



Members of the Investor Advisory Group

Via Email

May 13, 2026

Phoebe W. Brown
Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

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

Dear Secretary Brown and Members of the Public Company Accounting Oversight Board (PCAOB or Board):

The Members of the Investor Advisory Group (MIAG)¹ appreciate the opportunity to share our views regarding the PCAOB's request for comment related to the development of priorities that will inform the Board's 2026-2030 strategic plan.² We applaud the Board for its process that includes direct consultation with investors and solicitation of public comment. Indeed, we find that the market values the Board and its work, and we recognize the Board's enormous and consistent investor support, as demonstrated in 2025 when there was a risk of losing the Board as an independent audit regulator.³

The PCAOB's mission under the Sarbanes-Oxley Act (SOX) is to protect investors,⁴ so from the outset, the MIAG would like to state the need for the Board to maintain a dedicated investor advisory group (IAG) that is responsive to investor concerns. The IAG should be distinguished from the Standards and Emerging Issues Advisory Group (SEIAG). Overall, it is critical for the new board members to prioritize the needs of investors

¹ This letter represents the views of Investor Advisory Group (IAG) and does not necessarily represent the views of any individual members, any member's employer or affiliated organization, or any other organization with which a member may be associated. IAG views are developed by the members of the group independent of the views of the Public Company Accounting Oversight Board (PCAOB) and its staff. For more information about the IAG, including a listing of the current members, their bios, and the IAG charter, see <https://pcaobus.org/about/advisory-groups/investor-advisory-group>.

² See *Request for Public Comment: PCAOB Strategic Priorities*, PCAOB (Mar. 31, 2026), <https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-requests-public-comment-on-strategic-priorities>.

³ See, e.g., Letter from Jeffrey P. Mahoney, General Counsel, Council of Institutional Investors to The Honorable John Thune, Senate Majority Leader et al., 5 (June 5, 2025),

[https://www.cii.org/files/issues_and_advocacy/correspondence/2025/June%205%202025%20letter%20\(final\).pdf](https://www.cii.org/files/issues_and_advocacy/correspondence/2025/June%205%202025%20letter%20(final).pdf) ("CII strongly opposes Section 50002 of the Reconciliation Bill, in the first instance, because it includes provisions that diminish the independence of the PCAOB.")

⁴ 15 U.S.C. § 7211(a) (2002), available at <https://www.law.cornell.edu/uscode/text/15/7211> ("There is established the Public Company Accounting Oversight Board, to oversee the audit of companies that are subject to the securities laws, and related matters, in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports.") (emphasis added).

and continue to obtain their perspectives. It is also critical for the Board to maintain a line of communication directly with investors, in addition to actively participating in regularly scheduled IAG meetings.

The following responses to the questions posed by the Board represent the MIAG's perspective on various topics, including the Board's statutory mission, audit quality standards, technology, and transparency. In those responses, we reference previous MIAG communications addressed to the Board.

Question 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?

Measuring and Reporting the Effectiveness of Inspection and Enforcement Activities

In a MIAG letter written to comment on the draft of the Board's 2022-2026 strategic plan, we recommended adding a goal entitled "Increase Total Transparency of the PCAOB's Activities."⁵ We cover some specific suggestions under Question 7 below, but we note here that a broader goal of the Board should be to be more transparent in everything it does. For instance, the current strategic plan mentions transparency only in connection with reporting inspection results and enforcement actions. In many regards, we believe the Board itself needs to be more transparent to investors, the constituency for whom the Board owes its existence. Because of the Board's unique legal stature, it is allowed to operate with relative opaqueness compared to the U.S. Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB). It is not, however, required to operate with such opacity.

To that end, an important initiative under a goal intended to increase transparency would be for the Board to determine measures by which it would evaluate the effectiveness of its inspection and enforcement activities, conducting evaluations based on those measures, and then reporting the results to the public in an easily accessible, straightforward, and intuitive manner. The initiative could consider including a greater focus on material audit deficiencies as opposed to minor process-related deficiencies. While the process for determining measures for evaluating the effectiveness of its inspection and enforcement activities would require input from stakeholders, the Board's evaluation of its own effectiveness would be critical to identifying areas of improvement to better serve its statutory mission to "*protect the interests of investors and further the public interest* in the preparation of informative, accurate, and independent audit reports."⁶

Aligning Budget Constraints to Prioritize Areas of Higher Risk, Namely China-Based Audits

Earlier this year, the SEC announced the Board's 2026 budget, which reflects a 9.4% (\$37.6 million) decrease from the prior year, as well as an 18.4% (\$68.9 million) decrease in the accounting support fee.⁷ Accordingly, the Board must prioritize how to allocate its more limited budget. One approach to managing this challenge is optimizing the budget to focus on matters that represent the highest risks. One such area of high risk involves China-based audit firms. Indeed, past PCAOB inspections of such firms resulted in historic sanctions.⁸

⁵ See Letter from Members of the IAG to PCAOB, Reference: PCAOB No. 2022-003, Request for Public Comment – PCAOB Draft Plan 2022-2026, at 1 (Sept. 15, 2022), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/strategic-plan-comments-2022/10_iag.pdf?sfvrsn=f24d0e63_4.

⁶ 15 U.S.C. § 7211(a) (emphasis added).

⁷ See *SEC Approves 2026 PCAOB Budget and Accounting Support Fee*, Securities and Exchange Commission (Jan. 22, 2026), <https://www.sec.gov/newsroom/press-releases/2026-11-sec-approves-2026-pcaob-budget-accounting-support-fee>.

⁸ *Fact Sheet: PCAOB Imposes Historic Sanctions on China-Based Audit Firms*, PCAOB (Nov. 30, 2023), <https://pcaobus.org/news-events/news-releases/news-release-detail/fact-sheet-pcaob-imposes-historic-sanctions-on-china-based-audit-firms> (outlining a PCAOB enforcement action that resulted in sanctions against three China-based firms and four individuals for a total of \$7.9 million, representing the highest civil money penalties the PCAOB has imposed against a China-based firm and some of the highest penalties it has imposed against any firm around the globe).

In this context, even with a more limited budget, the Board could inspect China-based audit firms once a year, much in the same way it inspects broker-dealers and large accounting firms. The added expense from such regular inspection and related reporting could be counterbalanced by a decrease in resources expended on less risky matters. We note that China-based firms engage in practices that have been questioned by some Members of the U.S. Congress.⁹ Specifically, recent developments in which the Chinese Communist Party has required Chinese companies to use Chinese auditors could raise issues regarding the trust that U.S. investors should place on the audit reports of those companies.¹⁰

As a result, we underscore the importance of access to, and review of, the workpapers from registered firms operating in China. That said, while the PCAOB announced in 2022 that it had successfully obtained complete access to inspect Chinese audit firms,¹¹ the effectiveness and substantiveness of this access has been questioned by some market participants.¹² The entirety of the PCAOB's bilateral agreement with Chinese authorities to inspect the auditors of Chinese companies has not been disclosed by either party.¹³ Furthermore, the PCAOB's announcement had the effect of vacating its December 2021 finding that Chinese authorities took measures to inhibit the PCAOB's ability to inspect and investigate firms based in China and Hong Kong.¹⁴ Law firm K&L Gates notes this reversal of position could reduce the risk of issuers being delisted under the Holding Foreign Companies Accountable Act.¹⁵ An SEC fact sheet about the agreement asserts that the PCAOB has unredacted access to *all* audit documentation but notes that certain restricted data may only be available on a view-only basis; furthermore, the China Securities Regulatory Commission would serve as a middleman for any document requests by the PCAOB from Chinese audit firms.¹⁶

Accordingly, we support SEC Chair Paul Atkins's recent comments committing the Board to prioritize inspections of Chinese company audits by Chinese registered firms.¹⁷ And we believe any changes to Rule 6100¹⁸ regarding complete access to inspect Chinese audit firms should go through proper notice-and-comment rulemaking.

⁹ See SEC Chair Paul Atkins Testifies on Oversight of the Securities and Exchange Commission, CNBC Television (Feb. 12, 2026), <https://www.youtube.com/watch?v=Bn5YQoFcJBU>.

¹⁰ See *id.*

¹¹ See Emmanuel Tamrat, *Behind the Veil: Risks of Chinese Companies and the VIE Structure An Update*, Council of Institutional Investors (Aug. 2025), <https://www.cii.org/Files/publications/Behind-the-Veil-Risks-of-Chinese-Companies-and-the-VIE-Structure-Aug-2025.pdf>; see also Chair Erica Y. Williams, *PCAOB Secures Complete Access to Inspect, Investigate Chinese Firms for First Time in History*, PCAOB (Dec. 15, 2022), <https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-secures-complete-access-to-inspect-investigate-chinese-firms-for-first-time-in-history>.

¹² See Tamrat, *supra* note 11.

¹³ See *id.*

¹⁴ See *id.*

¹⁵ See Yuki Sako & Michael G. Lee, *United States: PCAOB's Vacating 2021 Determination under HFCAA Lowers the Risk of Delisting*, Global Investment Law Watch (Dec. 22, 2022), <https://www.investmentlawwatch.com/2022/12/22/united-states-pcaobs-vacating-2021-determination-under-hfcaa-lowers-the-risk-of-delisting/>; see generally 15 U.S.C. § 7214(i)(3)(A) (“If the Commission determines that a covered issuer has 2 consecutive non-inspection years, the Commission shall prohibit the securities of the covered issuer from being traded—(i) on a national securities exchange; or (ii) through any other method that is within the jurisdiction of the Commission to regulate, including through the method of trading that is commonly referred to as the “over-the-counter” trading of securities.”).

¹⁶ See Tamrat, *supra* note 11; see also *Fact Sheet: Statement of Protocol – Questions & Answers*, U.S. Securities and Exchange Commission (Aug. 26, 2022), https://www.sec.gov/files/china-sop-qa_0.pdf.

¹⁷ See SEC Chair Paul Atkins Testifies, *supra* note 9.

¹⁸ See PCAOB; Order Granting Approval of Proposed Rule Governing Board Determinations Under the Holding Foreign Companies Accountable Act, Exchange Act Release No. 93,527, File No. PCAOB-2021-01 (Nov 4, 2021), <https://www.sec.gov/files/rules/pcaob/2021/34-93527.pdf>; and PCAOB; Order Granting Approval of Proposed Amendments to Conform PCAOB Rule 6100 to the Consolidated Appropriations Act, Exchange Act Release No. 97,514, File No. PCAOB-2023-01 (May 16, 2023), <https://www.sec.gov/files/rules/pcaob/2023/34-97514.pdf>.

Private Capital

As indicated, SOX defines the Board’s statutory mission “to oversee the audit of *companies that are subject to the securities laws*, and related matters, in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports.”¹⁹ This mission, of course, excludes private companies and likely could not be broadened without Congressional action.

However, the landscape of the capital markets is radically different from when the PCAOB was created. Private markets have expanded dramatically, and private companies have reached a scale (multiple hundreds of billions of dollars in valuations) where they are systematically important for markets, investor portfolios, and the broader economy. Moreover, as discussed at the September 2024 IAG meeting, important issues have emerged about how private markets have impacted audit firm ownership structures and funding arrangements.²⁰

Given the growing segment of business represented by private companies and the importance of private capital, a priority for the Board’s next strategic plan should include some consideration of how private markets may impact on the Board’s initiatives and goals. In the words of former SEC Chair Mary Jo White: “[B]eyond any specific regulatory requirements, some of the principles that characterize public companies – transparency with investors, controls on financial reporting, strong corporate governance – have applicability and relevance to private companies, especially those pre-IPO companies that aspire to go public, and should not be overlooked or avoided, whether or not mandated by federal law or an SEC regulation.”²¹

Question 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)?

Inspection Program

Regarding changes to the Board’s inspection program, the MIAG appreciates the Board’s engagement with, and consideration of, the investor perspective. While we generally agree that identifying quality control deficiencies is one way for the PCAOB to demonstrate the importance and value of its inspection program, we note that Board Member George Botic said the Board should move carefully when updating its inspection program and consult investors and other stakeholders.²² He warned that limiting the publication of inspection findings “runs the risk of losing something that I think the PCAOB’s reputation and the capital markets have benefited from extensively over two-plus decades.”²³ In addition, Botic suggested that individual audit inspections would still be necessary to test whether quality management systems function effectively in practice.²⁴

¹⁹ 15 U.S.C. § 7211(a) (emphasis added).

²⁰ PCAOB IAG Meeting, Agenda (Sept. 26, 2024), <https://pcaobus.org/news-events/events/event-details/pcaob-investor-advisory-group-meeting-september-2024> (“IAG Presentation to the Board on Emerging Issues in Audit Firm Ownership Structures and Funding Arrangements”).

²¹ Chair Mary Jo White, U.S. Securities and Exchange Commission, *Keynote Address at the SEC-Rock Center on Corporate Governance Silicon Valley Initiative* (Mar. 31, 2016), <https://www.sec.gov/newsroom/speeches-statements/chair-white-silicon-valley-initiative-3-31-16>.

²² See George R. Botic, Board Member, PCAOB, *Looking to the Future ---Moving Forward while Staying on the Right Track at the 2026 Deloitte/University of Kansas Auditing Symposium* (May 8, 2026), <https://pcaobus.org/news-events/speeches/speech-detail/looking-to-the-future---moving-forward-while-staying-on-the-right-track> (“I would hesitate . . . to move away from our established approach to engagement reviews before we have carefully considered whether important things would be sacrificed by doing so.”).

²³ Shubhendu Vimal, *US Accounting Firms Brace for Fewer SEC Audit Inspections – Report*, The Accountant Online (Dec. 29, 2025), <https://www.theaccountant-online.com/news/us-accounting-firms-sec-audit/?cf-view>.

²⁴ See *id.*

Representing the investor perspective, the MIAG shares Botic's concerns about reducing the number of audit workpapers inspected and the resulting reduction in frequency and transparency of the publication of inspection findings. We generally believe that any future consideration of reducing the number of audit workpapers inspected should be conditioned upon the firms' first demonstrating over a reasonable period the implementation of robust, effective firm-wide audit quality controls.

In addition, we believe the public version of the PCAOB inspection reports should be issued on a timelier basis and should be required to disclose the identity of each issuer that had its audit workpapers inspected. We note that our view is generally supported by empirical research on how frequency and transparency of inspection information affect company returns:

Identifiable companies experience positive abnormal returns following non-deficient inspection outcomes and negative returns following deficient ones. In contrast, companies that cannot be linked to specific inspection results show no price response. The return differentials persist across a battery of robustness tests and are stronger when inspection information is more timely. Overall, our findings show that markets incorporate audit-quality information when inspection outcomes can be credibly mapped to individual companies, suggesting that greater transparency enhances the informational role of audit oversight and strengthens market-based incentives for audit quality.²⁵

Finally, as more companies may consider electing to leave Delaware to reincorporate under less burdensome corporate law statutes,²⁶ the Board should consider the state of incorporation in connection with its risk-based method for selecting issuer audits for review. As one example, empirical data finds that Nevada attracts firms that are 30–40% more likely to report financial results that later require restatement than firms incorporated in other states, including Delaware.²⁷ In other words, a correlation may be evident between less burdensome Nevada law and a firm's propensity for financial restatement after it's incorporated in Nevada.²⁸

Quality Control: QC 1000, Upcoming Implementation, and Other Inspection Issues

Regarding quality control more broadly, and QC 1000 specifically, the MIAG notes that Board Chair Demetrios (Jim) Logothetis stated “[c]ertain requirements included in QC 1000 may be unnecessary for the standard to meet the regulatory objectives of the PCAOB, and may not contribute to audit quality,” adding that the PCAOB would invite feedback on “narrow revisions to the standard and related amendments,” without outlining which provisions might be altered.²⁹ We note that at least some of the proposed revisions appear to be in response to requests from large audit firms to more closely align QC 1000 with global audit standards.³⁰

²⁵ Andrew Acito et al., *Market-Based Incentives for Audit Quality*, SSRN (Nov. 15, 2024), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4997362.

²⁶ See James Crowe, *2026 Comparison of Key Corporate Governance Features in Select Jurisdictions*, CII Research and Education Fund (Apr. 2026), <https://www.ciiref.org/jurisdiction-comparison>.

²⁷ See Michal Barzuza & David C. Smith, *What Happens in Nevada? Self-Selecting into Lax Law*, 27 *Rev. Fin. Stud.* 3593 (2014), available at <https://www.jstor.org/stable/24466828>; see also Michal Barzuza, *Nevada v. Delaware: The New Market for Corporate Law*, Harvard Law School Forum on Corporate Governance (Feb. 26, 2026), <https://corpgov.law.harvard.edu/2026/02/26/nevada-v-delaware-the-new-market-for-corporate-law>.

²⁸ See Barzuza & Smith, *supra* note 27.

²⁹ Ellichipuram Umesh, *US Audit Watchdog to Revisit Contested Firm Quality-Control Standard*, *International Accounting Bulletin* (Apr. 2, 2026), <https://www.internationalaccountingbulletin.com/news/us-audit-watchdog-to-revisit/?cf-view>.

³⁰ See *id.* (“Dennis McGowan, a CAQ vice-president, supported the prospect of ‘targeted amendments’ that would align QC 1000 more closely with global standards.”).

We appreciate that some provisions of QC 1000 may be amended before its implementation on December 15, 2026. As the Board considers potential amendments, the MIAG generally believes the following items should also be considered.³¹ The items are consistent with the MIAG’s prior communications to the Board in response to the 2022 “Request for Public Comment – A Firm’s System of Quality Control and Other Proposed Amendments to PCAOB Standards, Rules, And Forms”:

- **Make information about the quality of audits and auditors publicly available:** The MIAG reiterates what we previously shared in a 2023 letter: “An effective quality control system should provide investors with data regarding the quality of audits. We have already mentioned audit quality indicators as lacking . . . , but there is [also] other insufficient data [regarding audit quality]. Pursuant to SOX, the PCAOB has the authority to conduct inspections of independent audits of publicly listed companies. As a result, the PCAOB has first-hand information about the quality of an audit it has inspected and the failures by the audit engagement team to perform the audit in accordance with the PCAOB’s auditing standards. By withholding the names of companies whose audits have been inspected, the PCAOB is willingly withholding from investors knowledge of which specific audits complied with laws, regulations, and professional standards. SOX specifically requires the PCAOB to keep Part II of Inspection Reports confidential for up to, but no more than 12 months, and also requires enforcement actions to remain confidential until the end of the process. There is no such requirement for the disclosure of companies whose audits were selected for inspection, however. Consistent with our earlier comment on this topic, we recommend the PCAOB reverse its past policy of withholding this information from investors.”³²
- **Expand requirement to furnish audit committees with only a firm-wide evaluation of the quality control system:** In a previous letter, the MIAG also wrote the following, a position we continue to hold: “We find the requirement to furnish audit committees with only a firm-wide evaluation of the quality control system to be insufficient. We question whether or not the audit committee would be inclined to seek a new auditor based only on a firm-wide evaluation of quality control – and one furnished to them by the auditor. The audit committee would be far more influenced by an independent verification of the quality system such as the PCAOB inspection report on their auditor, and its performance on their engagement, and including audit quality indicators.”³³

These items are consistent with the expectations of investors, as we outlined in a previous letter: “Investors need more than just a pass/fail grade on the audit as expressed in the auditor’s opinion.”³⁴ Investors also need information to help them decide whether the audit was performed capably, which in turn would allow them to inform their decision on whether to vote or approve the ratification of the auditor or the election of the Chair or members of the audit committee.³⁵ As one major asset manager has stated in its voting guidelines: “We may vote against the audit committee members where the board has not facilitated quality, independent auditing. We look to public disclosures for insight into the . . . audit committee”³⁶ Most importantly, this information is

³¹ See PCAOB; Order Granting Approval of QC 1000, A Firm’s System of Quality Control, and Related Amendments to PCAOB Standards, Rules, and Forms, Exchange Act Release No. 100,968, File No. PCAOB-2024-002 (Sept. 9, 2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket046/34-100968.pdf?sfvrsn=6c0ced5c_2.

³² Letter from Members of the IAG to PCAOB, Reference: PCAOB No. 2022-06, Request for Public Comment – A Firm’s System of Quality Control and Other Proposed Amendments to PCAOB Standards, Rules, And Forms, at 2 (Jan. 13, 2023), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket046/4_iag.pdf?sfvrsn=1941e7c0_4.

³³ *Id.* at 3.

³⁴ *Id.* at 1.

³⁵ See *id.*

³⁶ *BlackRock Investment Stewardship: Proxy Voting Guidelines for Benchmark Policies – U.S. Securities*, BlackRock, at 11 (Jan. 2026), <https://www.blackrock.com/corporate/literature/publication/blackrock-investment-stewardship-benchmark-guidelines-us.pdf>.

key to provide investors with confidence in the financial statements of the companies in which they invest, which influences the prices they are willing to pay for these investments.³⁷

More generally, and as previously indicated, while the MIAG believes that quality control is important, assessing that quality should not take precedence over engagement-level inspection and reporting. In this sense, we echo the words of IAG member Sandra Peters, Senior Head of Global Financial Reporting Advocacy at CFA Institute:

Assessing a firm’s system of quality management is important, but it is, at best, a test of design. It considers whether controls exist and are structured appropriately; it does not demonstrate that they operate effectively at the audit engagement level. . . . Recurring failures in areas such as revenue recognition, impairment and group audits have not arisen from a lack of firm-level policies, but from failures in execution. These issues have been identified only through inspection of individual audit engagements. A supervisory model that places greater weight on firm-wide systems risks missing where assurance is actually delivered. While firm-level controls matter, much can go wrong in execution — particularly in complex, judgmental areas. Reducing engagement-level inspection may also weaken the behavioural discipline and deterrence that such scrutiny creates.³⁸

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

The Board describes its inspections as being “designed to review portions of a firm’s issuer audits and evaluate elements of a firm’s quality control system. The process aims to drive improvement in the quality of audit services through a focus on effective *prevention, detection, and deterrence* of audit and quality control deficiencies—and oversight of firms’ remediation of identified deficiencies.”³⁹

As indicated in a previous communication, the MIAG welcomed an objective of the current strategic plan to increase transparency in reporting inspection results, given that investors had expected more details in the reporting of inspection results for years.⁴⁰ We noted, however, that there was no timeline identified for the objective, nor an anticipated date upon which increased transparency could be expected.⁴¹ We also recommended that the discipline of setting milestone timelines for increasing transparency of reporting inspection results be embedded in the strategic plan. We consider this to be an important aspect of increasing transparency in reporting inspection results.⁴²

In addition, we commended the Board for placing a greater focus on firms’ remediation efforts.⁴³ The objective stated: “Consistent with the requirements of the Sarbanes-Oxley Act, we will publish all quality control

³⁷ See *id.*

³⁸ Sandra Peters, *Letter: Easing Oversight of Audit Firms Is a Capitulation by the Regulator*, Financial Times (Apr. 9, 2026), <https://www.ft.com/content/39086e4a-dbcd-4b1e-830b-8e0d81e8afaf>.

³⁹ *Inspections*, PCAOB, <https://pcaobus.org/oversight/inspections> (last visited Apr. 7, 2026) (emphasis added).

⁴⁰ See *id.*; see generally Preeti Choudhary et al., *Pervasiveness of PCAOB Part 1A Findings as a Signal of Audit Quality*, SSRN, at 6 (Mar. 2026), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6702280 (suggesting that providing a summary of the total and unique count of audit standard paragraph references included in the inspection findings could be useful to investors to ease processing of this information).

⁴¹ See Letter from Members of the IAG, *supra* note 5, at 3.

⁴² See *id.*

⁴³ See *id.*

criticisms that the firms have not remediated to the Board’s satisfaction within the required time period.”⁴⁴ We noted that investors need to know how seriously auditors view the PCAOB’s findings, and they need to know them as soon as possible before the next audit is completed – or the next proxy vote on approval of the auditor or election or reelection of audit committee chair and members takes place.⁴⁵ However, the objective did not state any intended acceleration of the transparency surrounding the remediation process, and we recommend setting one—and making it happen—given that there was no goal set for the timing of the improvement.⁴⁶ The MIAG found at the time, and continues to find, that investors benefit from this information and wish for the Board to be accountable for the goal they have set for itself.⁴⁷

Overall, we find that it would be advisable for the PCAOB to improve its communication strategy to focus more on the needs of investors and other stakeholders, rather than its own needs. As one example, the PCAOB should summarize lessons learned from its inspections, so that investors and other stakeholders could have greater transparency about the impact of inspections on audit quality.

Question 4: What standard-setting projects should the PCAOB pursue?

The standard-setting agenda of the Board is primarily focused on enhancing investor protection by prioritizing the areas where improvements to PCAOB standards could have the most significant impact on audit quality and the public interest.⁴⁸ Two such projects the Board should consider pursuing are the following:

- (1) **Firm and engagement metrics:** The MIAG supported the Board’s Firm and Engagement Metrics (F&EM) Proposal, which was withdrawn on February 11, 2025.⁴⁹ The MIAG recommends that the Board revisit this proposal and re-engage with stakeholders to develop a corresponding final rule. In a previous communication, the MIAG expressed its support for the proposal as such: “The MIAG strongly supports the F&EM Proposal which . . . implements a long overdue 2008 recommendation of the ACAP [U.S. Department of Treasury Advisory Committee on the Auditing Profession] Report to provide investors with decision-useful metrics about audit firms and individual audits. We believe the proposed metrics would provide significant benefits to investors by providing information they currently cannot access. This information can assist them in making more informed decisions about whether to vote to approve the ratification of the auditor or the election or reelection of the audit committee chair or members, or in exercising their responsibilities for oversight of the audit committees of public companies.”⁵⁰

⁴⁴ *Strategic Plan 2022-2026*, PCAOB, at 12 (Nov. 18, 2022), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/documents/strategic_plans/strategic-plan-2022-2026.pdf?sfvrsn=b2ec4b6a_4.

⁴⁵ See Letter from Members of the IAG, *supra* note 5, at 3.

⁴⁶ See *id.*

⁴⁷ See *id.*

⁴⁸ See *Standard-Setting, Research, and Rulemaking Projects*, PCAOB, <https://pcaobus.org/oversight/standards/standard-setting-research-projects> (last visited Apr. 7, 2026).

⁴⁹ See PCAOB; Notice of Withdrawal of Proposed Rules on Firm Reporting and Firm and Engagement Metrics and Related Amendments to PCAOB Standards, Exchange Act Release No. 102,399, File No. PCAOB-2024-006 and PCAOB-2024-07 (Feb. 11, 2025), <https://www.sec.gov/files/rules/pcaob/2025/34-102399.pdf>.

⁵⁰ See Letter from Members of the IAG to PCAOB, at 10 (May 29, 2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket_041/4_iag.pdf?sfvrsn=2680ecfd_2.

(2) **Potential amendments and staff guidance to improve the decision-usefulness of the disclosure of critical audit matters:** The MIAG believes that critical audit matters (CAMs) can be improved in several major ways, including the following:⁵¹

- a. CAMs should include what the auditors found: Investors are generally not familiar with auditing procedures, and CAMs should provide them with an opportunity to communicate with the auditors.⁵² Nevertheless, investors have expressed concerns regarding the lack of decision-useful information communicated by auditors, especially what the auditors found.⁵³ As such, to facilitate communication, auditors should present their findings by including a description of how the CAM was addressed in the audit.⁵⁴ In particular, the MIAG recommends amending the note under Section 14(c) of AS 3101⁵⁵ to say the following:

In describing how the critical audit matter was addressed in the audit, the auditor ~~may shall~~ describe: (1) the auditor's response or approach that was most relevant to the matter; (2) a brief overview of the audit procedures performed; (3) an indication of the outcome of the audit procedures; and (4) key observations with respect to the matter, ~~or some combination of these elements.~~

This proposed amendment would eliminate the option that currently permits auditors to omit two related categories of information about CAMs that “are of most interest to investors,” i.e., an “indication of the outcome of the audit procedures performed” and “key observations with respect to the matter.”⁵⁶

- b. The number of CAMs reported should increase: The average number of CAMs has been decreasing over the years, so consistent with the MIAG’s recommendations for improving CAMs in a previous report, the language and intent of AS 3101, and recent academic research, auditors should consider increasing the number of CAMs included in their reports.⁵⁷ In particular, we note that the decreased number of CAMs appears to relate, at least in part, to AS 3101’s “especially challenging” language used in paragraphs 11 and 12. We believe this language (1) has been interpreted narrowly in a manner that results in a fewer number of CAMs being disclosed — about 1.5 — than the PCAOB had intended, and (2) may actually discourage auditors from issuing potential CAMs.⁵⁸ Speaking at a 2023 IAG meeting, Martin Baumann, former Chief Auditor of the Board, recommended amending AS 3101 to eliminate the word “especially” in paragraphs 11 and 12.⁵⁹ We generally agree with Baumann’s recommendation.

⁵¹ See *The Second Annual Investor Advisory Group Most Decision-Useful Critical or Key Audit Matters for 2024*, Members of the IAG (Dec. 2025), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/advisory/documents/second-annual-most-decision-useful-critical-or-key-audit-matters-for-2024.pdf?sfvrsn=ba19a3a8_1.

⁵² See *id.* at 11.

⁵³ See *id.*

⁵⁴ See *id.*

⁵⁵ *AS 3101: The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, PCAOB, <https://pcaobus.org/oversight/standards/auditing-standards/details/AS3101> (last visited Apr. 22, 2026).

⁵⁶ See *The First Annual Investor Advisory Group Most Decision-Useful Critical or Key Audit Matters for 2023*, Members of the IAG, at 6 (Dec. 2024), <https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/advisory/documents/seiag-november-2024/iag-report--the-first-annual-iag-critical-or-key-audit-matter-report.pdf>.

⁵⁷ See *The Second Annual Investor Advisory Group*, *supra* note 51, at 13.

⁵⁸ See *The First Annual Investor Advisory Group*, *supra* note 56, at 5-6.

⁵⁹ See PCAOB IAG Meeting (June 7, 2023, Part 1 of 2) (Martin Baumann comments during discussion of agenda item: “IAG Subcommittee on Standards Briefing to the PCAOB – Critical Audit Matters”), <https://pcaobus.org/news-events/events/event->

- c. Other improvements could be in the form of staff guidance encouraging auditors to adopt more useful, consistent procedures that could result in higher quality CAMs that include, for example, more:
 - i. Quantitative information; and
 - ii. Descriptions of audit procedures performed.⁶⁰

Question 5: How can the PCAOB achieve greater alignment of its auditing standards with international auditing standards?

We note recent comments by the SEC’s Chief Accountant, Kurt Hohl, regarding the SEC’s focus on international issues, including international auditing standards:

Many people don’t know that international standards on auditing are the basis for most firm audit methodology and are used as the baseline for the AICPA [American Institute of Certified Public Accountants] and the development of auditing standards in the United States. There’s great interest for my office in the development of international standards of auditing. *There are some problems there in terms of funding, and challenges in terms of governance that we will try to address.*⁶¹

The MIAG finds that the Board could take the approach of using international auditing standards as the basis for determining PCAOB auditing standards, with adjustments made as needed to fit the specific context of the U.S. That said, the MIAG recommends, at this time, that the funding and governance challenges identified by the SEC’s Chief Accountant be resolved before the Board considers how to proceed in terms of reaching greater alignment between the PCAOB’s auditing standards and international auditing standards.

Question 6: In what ways should the PCAOB consider deploying technology, including AI, to help further its investor-protection mission?

The Board’s current research project on the use of data and technology is designed to “[a]ssess whether there is a need for guidance, changes to PCAOB standards, or other regulatory actions in light of the increased use of technology-based tools by auditors and preparers. This includes evaluating the role technology innovation plays in driving audit quality. Research from this project may give rise to individual standard-setting projects and may also inform the scope or nature of other projects that are included on the standard-setting agenda.”⁶²

To support the research project, we recommended in a prior letter the establishment of a working group to assess data and technology developments affecting audit quality.⁶³ We were generally pleased to see the establishment of such a group, i.e., the Technology Innovation Alliance Working Group, the two primary functions of which were to: “Advise the Board on the use of emerging technologies by auditors and preparers relevant to audits and their potential impact on audit quality” and to “[m]ake recommendations to the Board

[details/pcaob-investor-advisory-group-meeting-june-2023](#); see also Briefing to the PCAOB – Critical Audit Matters, Subcomm. on Standards, PCAOB IAG Meeting (June 7, 2023), at 14 (“MODIFYING CAM LANGUAGE IN THE STANDARD (AMEND THE RULE)”), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/advisory/documents/iag-june-7-2023/4.-briefing-cams.pdf?sfvrsn=c27adf0a_3.

⁶⁰ See *The Second Annual Investor Advisory Group*, *supra* note 51, at 13.

⁶¹ Douglas R. Carmichael, *A Conversation with SEC Chief Accountant Kurt Hohl: Highlights from the 20th Annual Baruch College Audit Conference*, *The CPA Journal* (Apr. 2026), <https://www.cpapjournal.com/2026/04/17/a-conversation-with-sec-chief-accountant-kurt-hohl> (emphasis added).

⁶² *Data & Technology*, PCAOB (Nov. 30, 2022), <https://pcaobus.org/oversight/standards/standard-setting-research-projects/data-technology>.

⁶³ See Letter from Members of the IAG, *supra* note 5, at 2.

regarding how the Board’s existing or future oversight programs might address the use of emerging technologies by auditors and preparers.”⁶⁴

We applaud the group’s effort to produce the Transforming Audit Quality Through Technology report.⁶⁵ In particular, we value the report’s focus on promoting structured data creation and dissemination in public company audits by standardizing audit documentation taxonomy and digital signatures, facilitating ongoing innovation in audit quality, and encouraging technology literacy in auditor skillsets.⁶⁶ We also appreciate the report’s focus on Artificial Intelligence (AI), including the recommendation to establish an AI Task Force.⁶⁷ The MIAG, however, finds the report to be somewhat ambiguous. As such, we would like to share some recommendations we made before in a previous letter, which could lend more granularity to the Board’s approach toward the use of technology to improve audit quality.⁶⁸

Specifically, we would recommend that when using technology-assisted audit procedures, it is vital that the auditor considers and evaluates the evidence they provide in the context of the entire audit.⁶⁹ In other words, “an auditor may determine to test an entire population of data, such as 100 percent of the adjusting journal entries made throughout the year. The auditor would be remiss, however, if consideration were not given to the possibility that there were adjusting entries that had not been entered into the data selected for testing. Likewise, it would be unwise for an auditor to fail to gain an understanding of the internal controls that ensure the completeness and accuracy of the data.”⁷⁰

Also, auditors’ procedures should include gaining an understanding of digital analysis tools, such as credit rating algorithms, loan loss calculations, pension obligation calculations, or even criteria for revenue recognition, and assessing their reliability while considering current developments.⁷¹ Moreover, we note the following about how auditors should use technology:

[W]hile the PCAOB is continuing its assessment of the use of technology in audits, we strongly urge the Board to include in its final standard a requirement that auditors should use technology that has existed for decades and used by other market participants to assess and verify the accuracy and completeness of financial reports. Financial research and investment management firms have long undertaken the use of technology-based tools noted above to evaluate whether transactions were not reflected in financial statements; whether revenues reported were inflated; to seek unrecorded obligations; or to determine if asset values were inflated. For too long, the auditing profession has not kept up to date with such useful tools, nor utilized them in a timely manner.⁷²

⁶⁴ *Technology Innovation Alliance Working Group*, PCAOB, <https://pcaobus.org/about/working-groups-task-forces/technology-innovation-alliance-working-group> (last visited Apr. 14, 2026).

⁶⁵ *See Transforming Audit Quality Through Technology*, Technology Innovation Alliance Working Group (May 30, 2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/working-groups/technology-innovation-alliance-working-group/tia-future-state.pdf?sfvrsn=ddda0c7_2.

⁶⁶ *See id.*

⁶⁷ *See id.* at 16.

⁶⁸ *See* Letter from Members of the IAG to PCAOB (Aug. 25, 2023), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-052/4_miag.pdf?sfvrsn=f77f0fec_4.

⁶⁹ *See id.* at 3.

⁷⁰ Letter from Members of the IAG, *supra* note 68, at 3.

⁷¹ *See id.* at 3.

⁷² Letter from Members of the IAG, *supra* note 68, at 3.

We note that speaking recently at the University of Buffalo, Board Member Botic expressed the following views about AI:

AI agents are increasingly used not just for automating routine tasks but for exercising judgment. This will undoubtedly happen with accounting and auditing. . . . The core question . . . is how much cognitive work should audit teams delegate to AI agents? In addition to the mundane, time-consuming tasks, will the auditors delegate tasks that require the application of professional judgment and skepticism to AI? Although still in the future but given the rapid and seemingly endless advances in AI, it is not hard to conceive of an entire financial statement audit performed by AI. But should the audit be performed solely by AI? What are the repercussions of replacing human judgment with AI? . . . AI can enable auditors to be more effective and improve audit quality, that outcome is not guaranteed. . . . The use of AI in financial statement audits will require steady vigilance to determine where AI is used and where it should not be used.⁷³

An AI Task Force established by the Board could consider not just the nature and extent of the use of AI in an audit, but also how the auditing field could benefit from further AI development while ensuring audit quality control. As one comment letter to this request for public comment states: “Some firms have made significant progress in applying AI to improve productivity, cost effectiveness, and quality. The PCAOB could establish a process to evaluate how different firms are applying AI and the subsequent impact on quality, as firms are currently at quite different stages of implementation.”⁷⁴

In addition, the Board could take an active role providing oversight and transparency regarding AI-related risks. Enhanced oversight could in theory take multiple forms. As one example, the Board could incorporate inquiries regarding AI governance into its inspection programs. The coming effective date of QC 1000 may present a timely opportunity for the Board to observe firms' systems concerning AI and to share findings more broadly. Another example would be to require audit firms to report details on AI usage in audits in a way that is like the reporting requirement that is currently applied to Certain Audit Participants under Form AP as Board Member Botic has suggested. Overall, investors would like the Board to collect and publish material information about AI risks via inspections, reports, rules, and guidance.

In a broader context, this comment can be seen in relation to findings that state, for instance, that institutional investors perceive that audit firms have significantly or fully implemented AI into the audit process, adding that investors believe that AI can enhance fraud detection, increase confidence in the validity of the audit, and save on costs by reducing manual labor, among other things.⁷⁵ As such, an AI Task Force could aim to shed some light on to how different actors in the auditing ecosystem perceive the use of AI, how it is actually being used now and how it will continue to be used in terms of audit quality control.

Separately, we propose that the Board consider using AI to create an “answer-bot” or an AI search function so that investors and members of the public might be able to query the public database of inspection reports and other valuable information the PCAOB already possesses. AI has reached the point now where it can access and analyze structured and unstructured data. It also can embed necessary confidentiality restrictions. This use of AI

⁷³ George R. Botic, Board Member, PCAOB, *From One Acorn to a Thousand Forests: Trust, Financial Statement Auditing, and the Future of the Accounting Profession at the University of Buffalo Department of Accounting and Law's Helen and Oscar Sufrin Lectureship in Accounting* (Apr. 7, 2026), <https://pcaobus.org/news-events/speeches/speech-detail/from-one-acorn-to-a-thousand-forests--trust--financial-statement-auditing--and-the-future-of-the-accounting-profession>.

⁷⁴ Letter from Gary Crittenden to PCAOB, RE: PCAOB No. 2026-001 (Apr. 4, 2026), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/strategic-plan-comments-2026/3_gc.pdf?sfvrsn=bd88d3ea_2.

⁷⁵ See *Annual Institutional Investor Survey*, Center for Audit Quality, at Appendix Slide 22-23 (Mar. 2026), https://thecaq.wpenginepowered.com/wp-content/uploads/2026/03/caq_annual-institutional-investor-survey_2026-03.pdf.

could free up PCAOB staff time in responding to requests and trying to figure out what investors and the public want. In addition, it could unleash the power of crowds to identify interesting and impactful questions. The proposed approach here also speaks to the question on transparency below.

Question 7: How can the PCAOB enhance transparency with its stakeholders?

IAG

As indicated, the PCAOB's foundational mission under SOX is the protection of investors — and that mission must remain the north star for the incoming Board. As the new Board establishes its priorities, we strongly urge it to preserve and strengthen the mechanisms that ensure investor perspectives are not merely considered but actively sought and meaningfully integrated into the PCAOB's work.

To that end, we respectfully request that the new Board commit to maintaining a resolute IAG that represents the interests of investors and who can provide the Board with direct, candid, and ongoing input on the issues that matter most to the investing public. The IAG plays a critical and irreplaceable role: it gives the Board a structured, reliable channel for hearing from the very constituency it exists to protect. Eliminating or diminishing this group would be inconsistent with the PCAOB's statutory mandate and would deprive the Board of essential perspectives at precisely the moment when strong investor-focused governance is needed most.

We also wish to be direct: **we do not support the establishment of an audit committee advisory council** as a substitute for the IAG. The focus of any advisory structure should remain squarely on investor perspectives, not on the preparers or those whose work the PCAOB is charged with overseeing.

Beyond the formal IAG structure, we urge the Board to maintain **robust and initiative-taking outreach to investors** between IAG meetings. Investors should not have to wait for scheduled meetings to have their voices heard. The Board should seek ongoing, substantive engagement with the investor community — through roundtables, direct consultations, and other outreach mechanisms — to ensure that its standard-setting and oversight activities remain responsive to investors' evolving needs.

The strength of the PCAOB's credibility depends, in large part, on the confidence investors have that the Board is listening to them. We urge the new Board to demonstrate that commitment in both structure and practice.

Other Transparency Matters

On February 11, 2025, the PCAOB “withdrew a pair of rules intended to increase audit firm transparency that auditors had strongly opposed when the requirements were being written . . . The two rules—one is on audit firm reporting and the other is firm and engagement metrics—were adopted in November 2024 and sent to the SEC for approval.”⁷⁶

As we wrote in 2022, we believe that transparency is key. At the time, we recommended adding a goal to the strategic plan to increase total transparency of PCAOB activities.⁷⁷ As such, the withdrawal of the rules in question is problematic. Instituting a strategic priority focused on transparency moving forward will continue to be important.

⁷⁶ Soyoung Ho, *In a Win for Audit Firms, PCAOB Withdraws Transparency Rules*, Thomson Reuters (Feb. 13, 2025), <https://tax.thomsonreuters.com/news/in-a-win-for-audit-firms-pcaob-withdraws-transparency-rules>.

⁷⁷ See Letter from Members of the IAG, *supra* note 5, at 1.

A strategic priority focused on transparency could include periodic informed disclosure that provides thoughtful analysis and identifies key underlying trends. A strategic priority focused on transparency could also include the following MIAG 2022 initiatives aligned to this priority that we continue to generally support:

- (1) Issue an annual survey on the standard setting priorities of the PCAOB, open to the public and including a ranking by priority of standard setting and research projects (with brief explanation) by each individual PCAOB member and the Chief Auditor, as well as members of the IAG and SEIAG;⁷⁸
- (2) Publish the meeting calendar with external parties for each of the Board members and the Chief Auditor on the PCAOB website;
- (3) Make all advisory group meeting minutes publicly available (in addition to the webcasts, which are already public); and
- (4) Make public on the Board’s website all third-party written communications sent to PCAOB members and the Chief Auditor, including concerns, requests, and comments.⁷⁹

We also now add that the Board should hold more broad-based in-person meetings that investors and members of the profession and audit committees can attend and provide constructive feedback to the Board. More generally, the Board could benefit from embedding more substantive discussion or debate during public meetings. In the words of Dennis R. Beresford, CPA, drawing from his experience as Chair of the FASB, “open deliberations – where staff recommendations are actively discussed and challenged – lead to better outcomes and a more informed constituency,” adding that the Board should “consider increasing the transparency and interactivity of its meetings and to move away from what may appear to observers as an overly legalistic process with Board members mainly reading from prepared scripts.”⁸⁰ As such, “[g]reater openness, combined with enhanced external engagement, should improve both the quality and credibility of PCAOB standards.”⁸¹

Finally, as indicated in response to Question 1, we believe the Board can enhance transparency with stakeholders by setting and reporting on clear, quantitative goals for its inspection process. One example might be reporting on restatements. An improved, more effective, inspection program could potentially report on restatements with the goal of lowering the rate of restatements over a reasonable period.

Thank you for considering the comments of the MIAG, who represent the primary customers of audited financial reports. If you, any members of the Board, or your staff have questions or seek further elaboration of our views, please contact Amy McGarrity at <mailto:amcgarrity@copera.org>.

Sincerely,

Members of the Investor Advisory Group

Members of the Investor Advisory Group

⁷⁸ See, e.g., *Priorities of the Financial Accounting Standards Board: 2013 Survey*, Financial Accounting Standards Advisory Council (May 2013) (on file with MIAG) (survey by the Financial Accounting Standards Advisory Council (FASAC) to FASAC members, on behalf of the Financial Accounting Standards Board (FASB), to identify key areas of suggested focus, as well as other initiatives and efforts, for the FASB); see also *Priorities of the Financial Accounting Standards Board: Responses to the FASAC Survey*, FASAC (Summer 2013), <https://fasb.org/page/ShowPdf?path=2013%20FASAC%20Survey%20Responses%20Final.pdf&title=2013%20FASAC%20Survey%20Results>.

⁷⁹ See Letter from Members of the IAG, *supra* note 5, at 4-5.

⁸⁰ Letter from Dennis R. Beresford, CPA to PCAOB, RE: PCAOB No. 2026-001, at 2-3 (Apr. 3, 2026), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/strategic-plan-comments-2026/4_drb.pdf?sfvrsn=f2b0524f_2.

⁸¹ *Id.* at 3.