between its enforcement and inspections authorities, reserving its formal enforcement apparatus (whether by the PCAOB or, where warranted, by the SEC) for matters where it can achieve maximum impact on audit quality and investor protection.

In this way, the PCAOB could more fully utilize its inspection program to identify, remediate, and, importantly, incentivize cooperation and remediation of compliance matters, while strategically deploying the enforcement

⁵ For example, amendments to Form AP and Form 2.

⁶ See SEC Press Release 2026-34, **SEC Announces Enforcement Results for Fiscal Year 2025: Resets the measure of enforcement effectiveness to investor protection and Congressional intent**, which states that its FY 2025 results "re-establish the definition and measure of enforcement effectiveness, grounded in Congress's original intent and focused on bringing actions that actually prevent investor harm instead of headlines and inflated numbers."

Detailed responses to the questions posed in the request for public comment

program when more egregious circumstances require. (We note that, in the alternative, such matters could be referred to the SEC for enforcement-related investigation.) Remediation-focused approaches for more routine compliance matters often produce more timely and better audit quality outcomes than after-the-fact enforcement sanctions. Further, where enforcement may not be the appropriate response, the board has other tools at its disposal that can meaningfully advance audit quality and investor protection, including Spotlight documents, inspection reports (including firm-level and thematic observations), clarified standards guidance, staff practice aids, and other communications that raise awareness of the board's concerns and expectations.

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

The establishment of QC 1000 provides a basis for the PCAOB to centralize its inspections program and then further tailor it to individual firms as appropriate. Simply put, the balance of the board's efforts in relation to the three core elements required by SOX⁷ can and should shift going forward to recognize the expected improvements to firms' systems of quality control based on requirements in QC 1000 for firms to identify, assess, and appropriately respond to firm-specific quality risks.

The primary focus should be on evaluation of the sufficiency of a firm's system of quality control—enabling inspectors to assess whether the firm has adequate policies and procedures that are operating effectively to support audit quality across all its engagements. Inspection of selected audit engagements would remain an important complementary and scaled focus, and the PCAOB would continue to retain its ability to perform other testing as appropriate to fulfill its SOX mandate.

We offer initial recommendations on how to meaningfully evolve the inspections program.

We have invested heavily in our system of quality management in recent years—setting quality objectives, strengthening our quality risk assessment, tailoring our policies and procedures to respond to risks, and establishing a robust monitoring and remediation process, including our root cause analysis that helps to drive timely remediation as necessary when issues are identified. We leverage data and technology to operate our system of quality management and accordingly have a rich body of information we use to evaluate audit quality. The imminent implementation of QC 1000 means similar information will soon be available to the PCAOB about the firms it inspects, much of which was not available when the current inspection model was designed.

⁷ Section 104(d) of SOX requires the PCAOB to (1) inspect and review selected audit and review engagements of the firm (which may include audit engagements that are the subject of ongoing litigation or other controversy between the firm and one or more third parties), performed at various offices and by various associated persons of the firm, as selected by the board; (2) evaluate the sufficiency of the quality control system of the firm, and the manner of the documentation and communication of that system by the firm; and (3) perform such other testing of the audit, supervisory, and quality control procedures of the firm as are necessary or appropriate in light of the purpose of the inspection and the responsibilities of the board.

Detailed responses to the questions posed in the request for public comment

A modernized inspection program should make full use of this information rather than duplicating effort. By beginning with what each firm already knows about itself and is required to consider in evaluating its system of quality control, PCAOB inspectors can develop a more comprehensive and better-informed view of whether a firm's system of quality control is sufficient. This approach does not reduce rigor; it redirects some of the inspection effort from reperforming work the firm has already done toward a tailored focus on the firm's facts and circumstances, including its risk profile, leveraging the PCAOB's broader knowledge of matters related to audit quality across the profession.

Our initial recommendations are grounded in the objective of enabling PCAOB inspections to protect investors by directing inspection resources to where they can most effectively identify potential audit quality issues and drive audit quality improvements.⁸ We encourage the PCAOB to engage in a multi-stakeholder dialogue about whether the following elements could form the foundation of a modernized inspection approach:

- First, inspectors could focus on understanding how each firm identifies its bespoke quality risks and develops appropriate responses to those risks. No two firms are identical. A firm's quality risks are shaped by how it is organized and managed and how it establishes accountability across the organization. A firm's quality risks are also affected by the nature of the engagements it performs, including the sectors it serves and the size and composition of its US public company audit practice. Inspectors who understand these firm-specific dynamics are better positioned to evaluate whether the firm's quality responses are genuinely fit for purpose. This approach would require significant but not unexpected initial investment by PCAOB inspection resources in the period after firms' first reporting on Form QC (i.e., after the September 30, 2027, required evaluation and subsequent November 30, 2027, reporting). It may then be reasonable for subsequent inspections to focus on changes to the firm's system of quality control year over year, given QC 1000's emphasis on continuing improvement.
- Second, inspectors could continue to deepen their understanding and evaluation of each firm's root cause analysis and remediation of both internal and external inspection comments. A firm's willingness and ability to rigorously diagnose the underlying causes of audit deficiencies and to implement remediation that prevents recurrence is one of the most reliable forward-looking indicators of audit quality. Inspectors who evaluate this capability directly are able to assess not just whether past deficiencies have been corrected, but whether the firm has the institutional capacity to prevent future ones.
- Third, the number and scope of individual engagement inspections could vary based on a defined set of risk factors, including, for example: (1) the strength of the firm's system of quality control, as evaluated through the processes we recommend; (2) the size and risk profile of the firm's audit portfolio, including consideration of

⁸ The UK Financial Reporting Council's recent publication, **An evolved audit supervision approach**, and recent efforts by the Canadian Public Accountability Board related to its **audit quality assessments**, may offer ideas for the board's consideration.

Detailed responses to the questions posed in the request for public comment

significant changes that may occur over time; (3) the firm's structure and approach to accountability, including the nature of any leadership changes; (4) macroeconomic trends and emerging risks affecting the firm's client base; (5) the firm's inspection history, including observations from its own internal inspections program as well as its history of restatements and reissued audit opinions; and (6) how the firm demonstrates its ongoing commitment to audit quality. The number of individual engagement inspections could be scaled up or down for each firm in each inspection period, with a continued focus on the areas of most significant risks within those individual engagements. Understanding and evaluating the outcome of the firm's own internal inspections program (including the breadth of its program and its results) can also inform inspectors' decisions as to the number and scope of PCAOB individual engagement inspections that are warranted in a given year. Firm inspection programs could also potentially be leveraged by the PCAOB as part of its inspections program after evaluation of the efficacy of such programs, including through observing or being involved in some aspects of the firm's internal engagement reviews.

A risk-based approach should not be understood as a retreat from engagement-level inspections, as there is benefit in evaluating whether the firm's quality controls are operating effectively at the engagement level and evaluating whether sufficient appropriate audit evidence has been obtained. Rather, it is consistent with the PCAOB's current approach of directing the majority of its inspections efforts at the engagements and risk areas where deficiencies are most likely to occur and most likely to affect investors while also considering the ability to place increased emphasis on the firm's system of quality control. The current practice of conducting a fixed number of inspections applied relatively uniformly across annually inspected firms may provide a sense of thoroughness, but it can also spread inspection resources thinly and leave emerging risks under-addressed. A calibrated approach—in which sample size and scope flex upward for firms the PCAOB believes may have increased quality risks and is thoughtfully scoped for firms that have demonstrated sustained quality—is likely to surface more meaningful observations and drive audit quality improvements.

We share initial recommendations to improve the consistency and timing of the inspections program.

To complement QC 1000 and promote a more consistent application of judgments by both firms and PCAOB inspectors in their evaluations of systems of quality control, the PCAOB should formalize and publish a principles-based framework for evaluating audit deficiencies. Such a framework should be developed based on outreach with stakeholders and should clearly tie evaluation of the deficiency back to risk, materiality, and the judgment as to whether the auditor did or did not obtain reasonable assurance. Doing so can also help users of inspections reports understand the nature and severity of audit deficiencies, an area we explore further in our response to question 3.

Finally, in light of the fixed November 30 Form QC annual reporting date, the PCAOB should consider changes to both the timing of inspections as well as when inspection reports are made available. Timing engagement-level inspections to avoid peak audit periods would enable both the firms' audits and the PCAOB's inspections to benefit from full attention and resources. Committing to issuing firms' inspection reports within a reasonable and consistent timeframe

Detailed responses to the questions posed in the request for public comment

so that reports are released publicly before the end of each calendar year would increase their utility. Finally, more timely remediation determinations that contemplate the firm's own root cause analysis and monitoring of actions would enable more effective and timely resolution of issues related to quality control criticisms and potentially further accelerate the release of Part II matters.⁹

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

A modernized, risk-based inspection program (as described in our response to question 2) should be paired with a thoughtful evolution of inspection reporting. The value of the PCAOB's inspections program depends not only on the rigor of the inspections themselves, but on whether the resulting reports provide useful information. SOX notes that the purpose of inspections is to assess the degree of compliance of audit firms with standards and rules. We question whether inspection reports as written today help users understand the degree of compliance and enable them to evaluate the significance of inspection observations and how they relate to audit quality.

As the board considers how reporting about individual firms' inspection results could be enhanced under a quality control-based inspection program, we encourage it to ground that consideration in direct engagement with users of the inspection reports who each may use them differently. An audit committee may use this information to supplement its direct interactions with its auditor or as input when evaluating the benefits and risks of appointing a new firm. A firm itself may look to such information to benchmark and improve its system of quality control. These different use cases suggest there may be no one single way to improve firm inspections reports, but rather actions could be undertaken in tandem to improve transparency about the application of the board's inspection programs and the observations it gained beyond a singular focus on an overall Part I.A comment rate relating to a sample of the firm's engagements.

Stakeholder engagement is particularly important as the PCAOB's inspections program evolves, because the nature of inspection comments under a quality control-based model will look different from comments under the current engagement-centric model, and firm inspection reports will need to communicate those comments in ways users can readily understand. Additionally, profession-wide reporting pursuant to Rule 4010 could become increasingly relevant given the greater focus on firms' systems of quality control, as the provisions in SOX Section 104(g)(2) require individual firm quality control criticisms to be kept confidential (1) for at least 12 months to allow firms the opportunity to remediate those criticisms and (2) permanently when the criticisms have been satisfactorily addressed. Care should be taken to avoid the risk or perception that this SOX-driven restriction does not enable stakeholders to understand significant quality control issues with firms in a timely manner.

⁹ A recent PCAOB **Spotlight** highlighted audit committee chairs' desire for more timely and accessible PCAOB information, with some voicing frustration with the timing of the release of PCAOB inspection reports, especially Part II criticisms.

Detailed responses to the questions posed in the request for public comment

One of the ways the PCAOB can support users' understanding under a modernized program is by being transparent about the factors the board has used in determining how to scope firms' inspections across the profession as a whole, especially if sample sizes and inspection intensity vary across firms based on risk, as we recommend. The board could consider disclosing, at appropriate levels of generality, the following in a Staff Inspection Spotlight:

- The factors that informed the number and selection of engagements inspected across firms
- How firms' systems of quality control influenced the scope of their inspection
- How firms' inspection histories, portfolio risk profiles, and other risk indicators were considered
- How current year's inspections broadly compare, in scope and focus, to prior years

Today's firm inspection reports can be dense, technical, and difficult to understand without additional context. The volume of detail can obscure rather than illuminate overall compliance and the significance of specific observations, including whether and how they affect audit quality. Several potential enhancements merit dialogue with stakeholders and thoughtful consideration, including by the planned inspections task force:

- More summary-level information emphasizing patterns, themes, and overall compliance

Users would benefit from reports that lead with a clear, accessible assessment of overall audit quality and compliance at the firm, supported by discussion of themes across the inspection. This approach can help "tell the story" of a firm over time and demonstrate whether audit quality is improving or whether concerns persist.

- Additional context on Part I.A comments

Part I.A comments are currently reported in a way that can make it difficult for users to assess severity. Two comments of similar technical description may reflect very different underlying risk: one may indicate a serious failure affecting the reliability of the audit opinion while another may reflect a documentation shortfall with limited investor-protection implications. Providing additional context such as the nature and potential consequence of the comment and whether the audit opinion was ultimately supported would promote more consistent understanding and comparability across firms and periods.

- Addressing certain Part I.B observations through Spotlight publications rather than individual inspection reports

Part I.B comments, which involve instances of noncompliance with PCAOB rules and other requirements that do not relate directly to the sufficiency of audit evidence, may be better suited to thematic, profession-wide observations. Consolidating these matters into Spotlight publications or similar thematic guidance would allow the board to highlight areas for improvement and provide necessary context, communicate expectations more effectively across the profession, and keep individual inspection reports focused on the matters most relevant to assessing a firm's audit quality. To the extent comments that are currently addressed in Part I.B result in a

Detailed responses to the questions posed in the request for public comment

quality control criticism, disclosure would be appropriate when those quality control criticisms were not addressed to the satisfaction of the board during the initial 12-month period following the issuance of the inspection report.

- Reconsidering disclosure of certain Part I.C independence matters in individual inspection reports

We recognize and support the PCAOB's focus on independence; however, we understand from audit committees that these communications may be difficult to place in context, particularly those that are self-identified and promptly remediated. The approach to disclosing both PCAOB-identified and firm-identified Part I.C matters is inconsistent with the approach to Part I.A and Part I.B comments. PCAOB disclosure of firm-identified Part I.C matters in the firm's inspection report may also convey a degree of concern that is disproportionate to the underlying matter and can disincentivize proactive self-identification and remediation.

A more calibrated approach would be to focus independence-related disclosures in firm inspection reports on those matters that (1) were identified as a result of a PCAOB inspection, and (2) ultimately resulted in resignation by the firm or termination by the audit committee. PCAOB inspectors could continue to evaluate the impacts of independence matters identified by the firm through its monitoring processes to evaluate whether they result in a quality control criticism. Similar to our recommendation in relation to Part I.B comments, independence-related quality control criticism that are not remediated to the satisfaction of the board would be disclosed. Matters firms have identified through their own system of quality control that have been remediated could be addressed through aggregate or thematic reporting to raise awareness for stakeholders and reaffirm the PCAOB's expectations related to independence.

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

The impact of AI and digital assets should be at the forefront of the PCAOB's priorities.¹⁰

Artificial intelligence

AI is likely already being used to some extent by most companies and its use is likely to increase over time. While the use of AI presents opportunities to transform businesses, financial reporting, and audits, its use also introduces risks for management and auditors that need to be adequately addressed. As a first step, thought leadership and guidance grounding new concepts such as generative AI in existing principles-based standards can be helpful for auditors and

¹⁰ Recent discussions at the PCAOB SEIAG highlighted actions that could be prioritized related to the impacts of AI on preparers, auditors, and firms as well as potential accounting and auditing guidance related to digital assets including blockchain and cryptocurrency (e.g., transparent and common understanding of role and limitations of an audit, expectations of evidence related to safeguarding, sole ownership, and with custodial arrangements).

Detailed responses to the questions posed in the request for public comment

support audit quality. Recent discussions of the IAG and SEIAG indicate consensus on the need for PCAOB action related to AI with potential focus on the following:

- How a company's growing use of AI impacts the auditor's risk assessment and approach to obtaining sufficient appropriate audit evidence
- How auditors (1) consider the relevance and reliability of the sources of information used in AI tools, (2) use prompts that are appropriately aligned to the audit procedure to be performed and the source being used, and (3) evaluate the output that has been generated
- What constitutes sufficient appropriate audit evidence when an auditor relies on AI-generated analysis
- How foundational concepts of direction, supervision, and review, as well as professional skepticism and professional judgment, are affected by the auditor's use of AI
- What considerations may be relevant to a firm's system of quality control to promote more consistent responses to quality risks that arise when using technological resources that incorporate AI
- How communications with management and those charged with governance should be enhanced to focus on management and auditor user of AI
- How PCAOB standards related to direction, supervision, and review, and appropriate exercise of professional judgment and professional skepticism are expected to be applied

Digital assets

The PCAOB should more fully evaluate the implications of increasing use of digital assets on audit quality. The PCAOB can work with the SEC, FASB, and COSO to consider how best to promote a common understanding of the accounting and reporting issues related to digital assets, including unique risks that may arise from their use (e.g., in relation to the nature and extent of evidence over safeguarding of assets, sole ownership, and custodial agreements). While digital assets may not be relevant to all public companies, further action is nevertheless necessary to promote consistent application, accountability, and execution by auditors when auditing digital assets.

We recommend that the PCAOB leverage ASEC's Digital Assets Practice Aid¹¹ to make progress in this area in the near term, and in the longer-term, consider whether changes are needed to core PCAOB standards. For example, the PCAOB could tailor the ASEC's guidance to align with PCAOB auditing standards to promote a greater understanding

¹¹ ASEC's **Digital Assets Practice Aid** is a nonauthoritative resource that sets out guidance on pertinent accounting and auditing issues and is periodically updated to reflect FASB Accounting Standards Updates, other regulatory developments, and practical questions from auditors.

Detailed responses to the questions posed in the request for public comment

of internal controls related to digital assets and guidance on how these are expected to be considered in conducting public company audits (i.e., when applying AS 2110 and AS 2201).¹² Transparency about the auditor's responsibilities will support the public interest and help avoid both expectations and performance gaps.

The board should perform more specific stakeholder engagement to determine other standard-setting priorities.

Having reflected on the previous standard-setting agenda, on an initial basis we recommend the board move forward in a measured way in three areas of focus in standard setting:

1. Emerging technologies (primarily AI and digital assets, but also areas such as cybersecurity)
2. Reset, advancement, and closure of longstanding projects with outcomes more closely aligned to the role of the auditor, audit committee, and management (such as noncompliance with laws and regulations (NOCLAR) and firm and engagement metrics)
3. Deferred maintenance on areas of alignment with accounting standards (such as going concern)

For example, to improve consistency in practice, the PCAOB could pursue modest updates to its existing illegal acts standard to address NOCLAR and align with SEC requirements. Doing so would enable the board to consider prior feedback and developments of other standard setters (including the AICPA's Professional Ethics Executive Committee), without making dramatic changes to the scope of audits that may substantially increase audit costs without commensurate benefits to audit quality.

On firm and engagement metrics, resolution of the topic could include working with the SEC and issuing a board or staff publication on matters for audit committees to consider when monitoring audit quality, rather than attempting to develop a regulatory response to a very nuanced topic.

Certain topics that had previously been on the board's short-term and mid-term agenda remain relevant and could be evaluated from a prioritization standpoint. For example, discussion at the November 2023 SEIAG meeting related to service organizations focused on the use of third-party services and related auditor considerations to consider how the requirements in AS 2601, **Consideration of an Entity's Use of a Service Organization**, should be revised. The use of service organizations continues to grow, as does those organizations' use of AI, which may warrant PCAOB consideration of how auditors evaluate service auditor's reports in an audit, as well as wider stakeholder discussion about the nature, scope, and oversight of those attestation engagements given their use by public companies and their auditors.

¹² AS 2110, **Identifying and Assessing Risks of Material Misstatements**, and AS 2201, **An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements**

Detailed responses to the questions posed in the request for public comment

There is also likely benefit in the board undertaking a maintenance project, similar to the respective “Clarity projects” undertaken by the IAASB and ASB. The purpose of such a project would be to update the more than 20 remaining auditing standards that have not been revised in the more than two decades since the PCAOB initially adopted them. Doing so would increase the interoperability of the standards and result in a congruent set of PCAOB standards to support audit quality.

Finally, the staff should also monitor other relevant projects of the IAASB and ASB, including on audit evidence and risk response, inventory, and attestation standards, and collaborate as necessary on matters of mutual interest and as part of its objective to achieve greater alignment of its auditing standards with international auditing standards.

5. How can the PCAOB achieve greater alignment of its auditing standards with international auditing standards [International Standards on Auditing or ISAs]?

We support the PCAOB’s consideration of how to achieve greater alignment with ISAs. Divergence across auditing standards can create complexity, inefficiency, and the potential for inconsistent application—without corresponding investor-protection benefit. A more deliberate approach to alignment would likely reduce these frictions while strengthening global audit quality.

The ISAs serve as the basis for national auditing standards in more than 160 jurisdictions worldwide and apply to both audits of public interest entities (including supporting audits of publicly traded entities in most capital markets) as well as nonissuers. ISAs are subject to due process in their development and benefit from input from regulators and audit oversight bodies such as the International Organization of Securities Commissions (IOSCO) and the International Forum of Independent Audit Regulators (IFIAR) (in which the SEC and PCAOB participate) as well as oversight from the Public Interest Oversight Board.¹³

The PCAOB should first understand actions of the ASB to develop its standards for US nonissuers.

The AICPA’s ASB, which issues auditing, attestation, and quality management standards for audits of entities outside the PCAOB’s jurisdiction, has long maintained a formal commitment to converging its standards with those of the IAASB. The ASB’s recently issued **Strategic Plan for 2026–2030** reaffirms that commitment and describes it with specificity. The ASB identifies continual contribution to, and drawing from, the development of high-quality international standards issued by the IAASB as one of the keys to successfully fulfilling its mission.

Importantly, the ASB’s convergence commitment is not passive. The ASB’s strategic plan describes direct and ongoing engagement with the IAASB regarding its strategy, work plan, proposals, and consultations, all with the goal of

¹³ The **PIOB** oversees the multi-stakeholder and independent **IAASB**, including the appointment of its Chair and members. At the end of the IAASB’s processes to develop new or revised standards, an analysis of public interest responsiveness is prepared and the PIOB board makes a decision whether to certify the standard on the basis that it was prepared in accordance with agreed due process and is responsive to the public interest, based on the concepts and principles of the **Public Interest Framework**.

Detailed responses to the questions posed in the request for public comment

influencing IAASB standards and guidance that are consistent with the ASB's convergence commitment. The ASB evaluates the extent to which IAASB standards are appropriate in the US legal and regulatory environment, are responsive to US market needs, and address the unique needs of US stakeholders. The ASB's process acknowledges the IAASB's standards may require revision to remain effectively implementable in the US context. The ASB also considers the work of other US standard setters, including the PCAOB, in determining whether to make changes to its standards or develop additional guidance. This active engagement throughout the IAASB's standard-setting lifecycle, combined with a disciplined evaluation of whether and how international standards require adaptation for the US context, offers a practical template for the PCAOB.

The PCAOB should seek opportunities to be more engaged in the IAASB's work so it may consider whether alignment with international auditing standards is appropriate.

We encourage the board to adopt a similar approach of treating the work of the IAASB as a core input to work on new topics. Doing so would not compromise the PCAOB's independence or its authority to issue standards tailored to the US public company context, as the PCAOB would retain the ability to add or tailor requirements and solicit feedback through stakeholder engagement and public consultation. Rather, it could enhance the PCAOB's efficiency by leveraging a strong global foundation, enabling the board to identify points of divergence deliberately rather than incidentally, and produce standards that are more interoperable with those applied in other jurisdictions and on US nonissuer audits (including those that may in the future become issuers).

To make this approach operational, we recommend that the PCAOB seek active involvement throughout the IAASB's standard-setting process. Early and ongoing engagement would give the board timely visibility into emerging international developments, enable it to share US public company audit perspectives at formative stages, and reduce the likelihood that the PCAOB, IAASB, and ASB arrive at substantially different conclusions on the same underlying public interest issues.

The goal of such coordination should be to minimize unnecessary differences in definitions, core requirements, and overall approach across the three sets of standards. Where differences are warranted by the distinct legal, regulatory, or market contexts in which each set of standards is applied, those differences should be transparent and purposeful. Where differences are not warranted, they should be reduced or eliminated. This approach would serve (1) investors by promoting consistent audit quality across jurisdictions and engagement types, (2) preparers and audit committees by reducing complexity in multi-national and dual-standard environments, and (3) firms by enabling more consistent training, methodology, and quality control globally—all without diluting the PCAOB's authority, the rigor of its standards, or its ability to inspect and enforce against its standards.

Detailed responses to the questions posed in the request for public comment**6. In what way should the PCAOB consider deploying technology, including AI, to help further the investor protection mission?**

Technology, including AI, can offer meaningful opportunities for the PCAOB to operate more effectively and efficiently in service of its investor protection mission. Technology is a natural complement to the modernized, risk-based inspection program we recommend. As the PCAOB considers how to calibrate the scope and focus of inspections based on firm-specific risk factors, technology can strengthen the underlying risk assessments in several ways:

- Analyzing public company filings and related communications to identify unique, novel, or emerging issues to inform the PCAOB's risk-based approach to inspection selection

AI can process a volume of filings, earnings materials, and disclosures that would be impractical to review manually, surfacing patterns and outliers that can inform engagement selection and scoping.

- Supporting the review of firm documentation during inspections, including identifying areas of potential concern in large volumes of workpapers and enabling inspectors to spend more time on substantive evaluation and less on mechanical review
- Identifying cross-firm themes and trends by analyzing inspection observations, restatement data, and other indicators to inform both inspection scoping and the board's broader communications about audit quality, such as Spotlight publications and guidance

Beyond inspections, technology can likely improve the efficiency of a range of board activities, including:

- Analyzing comment letter responses to standard-setting proposals and other consultations, helping staff synthesize large volumes of stakeholder input and identify areas of consensus, divergence, and emerging concern
- Synthesizing academic research and other external literature relevant to standard setting and policy development, enabling the board to draw on a broader evidence base in a timely manner
- Facilitating timely and appropriately robust economic analysis that informs policy decisions
- Supporting internal operations such as document review, data analysis, and knowledge management, freeing staff capacity for higher-value work

Efficiencies gained in these areas may allow the board to be more responsive to emerging issues, engage more substantively with stakeholder input, and deliver guidance and standards in shorter cycles.

Detailed responses to the questions posed in the request for public comment**7. How could the PCAOB enhance transparency with its stakeholders?**

Throughout this letter, we have emphasized the value of transparency and stakeholder engagement as foundations for the PCAOB's vision of forward-looking, responsive, and innovative oversight. We have also identified opportunities for the board to consider coordinated and holistic actions with the SEC and other standard setters and policymakers, including the IAASB and ASB. The same principles apply, perhaps most directly, to the PCAOB's standard-setting process. A more transparent and less insular approach to standard setting—one that meaningfully involves stakeholders throughout the lifecycle of a project—would enhance audit quality by producing standards that are better informed, more implementable, and more widely understood.

Improvements could be made to how the board and staff explain the resolution of key issues when issuing proposals and final standards.

Stakeholders currently have limited insight into how the PCAOB staff considers and resolves comments received on proposed standards, unlike the processes that are currently undertaken by the other standard setters such as the FASB, IAASB, and ASB. Given the highly technical nature and the interrelationships within and across standards, such transparency is helpful in promoting a consistent understanding of the board's intent in issuing proposals, and how concerns by stakeholders have been addressed in final standards. We encourage the board to enhance transparency in this area by exploring how it could provide public discussion of:

- Alternatives considered at the proposal stage, including how the work of the IAASB and the ASB on related topics was evaluated and leveraged, and the reasons for adopting a different approach when the board chose to do so
- How significant comments received during the public comment period and through outreach activities are being addressed, including the alternatives considered in response to those comments and the reasoning behind the staff's recommended resolution

This kind of visibility would not delay the standard-setting process; rather, it would strengthen the quality of final standards by surfacing issues earlier, inviting refinement before finalization, and building broader understanding of and support for the board's ultimate conclusions.

The board's advisory groups could be used more effectively throughout the standard-setting process.

The PCAOB can be more agile in how it engages with the SEIAG and IAG to fully benefit from their expertise and perspectives; those groups should not be restricted in timing or frequency of meetings or when they can provide feedback on proposals. We observe that the SEIAG and IAG engagement has been unduly limited once the comment period on a proposal has closed—precisely the point when their perspectives could be most valuable in considering significant issues raised in comments. Engaging advisory groups at this later stage—when feedback and has been

Detailed responses to the questions posed in the request for public comment

received and the substantive questions are most sharply defined—would meaningfully enhance the board's deliberations and give advisory group members a more substantive role in shaping final standards. Giving these groups this opportunity to react to the staff's intended response to comment letter feedback would help final standards both achieve the PCAOB's intent and be able to be implemented in practice, which benefits audit quality.

Actions the board has already announced will increase transparency and the profession's ability to more deeply interact on matters related to audit quality.

We are pleased by the PCAOB's plan to further develop a formal consultation process within the Office of the Chief Auditor (OCA) to provide timely guidance on complex or novel issues. While our experience engaging with the staff has been positive, formalizing and encouraging consultation is a welcome step. A central function staffed by experienced CPAs interpreting the auditing standards supports the appropriate application of those standards and enhances audit quality, while avoiding unnecessary costs and minimizing unintended consequences. We also encourage the staff to routinely consider whether questions raised through consultation should be addressed publicly, for example through FAQs, interpretive guidance, best practice observations, or, when warranted, changes to the standards themselves—so that the insights developed through consultation benefit the broader profession.

We also support the Audit Practitioner Fellowship Program within OCA. Bringing experienced auditors with recent practical experience into the PCAOB for defined terms is a meaningful step toward board work that is informed by current, in-the-field perspectives on the technologies, practices, and emerging issues reshaping the audit profession and influencing audit quality. Such structured exchange strengthens the board's standard-setting and interpretive activities, complements the broader stakeholder engagement we have encouraged throughout this letter, and reflects exactly the kind of forward-looking initiative that will help the board anticipate and respond to emerging challenges.

Taken together, the formal consultation process and the Audit Practitioner Fellowship Program reflect a welcome commitment to engagement, practical expertise, and responsiveness. We appreciate the opportunity to share our perspectives and look forward to continued dialogue with the board as it advances its investor protection mission.