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By email: comments@pcaobus.org

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

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

Dear Office of the Secretary:

We appreciate the opportunity to comment on the Public Company Accounting Oversight Board's Release No. 2026-001 Request for Public Comment: PCAOB Strategic Priorities. We support the Board's mission to protect investors and enhance audit quality, and we are pleased to offer our perspectives on the PCAOB's strategic priorities for 2026 and beyond.

We commend the Board for its increased transparency in proactively seeking public input at an early stage of developing the plan, prior to the drafting of specific proposals. We value the opportunity to engage through this open dialogue and appreciate the Board's efforts to solicit perspectives from a broad range of stakeholders, including investors, audit committees, preparers, audit firms, and others. Early engagement of this nature supports a well-informed and balanced consideration of perspectives and reinforces confidence in the Board's standard-setting and oversight activities.

As the PCAOB moves through its third decade of oversight, we believe this is an opportune moment for thoughtful reflection on the effectiveness of the PCAOB's programs and how they can continue to evolve in response to experience, changing risk profiles of market participants, and technology-related developments in the audit profession. This strategic planning exercise comes at a particularly important time, given the forthcoming implementation of the Board's new quality control standard and the significant transformation underway across the financial reporting ecosystem, driven in large part by advances in technology.

Our responses address each of the questions posed in the invitation to comment and reflect our experience with the PCAOB's activities across inspections, standard-setting, enforcement, and international engagement.

In that context, we would like to highlight themes that we believe are especially relevant as the Board looks ahead. First, inspections remain central to the PCAOB's investor protection mission and have been a primary mechanism through which audit quality is assessed, monitored, and improved. Drawing on more than 20 years of inspection experience, we believe there is an opportunity to further enhance the effectiveness of the program by reassessing how inspection activities and reporting are aligned with risk, particularly considering the evolution of firms' quality control systems under QC 1000 and other quality

control standards. This moment presents an opportunity to consider how inspections can be appropriately scaled based on firm level risk and the design and operating effectiveness of those systems, while continuing to use engagement level procedures in a targeted and informative way. We also believe it is timely to consider whether elements of inspection reporting could be refined to improve the usefulness, clarity and consistency for users and to better support the program's objectives.

Second, high quality auditing standards remain foundational to high quality audits, particularly as audits are performed in an increasingly complex, global, and technology enabled environment. We encourage the Board to prioritize coordination and alignment with domestic and international standard-setters to promote consistency, reduce unnecessary complexity, and support efficient and effective global audits. At the same time, the pervasive use of technology by companies and technology-enabled capabilities of auditors, including data analytics and artificial intelligence, underscores the importance of standards that remain relevant, adaptable, and capable of supporting innovation in audit execution. Auditing standards should provide sufficient clarity to support consistent application with an understanding of the Board's expectations, while allowing firms the flexibility to evolve audit execution responsibly as technology continues to advance. Striking the right balance between standard-setting and application guidance will be important to achieving these objectives.

The Appendix to this letter provides our detailed responses to the Board's specific questions and expands on these and other topics in greater depth. We offer these perspectives in the spirit of constructive engagement and with the shared goal of supporting the PCAOB's continued effectiveness as an oversight body in a dynamic and evolving environment.

We recognize that the Board has indicated that it has directed staff to develop a supplemental request for comment to seek public input on certain provisions of QC 1000 for the Board's consideration. Because certain topics of this letter also relate to quality control, we address them here given their close connection to the matters under consideration and to provide cohesive and timely input to inform the Board's deliberations.

We appreciate the Board's engagement and the opportunity to share our perspectives on the areas for which the Board requested feedback. We welcome further dialogue with the Board and its staff on any of the matters discussed herein.

Sincerely,

KPMG LLP

KPMG LLP

cc:

PCAOB

Demetrios (Jim) Logothetis, Chairman
George R. Botic, Board Member

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
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Page 3 of 3

Steven D. Laughton, Board Member
Mark A. Calabria, Board Member

U.S. Securities and Exchange Commission (SEC)

Paul S. Atkins, Chairman
Hester M. Peirce, Commissioner
Mark T. Uyeda, Commissioner
Kurt Hohl, Chief Accountant
Michal Dusza, Deputy Chief Accountant

Appendix

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?

We recommend updates to the registration, inspections, and enforcement programs.

Registration and other firm reporting

We recommend targeted enhancements that would (1) reduce unnecessary complexity in registration and reporting and (2) enhance the rigor of the PCAOB registration process.

- We encourage the PCAOB to streamline and harmonize registration and disclosure forms to reduce unnecessary administrative complexity and address current inconsistencies, such as differing reporting periods across required forms. We also believe there would be value in the Board conducting broad stakeholder outreach to understand what information in these forms is most relevant and how it is being used in decision-making. In addition, we recommend the PCAOB undertake an internal assessment of how gathered information is used within the organization, and whether all currently required information is necessary to advance the objectives of the Board. Based on that feedback and assessment, the Board could consider targeted refinements to the forms and information requirements to improve consistency, clarity, and usefulness while preserving appropriate transparency.
- We additionally recommend the Board consider enhancing the rigor of the registration process and the review and acceptance of registration forms. For instance, the Board may consider refining the criteria used to determine whether to approve an application under PCAOB Rule 2106(a), such as criteria for determining when an application is inconsistent with the Board's responsibilities to protect investors. These criteria may be especially relevant when firms do not indicate that they intend to audit issuers or brokers and dealers or play a substantial role in such engagements. PCAOB registration should carry substantive weight and signal a firm's readiness and commitment to perform work subject to PCAOB oversight. Registration may be currently viewed as a low-barrier designation and used as a marketing credential separated from active participation in PCAOB regulated engagements.

There are existing rules and laws – such as Rule 206(4)-2 of the Investment Advisers Act of 1940 (known as “the custody rule”) and the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) – that require certain work to be performed by a PCAOB registered firm, even when such work may not be subject to PCAOB oversight, which indicates a broad market and regulatory expectation that PCAOB registration carries significance. Enhanced rigor to the process would improve the credibility of PCAOB registration as a marker of public trust and quality rather than firm branding.

Inspections

The PCAOB's inspections program is central to fulfilling the PCAOB's statutory mission to protect investors and enhance audit quality. We offer several suggestions for the Board's consideration to update the program, including moving the program toward a more risk-based, control-focused inspection model.

We have included more detail on this topic in our response to Question 2. Separately, we have also included recommendations for enhancements to inspection reports in our response to Question 3.

We recommend the PCAOB consider enhancing its inspection protocols to include a structured mechanism for consultation when questions arise regarding the interpretation or application of auditing, accounting, or independence requirements. We believe this would be most effective if the framework were designed to route questions based on the subject matter. For example, auditing questions may be well suited for consultation with the PCAOB's Office of the Chief Auditor (OCA). Questions involving interpretation of accounting standards and independence rules may warrant input from the inspected firm's national office resources and, in certain circumstances, the SEC's Office of the Chief Accountant. A structured approach of this nature could promote more consistent interpretations and reduce variability across inspection teams and firms.

We also support the continued refinement and finalization of the SEC-registered brokers and dealers (broker-dealer) interim inspections program. We believe broker-dealer inspections should be more clearly differentiated from issuer inspections based on risk, particularly for exempt and non-clearing broker-dealers with limited customer protection exposure. We further support continued efforts to reduce unnecessary duplication with the Financial Industry Regulatory Authority (FINRA) and SEC oversight. Applying such refinements and finalizing the interim program will help establish clearer market expectations regarding the scope, objectives, and investor relevance of broker-dealer inspection activities. We look forward to participating in the due process related to the Board's efforts to finalize the broker-dealer inspection program.

Enforcement

A fair, transparent, and predictable enforcement program is central to the PCAOB's statutory mission to protect investors and to promote confidence in the audit profession. An enforcement framework that operates with procedural clarity and consistency supports remediation, provides appropriate deterrence, reinforces audit quality, and helps prevent investor harm. Accordingly, reforms that would enhance transparency, fundamental fairness, and predictability in the PCAOB's enforcement processes would be consistent with the Board's investor protection mandate and its broader oversight objectives.

We recommend the Board develop and publish a comprehensive enforcement manual, analogous to the SEC's Division of Enforcement Manual. The SEC's recently updated manual provides guidance on investigative procedures, the Wells process, cooperation credit, and referrals, underscoring the Commission's ongoing commitment to fairness, transparency, and efficiency in furtherance of investor protection. A comparable PCAOB enforcement manual would provide registered firms and associated persons with greater clarity regarding the investigative process, charging standards, and the factors the Division of Enforcement and Investigations (DEI) considers in determining whether – and against which parties – to recommend disciplinary proceedings. Greater transparency in these areas would enhance confidence in the enforcement program and promote more consistent, principled outcomes aligned with investor protection and audit quality.

As part of the enforcement manual, we encourage the Board to formalize a Wells-type charging process and to articulate a sanctions framework or guidelines. A structured and consistent approach to communicating proposed charges and providing respondents with an opportunity to present their

perspectives would support more informed charging decisions and enhance procedural consistency. Historically, the DEI's charging process has varied considerably as has the ability to interact with DEI leadership during the process. Greater consistency in these practices would reinforce confidence that enforcement outcomes are well reasoned, proportionate, and aligned with the Board's mission.

To further enhance transparency and consistency, we also recommend the PCAOB publish detailed enforcement sanctions guidelines as part of the enforcement manual. A PCAOB-specific sanctions framework that:

- addresses categories of violations,
- distinguishes among negligent, reckless, and intentional conduct, and
- specifies relevant aggravating and mitigating considerations

would enhance predictability and support proportional enforcement outcomes. Other regulators have developed similar guidelines to promote consistency, fairness, and transparency in disciplinary proceedings,¹ while reinforcing remedial enforcement approaches intended to improve compliance and audit quality.

We also recommend the sanctions framework include formal guidelines affording meaningful credit to firms that self-report potential violations, cooperate with investigations, and undertake timely and effective remediation similar to approaches used by the Department of Justice (DOJ).² Expanding the PCAOB's 2013 Policy Statement Regarding Credit for Extraordinary Cooperation in Connection with Board Investigations and clearly defining the benefits associated with self-policing, cooperation and remediation – including the presumptive issuance of closing letters in appropriate cases – would provide clarity to the profession and promote greater uniformity in the policy's application. Incentivizing early identification and correction of issues supports remediation, mitigates potential investor harm, and strengthens audit quality outcomes.

We also recommend the Board adopt a formal policy prohibiting simultaneous inspection and DEI investigation of the same audit engagement. The inspections program is designed primarily to identify deficiencies and promote remediation on a forward looking basis, while enforcement is intended to address violations through disciplinary action where warranted. When both processes examine the same engagement concurrently, these objectives may become conflated, potentially discouraging open and constructive engagement during inspections and undermining the remediation process. We recommend a clear separation, by either allowing an engagement deficiency to be fully resolved through the inspection process, including any remediation period, before becoming the subject of a DEI investigation, or by pausing the inspection if DEI becomes involved prior to the completion of a specific audit inspection. We encourage the Board to return to this prior practice.

¹ For example, FINRA's National Adjudicatory Council developed sanctions guidelines that establish recommended sanction ranges for particular categories of violations while identifying aggravating and mitigating factors.

² The DOJ released its first-ever Department-wide Corporate Enforcement and Voluntary Self-Disclosure Policy on March 10, 2026, establishing a uniform framework for all corporate criminal matters.[6] Under this policy, companies that voluntarily self-disclose, fully cooperate, and timely remediate will presumptively receive a declination of prosecution absent aggravating circumstances. Even where a declination is not warranted, the framework provides graduated benefits, including reduced penalties of up to 75 percent and the absence of an independent compliance monitor for "near miss" cases.

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)?

We support the PCAOB's continued efforts to modernize its inspections program and believe that adopting a risk-based inspection model anchored in an evaluation of a firm's system of quality control (SoQC), particularly considering QC 1000, represents an important and necessary evolution of the Board's oversight activities.

Applying a risk-based inspection approach

We believe the inspections program should begin with a holistic, risk-based assessment of the firm to directly determine the nature (e.g. industry of issuer, market trends, etc.) and number of individual engagement inspections. We suggest that the PCAOB's inspections design be grounded in an understanding of:

- the design and operating effectiveness of the firm's SoQC; and
- the firm's engagement portfolio composition (e.g. public company, employee benefit plan, broker-dealer attestation engagements, etc.), including the nature, size, and complexity of the firm's issuer audit portfolio.

We recommend the PCAOB perform a preliminary assessment of the effectiveness of the firm's SoQC, primarily considering the understanding of the design and results of the PCAOB's and the firm's prior year SoQC evaluations. This assessment should further incorporate any additional information available after the firm's evaluation, including remedial actions taken by the firm and other changes in design since the prior year evaluations. The results of this preliminary assessment would serve as the primary input into the PCAOB's initial inspection risk assessment. Such initial assessment would be confirmed through subsequent current year evaluation of the effectiveness of the firm's SoQC. In instances where a firm's SoQC is designed and operating effectively, the PCAOB could appropriately scale the nature and number of individual engagement inspections. Conversely, where deficiencies or elevated risks are identified at the firm level, inspection procedures should be appropriately modified and focused in those areas where deficiencies or elevated risks are identified.

We support the continued need for inspections of individual engagements and believe their role could be enhanced if the PCAOB developed and published a transparent framework for determining the nature and number of individual engagement selections based on the assessed risk associated with the firm, its SoQC, and its issuer portfolio. We believe this framework should encompass information derived from firms' own firm- and engagement-level monitoring activities, including the identification of engagement-level deficiencies, as well as information related to restatements and reissued audit opinions. Such a framework would promote increased consistency and stability in selection of engagements for inspection across firms and across inspection years which elevates the comparability of inspection reports.

Further aligning engagement selection with the firm's engagement portfolio composition and applying a risk-based inspection framework could enhance inspection relevance and support the PCAOB's ability to scale its inspection activities by concentrating resources on engagements and firm-level considerations

that present the greatest risk. This approach is consistent with a risk-based philosophy and the objectives of Section 104 of the Sarbanes-Oxley Act (SOX), as it focuses inspection resources on areas posing the greatest risk to audit quality while avoiding unnecessary or duplicative procedures at firms with demonstrably effective quality control systems. Under this model, individual engagement inspections could serve two complementary purposes: (1) addressing residual engagement level risk after consideration of the firm's SoQC; and (2) providing information that helps confirm or potentially reassess the PCAOB's preliminary assessment of the effectiveness of the firm's SoQC through a dynamic feedback loop.

Finally, the UK Financial Reporting Council (the FRC) has recently issued a policy statement outlining how it intends to evaluate its supervisory model.³ We encourage the Board to consider this policy statement as a useful reference as the PCAOB considers changes to its inspection program, which could also promote greater alignment with international audit regulation (conceptually aligned with the Board's Question 5).

Flexibility in firms' engagement monitoring activities under QC 1000

Relatedly, we note that certain prescriptive post-issuance engagement monitoring requirements within QC 1000 limit firms' ability to implement internal inspections programs that are fully risk-based and scalable and diminish firms' ability to direct their resources towards potentially more effective methods of engagement monitoring.

We believe firms that have robust SoQC and employ more extensive and inclusive monitoring procedures should be able to place emphasis on other components and other methods of monitoring and, when such controls are effective, scale the number, nature, and extent of their post-issuance monitoring activities appropriately. For example, we believe the Board should reevaluate the requirement to inspect at least one completed PCAOB engagement⁴ for each engagement partner (as both terms are defined in QC 1000) within a specified period because this requirement establishes a baseline level of inspection activity irrespective of engagement-level risk or the effectiveness of other quality control activities within a firm's SoQC. Further, this current focus on post-issuance inspections of PCAOB engagements creates challenges for smaller, particularly non U.S., audit firms where PCAOB engagements represent a relatively small portion of the overall audit portfolio and related SoQC, causing those same engagements or partners to be subject to inspections repeatedly.

Consistent with the principles discussed above, we believe both the PCAOB's inspections program and QC 1000 should provide greater flexibility to consider the full range of effective QC controls when determining the nature and extent of inspection and monitoring activities, and we recommend the PCAOB consider these interactions when evaluating potential refinements to QC 1000.

³ [FRC introduces evolved approach to audit supervision](#)

⁴ QC 1000 defines "engagement" as: "Any audit, attestation, review, or other engagement performed under PCAOB standards: (1) Led by a firm; or (2) In which a firm 'play[s] a substantial role in the preparation or furnishing of an audit report' as defined in PCAOB Rule 1001(p)(ii)." Such engagements are referred to as "PCAOB engagements" in this letter.

Transparency under an SoQC-focused inspections program

As the Board considers a transition toward a more quality control-focused inspection program, we believe it is important to thoughtfully balance the Board's important transparency objectives with the statutory confidentiality requirements under SOX related to inspection findings concerning firms' systems of quality control. While firm-specific quality control findings are subject to confidentiality protections, there may be opportunities to enhance stakeholder transparency without compromising those protections. One potential approach would be for the PCAOB to publish periodic, aggregated reporting that summarizes inspection observations related to audit firm quality control systems in a manner that is anonymized and not attributable to any individual firm. This would be analogous to the Board's annual reports issued for the interim broker-dealer inspection program. Such reporting could provide stakeholders with meaningful insight into common themes, emerging risks, and areas of focus across the profession, while preserving the confidentiality protections contemplated by SOX. In our view, this type of aggregated and anonymized reporting could support the Board's transparency objectives, inform stakeholders' understanding of audit quality risks, and complement a quality control-focused inspection framework.

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?

We commend the Board for the improved timeliness and increased metrics and data analytics included in recent inspection reports.

To provide more useful information to stakeholders, we believe inspection reporting could be enhanced to better align with a quality control-focused inspections program by (1) defining and articulating the intended users of the reports and their needs, (2) updating the format and content of the reports to be more relevant to those users, (3) optimizing the timing of inspection reports to allow prompt action, and (4) establishing a mechanism that can evolve to meet the changing needs of users and regulatory objectives. We expand on each of the four topics with additional feedback and detail below.

Intended users and their needs

The PCAOB should identify who the reports are designed to inform and tie that articulation to the statutory objective of SOX Section 104(a) to "assess the degree of compliance of each registered public accounting firm." For example, investors and analysts may use inspection reporting as one input to assess overall audit quality and detection risk when deciding how much reliance to place on an auditor's opinion or when voting on auditor ratification. Audit committees, who appoint auditors, and management may use the reports primarily to prompt targeted questions to their auditor about relevant public deficiencies and remediation of such deficiencies. However, we understand that audit committees place greater reliance on direct, timely dialogue with the auditor. Audit firms also may use other firms' reports for benchmarking and quality management. The PCAOB would benefit from structured outreach to obtain input from a variety of investors, including institutional and retail, audit committees and other users of inspection reports to confirm primary use cases, identify gaps in understanding, and determine what level of detail and context different user groups need from public reporting.

Inspection reporting

We recommend targeted changes to PCAOB inspection reporting to improve clarity, comparability, and transparency across all parts of the reporting.

Part I

Part I.A

Part I.A of PCAOB inspection reports currently includes deficiencies identified through the inspection of individual audit engagements where the PCAOB has determined that the firm did not obtain sufficient appropriate audit evidence to support its audit opinion. These findings are publicly reported and are often viewed by stakeholders as among the most significant outcomes of the inspection process. However, Part I.A deficiencies are currently presented without clear differentiation to severity relative to those in other firms' reports or reports from prior years. Once a matter is classified as a Part I.A deficiency, it is reported in the same manner regardless of its nature, scope, or potential impact on audit quality. As a result, users may have difficulty distinguishing between relatively more or less meaningful matters. For example, a finding related to the failure to test a single data element included in a report may be presented in the same way as a finding in which no audit procedures were performed over an entire significant account. Absent additional context or differentiation, users may reasonably interpret such findings as comparable, despite their differing implications.

Neither the PCAOB's auditing standards nor its rules articulate how determinations about what constitutes a Part I.A finding are to be made. Determining whether a deficiency rises to the level of a Part I.A finding necessarily involves significant professional judgment. However, additional transparency about how the Board evaluates inspection findings to determine what constitutes a Part I.A deficiency would help intended users better understand inspection reports and promote more consistent judgments among the different inspection teams over time.

Taken together, the lack of severity differentiation and the absence of a transparent framework may limit the usefulness of Part I.A reporting for stakeholders. Given the importance of these findings, it may be helpful for the Board to consider, through stakeholder engagement, what additional information or context would best support users' understanding. This could include consideration of severity indicators, clearer articulation of evaluative criteria, or other contextual information that would help users more clearly interpret the nature and/or significance of reported deficiencies.

"Compound" findings

The inspection report format should avoid "compound" findings, where downstream effects of a deficiency are reported as separate deficiencies. In some cases, deficiencies identified during the inspection of an individual audit engagement arise solely from an earlier, upstream issue in the audit, creating a carry-through effect. When such related issues are reported as multiple Part I.A findings, or the same deficiency also reflected as a Part I.B finding, the resulting presentation can be misleading.

For example, an engagement team may fail to identify a control deficiency and, as a result, design substantive procedures based on an unsupported level of control reliance, leading to an insufficient

sample size. In these circumstances, reporting separate findings for the control deficiency and the related substantive procedures may inappropriately suggest that the issues are distinct and incremental, when in fact they stem from the same underlying matter.

Part I.B

The PCAOB should assess whether Part I.B findings – which indicate the firm had sufficient evidence to support its opinion – are meaningful from the perspective of users of the inspection reports and consider communicating them only to the firm. Even though the conclusion is that the audit opinion was supported, publicly communicating such other areas of non-compliance is confusing and places undue attention on matters that had no impact on the reliability of the audit report. However, continuing to communicate such matters to the firm provides additional decision-useful information in the firm’s SoQC evaluation and enables the firm to identify opportunities for continuous improvement.

Part II

We recommend the Board consider whether conclusions on the effectiveness of a firm’s SoQC should be informed by the PCAOB’s procedures performed over, and the direct evidence obtained with respect to, that system. This assessment also would inform whether any matters should be included in Part II of the firm’s inspection report. Determining which matters to include in Part II primarily based on inferences of matters identified at the individual engagement level in Part I, without sufficiently robust analysis and direct evidence about the respective aspects of the SoQC, could disproportionately influence Part II conclusions about a firm’s quality control system. This concern may be particularly pronounced for smaller non-U.S. audit firms with a limited sample of inspected engagements. For example, while several deficiencies may initially appear to indicate a certain pattern, more robust analysis may demonstrate that the deficiencies are driven by distinct underlying causes. Accordingly, we believe deeper analysis would support more appropriate conclusions as to whether a quality control criticism is warranted and would facilitate more targeted remediation and monitoring, resulting in a fairer presentation of potential defects in a firm’s SoQC and better serving the public interest.

We further recommend that the Board increase transparency around the framework used to evaluate whether “substantial progress” has been achieved and how remediation determinations are made. Greater clarity regarding the timing of decisions – especially where reports remain open for extended periods – and how incremental progress that meaningfully narrows the scope of a comment or deficiency is considered over time would promote consistency, predictability, and fair treatment across firms.

Finally, we recommend the PCAOB adopt a policy of timely issuing inspection comment forms for all matters that are to be included in Part II of a firm’s inspection report. We believe earlier communication of potential Part II matters is critical to enabling firms to appropriately evaluate those matters and to thoughtfully assess whether and how engagement level findings relate to a firm’s system of quality control. This practice would also give firms the opportunity to formally respond in the same manner as they do for Part I matters, which would enhance the transparency and consistency of the PCAOB’s process, conclusions and reporting. Without such timely visibility, firms may first become aware of a potential quality control criticism only upon receipt of a draft report, which may not provide an opportunity to respond and may limit their ability to appropriately evaluate the impact on their SoQC. Particularly in a

QC 1000 environment, earlier and more transparent communication would better support informed dialogue, more effective remediation, and more timely enhancements to audit quality.

Matters Already Detected by Firms

Consideration of whether to include report elements in inspection reports should be guided by whether they help users evaluate an auditor's "degree of compliance" with PCAOB standards. We suggest the Board exclude matters already detected by firms. These include issues identified through a firm's own SoQC, such as its internal inspections program, which are currently included in Part I.A and/or Part I.B; firm-identified independence exceptions currently included in Part I.C; and quality control criticisms included in Part II. Retaining such items in inspection reports may not appropriately reflect the extent to which firms have implemented systems and processes that are operating as intended. Additionally, such items do not appear to constitute a "finding of the Board" as contemplated by SOX Section 104(g).

Timeliness of reporting

We encourage the Board to continue to improve the timing of inspection report issuance. As the length of time between inspection fieldwork and report publication increases, the relevance and decision usefulness of those reports to investors, audit committees, and other stakeholders diminishes. Timelier issuance would enhance the reports' ability to inform current oversight, remediation efforts, audit quality improvements, and improve comparability across firms at a point in time. One potential optimization is establishing specific, consistent release targets within a short period after the end of inspection fieldwork. Audit firms would benefit from receiving this information earlier, particularly to support their evaluation of QC 1000 and to facilitate earlier identification of responsive actions that ultimately contribute to audit quality. Additionally, a differentiated release schedule by firm size/nature would help manage operational constraints while improving comparability among similar firms.

We also recommend the PCAOB leverage relevant insights gained from its inspections program to continue to timely publish best practices and insights related to emerging risks and recurring issues. These insights benefit all stakeholders and can be used by firms to proactively improve systems of quality control and audit execution.

Evolving needs

Because inspections report users' expectations may change with developments in financial reporting, capital markets, and regulatory priorities, stakeholder engagement on the inspections process should occur on a regular basis rather than episodically. Accordingly, we recommend the PCAOB establish an ongoing feedback loop that combines periodic surveys, discussions with standing advisory groups, and targeted post-issuance reporting feedback sessions to enable inspection reports to have continued relevance in periods of changing user needs. In addition, we encourage the Board to consider the opportunity to foster more positive and balanced dialogue around inspection results by appropriately recognizing improvements in audit quality reflected in inspection outcomes. Acknowledging year over year progress where warranted could help strengthen stakeholder confidence in the reliability of financial reporting and contribute to sustained recognition of and trust in the audit profession. This approach could also support broader perceptions of the profession, including among students and early career professionals as they consider entering the field. Such communication could be incorporated into

inspection reporting and serve as a point of discussion in the PCAOB's ongoing engagement with audit committee chairs as part of its standard inspection-related outreach.

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

High-quality auditing standards are the foundation of high-quality audits. As business models, systems, and data sources continue to evolve, auditing standards must keep pace to remain relevant, scalable, and capable of supporting high-quality audits. Therefore, we recommend the PCAOB's standard-setting agenda prioritize projects that respond to technological advancements and emerging risks, and that drive international alignment.

We understand that the PCAOB intends to use stakeholder input received in response to this request for comment to refresh its standard-setting plan and to solicit public comment through a formal agenda consultation.⁵ We appreciate the opportunity to participate in that process and look forward to providing more detailed feedback at that time. In the interim, we offer the strategic observations below that we believe would be helpful as the PCAOB develops the agenda consultation and would be pleased to share additional perspectives on standard-setting priorities and sequencing.

Technology

Given the pervasive role technology plays across business processes, its influence necessarily extends to the development and application of several auditing standards.

We support the Board's continued research on the use of technology, especially artificial intelligence (AI) across financial reporting, internal controls, and auditing, and we encourage close coordination with the SEC and other domestic and international standard-setters. Given the rapid pace of change and the broad range of technology affecting the financial reporting ecosystem, a research-focused approach provides an important foundation for monitoring developments, identifying emerging risks and opportunities, and determining where additional clarity may be needed over time. Maintaining technology as a research project, with a current focus on AI, allows the Board to address these issues holistically and to adapt its response as practices and technologies continue to evolve. We believe the Board's ongoing research should focus on:

- identifying areas where standard-setting or guidance is most needed across financial reporting, internal controls, and auditing;
- establishing task forces or working groups on specific topics impacted by AI (for example, IT general controls, information produced by the entity, process-level controls, and service organizations); and
- assessing when interpretive guidance, rather than standard-setting, is the most appropriate response, particularly in areas characterized by rapid technological change.

⁵ [Chairman Logothetis Statement on PCAOB Strategic Priorities](#)

Artificial intelligence. As part of this broader research effort, we believe the Board should carefully consider the implications of management’s use of AI in financial reporting and ICFR, including how AI-enabled processes interact with existing control frameworks. It should also consider AI-related control objectives within service auditors’ reports on controls placed in operation at a service organization. We encourage the PCAOB to proactively collaborate with the SEC, COSO, other regulatory bodies, and other stakeholders to ensure clarity is provided about expectations of management when entities use AI in their ICFR. The lack of a generally accepted framework against which auditors can evaluate an entity’s compliance may lead to inconsistent approaches over time. Alignment on expectations would promote consistency, support effective implementation by preparers, and provide clearer direction to auditors when planning and performing audits involving AI-enabled processes.

With respect to the auditor’s use of AI, we recommend the Board consider the FRC’s recently issued guidance as a useful reference point. Principles-based guidance of this nature can help articulate expectations for auditor use of AI while allowing audit methodologies and practices to continue to evolve alongside technological advancements. We also recommend the Board contemplate the International Auditing and Assurance Standards Board’s (IAASB) Technology Position,⁶ including the IAASB’s Technology Position Statement,⁷ which sets out future standard-setting principles and focus areas concerning technology. Refer to our response to Question 5 for considerations around alignment with international standard-setters.

Clear, principles-based guidance and alignment across auditing standards, including audit evidence standards, are critical to enabling firms to deploy AI in a disciplined and responsible manner that supports audit objectives, encourages innovation, and evolves alongside advancements in technology.

Data-driven substantive analytical procedures (SAPs). We suggest the Board re-propose amendments to modernize the standard governing SAPs. The updated standard should be more principles-based and more clearly support the use of technology-based tools and techniques, including advanced data analytics.

Digital assets. We encourage the Board to undertake a standard-setting project addressing the rapidly evolving digital asset landscape. While standard-setting may ultimately be appropriate, the rapid expansion of blockchain technology and its use cases underscores the importance of timely interpretive guidance in the interim to promote consistent application of existing standards as practices continue to evolve. For example, this could include providing clarity about the Board’s expectations when evaluating the reliability of evidence obtained from a blockchain.

Inventory. We propose initiating standard-setting to address the use of technology by both companies and auditors in obtaining audit evidence for inventory.

Other standard-setting areas

In setting its agenda, we encourage the Board to also consider the following standard setting areas.

⁶ [Technology Position | IAASB](#)

⁷ [IAASB-Technology-Position-Statement-Actions.pdf](#)

- **Service organizations.** We believe updating AS 2601 related to reliance on a service auditor's examination of a service organization's internal control is becoming increasingly important as companies' service providers play a more integral role in internal control over financial reporting.
- **Audit committee communications.** We suggest continued collaboration with, and broader outreach to, audit committee members to gather perspectives on what information they find most useful. With this information, we suggest the PCAOB undertake improvements to AS 1301, including incorporating PCAOB Rule 3526 and consolidating communication requirements within the auditing standards. This approach could improve clarity and enhance efficiency.
- **Form AP.** We appreciate the Board's objective of enhancing transparency for investors through Form AP and recognize the value of providing consistent information regarding engagement partners and other accounting firms participating in the audit. We believe the Board should conduct a post-implementation review to identify areas where there may be unnecessary complexity for which the cost of compliance appears to outweigh the incremental benefits to investors.
- **Ethics and independence.** We believe the American Institute of Certified Public Accountants (AICPA) standards related to ethics and independence adopted by the PCAOB on an interim basis in 2003 (the interim independence standards) have not kept pace with subsequent updates by the SEC and AICPA. We suggest the Board repeal interim independence standards that are redundant and misaligned with modernized SEC/AICPA frameworks to reduce unnecessary compliance burdens.
- **Going concern, fraud, and illegal acts.** We believe certain existing standards, including those addressing going concern and fraud, would benefit from revision and modernization to reflect changes in business models, financial reporting complexity, and stakeholder expectations, and to reinforce professional skepticism.
- **"Substantial role" definition.** We encourage the PCAOB to revisit the definition of "play a substantial role" from PCAOB Rule 1001(p)(ii). While we recognize the importance of the PCAOB's oversight of foreign public accounting firms that play a substantial role in U.S. issuer audits, the current two-pronged quantitative test is becoming increasingly difficult to apply to evolving audit delivery models and as a result may not consistently achieve the rule's intended objectives.

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

We believe greater alignment between the PCAOB and other standard-setters in the U.S. and around the world is critical for the efficiency of global capital markets. We do not believe full convergence is a fully achievable goal given differences in jurisdictional requirements. For example, the internal control requirements for issuers under SOX Section 404 are unique to the U.S. and have resulted in a more robust internal control audit standard (PCAOB AS 2201). This standard, as well as other foundational PCAOB standards, have been through rigorous U.S. stakeholder due process and are foundational to audits as they are currently performed.

If full global convergence is the ultimate goal, we believe a careful evaluation of differences to the International Standards on Auditing (ISAs) would be critical. However, jurisdictional differences in the

ISAs adopted by each country inherently limit the ability for full global convergence. Where convergence is not possible, collaboration should be the goal. We believe there is substantial benefit that may be achieved by increasing early and continuous collaboration with the other auditing standard-setters, namely IAASB and the AICPA Auditing Standards Board (ASB), to leverage knowledge and resources and avoid duplicative efforts. While differences in auditing standards across jurisdictions or audit contexts may be appropriate, the most significant implementation challenges arise when standards lack overall comparability. When requirements are substantively similar but framed differently, it can create uncertainty as to whether audit work performed under one standard can be leveraged to satisfy another. Greater clarity regarding which requirements are incremental and where differences exist would significantly enhance usability and reduce unnecessary complexity.

We encourage the Board to establish a clear and transparent framework, consistent with approaches used in many other international jurisdictions, for analyzing and incorporating standards issued by the IAASB. For existing standards, this framework would appropriately begin with consideration of the U.S. auditing standards issued by the ASB, which are closely aligned with the IAASB's International Standards on Auditing and reflect an evaluation of those standards through a U.S. legal, regulatory, and practice lens. Leveraging this existing body of work would enable the Board to identify, in a targeted and efficient manner, any incremental requirements necessary to address the specific public interest considerations associated with audits of U.S. public companies. As part of this evaluation, we believe it is important for the Board to consider the governance, oversight, and funding structure of the IAASB, including developments arising from the Monitoring Group's recommendations.⁸

Looking forward, the Board could apply a similar analytical approach to future IAASB standards, assessing differences necessary for audits of U.S. public entities. These differences would be clearly identified, explained, exposed for public comment, and reflected in the adopted standards. Further, each adopted standard should include an explicit roadmap describing how the PCAOB standards align with, and differ from, the corresponding IAASB standards. This evaluation should be performed in coordination with the ASB, to promote alignment between U.S. public and private company auditing standards, where appropriate, and to clearly identify and provide reasoning for incremental requirements between the two.

Additionally, we encourage the Board to consider more proactive and structured engagement with the IAASB. For example, such engagement could include the PCAOB forming joint working groups with the IAASB focused on specific topics during the project proposal stage at both Boards or joint post-implementation reviews. We also suggest that the Board consider how best to leverage its participation in the International Forum of Independent Audit Regulators to coordinate global efforts and promote consistent regulatory approaches and perspectives across jurisdictions.

We believe promoting alignment across both U.S. and international auditing standards, as well as between U.S. public and private company auditing standards, would significantly reduce unnecessary costs and operational complexity. Additionally, promoting alignment and providing explicit roadmaps to allow firms to identify and navigate differences between auditing standards across jurisdictions are critical as firms deploy technology, including AI, on a global scale. Such alignment is also particularly important for global audits of multinational issuers and for U.S. companies transitioning from private company audits

⁸ [Strengthening the International Audit and Ethics Standard-Setting System \(July 2020\)](#) and [Monitoring Group Reports on Progress to Implement Recommendations to Strengthen the International Audit, Assurance, Ethics, and Independence Standard-Setting System \(July 2023\)](#).

to public company audits and in general would support efficiency in the audit process while fostering capital formation.

The Board's experience in developing QC 1000 provides a helpful, real-world illustration of both the benefits of this approach and areas where it could be further strengthened. We recognize that the Board used ISQM 1 as a starting point in developing QC 1000, demonstrating that international standards can serve as a meaningful baseline for U.S. requirements. At the same time, several changes made between ISQM 1 and QC 1000, particularly where similar concepts are expressed using different language or structure, make it challenging in practice to compare the two standards and to clearly identify which requirements are distinct or incremental for PCAOB registered firms. More explicitly articulating, justifying, and exposing for comment those incremental differences between a PCAOB standard and the relevant ISA would enhance transparency and usability, and would better enable firms to design and operate a single system of quality control that incorporates incremental requirements for PCAOB engagements. QC 1000 illustrates the need for this approach, and future standard-setting efforts could further enhance their effectiveness by more clearly delineating alignment with, and departures from, the underlying international standards.

Further, we highlighted areas of recently issued international standards where we believe alignment would be especially relevant, including going concern and fraud, as part of our response to Question 4.

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

Enhanced use of technology

We encourage the Board to consider continued investment in modern, scalable technology platforms that are compatible with those used by audit firms and other financial regulators. As audits increasingly rely on digital tools, data analytics, and emerging technologies, we believe the PCAOB's oversight effectiveness, whether through standard-setting, inspections, guidance, or other activities, is enhanced by access to current technology that is compatible with digital tools commonly used in audit practice.

Technology in inspection activities

We believe the PCAOB can further its investor-protection mission by deploying technology, including AI, across its inspection activities in a manner that enhances inspection effectiveness including consistency, transparency, and operational efficiency. The thoughtful use of technology has the potential to improve the PCAOB's resource allocation while reducing certain administrative burdens on registered firms.

We believe the PCAOB could leverage technology in the following ways.

- **Improving data collection:** We suggest the Board consider leveraging technology to enhance the collection, standardization, and analysis of data collected and used by the PCAOB when selecting engagements for inspection. The information requests under the current inspection program require substantial resources by registered firms to complete. Recognizing that the benefits of the use of technology in this context may not yet be fully known, one potential application is supporting targeted

and refined information requests that are more closely aligned to specific inspection objectives.

- **Analyzing inspection data:** AI may also serve as a tool to support the PCAOB's analysis of inspection data across a variety of factors by highlighting patterns or outliers, thereby reinforcing inspection consistency and objectivity while continuing to rely on professional judgment.
- **Synthesizing inspection results:** AI-enabled analytics may help the PCAOB synthesize inspection results across engagements and firms to identify emerging risks and recurring issues in a manner that provides more timely and actionable insights for investors, audit committees, and audit firms.
- **Improving inspection efficiency:** AI may also offer opportunities to improve inspection efficiency by assisting inspectors in navigating large volumes of audit documentation and identifying relevant information more quickly. When used as decision-support tools such technologies can enhance inspector effectiveness in support of the PCAOB's investor-protection mission.

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

We believe transparency is foundational to the PCAOB's effectiveness and credibility with its stakeholders, including investors, audit committees, issuers, audit firms, and other participants of the capital markets. We support the PCAOB's continued focus on transparency and offer the following recommendations to further enhance the clarity, consistency, and usefulness of PCAOB communications and engagement.

Consultation process

We support the PCAOB's announced audit consultation process and believe its effectiveness will depend on clear structure and a well-defined process for engagement with OCA. We believe this process should mirror that which the SEC's Office of the Chief Accountant uses for accounting consultations, with standardized formats for submission and an "object" or "no objection" conclusion issued upon completion. For example, this process may be especially beneficial to audit quality when firms are evaluating the application of auditing standards to new uses of technology. Proactive engagement will provide firms with increased confidence in their development and deployment of such technologies.

Transparency would be further enhanced when the PCAOB's OCA identifies consultation themes or frequently occurring questions through the timely publication of interpretive guidance, such as in a frequently asked questions format or Staff Audit Practice Alerts, and the broad dissemination of anonymized summaries of consultation outcomes to promote consistent understanding of the PCAOB's views.

Transparency in the standard-setting process

Transparency is a critical component of effective and credible standard-setting, and we view this process to develop a new strategic plan as a valuable opportunity for the Board to consider its standard-setting process more holistically. Accordingly, we provide several focused recommendations for the Board's consideration.

- We recommend the PCAOB consider enhancing the structure of its standard-setting materials to more clearly distinguish between the basis for conclusions, responses to stakeholder feedback, and application oriented guidance. While current materials provide valuable insight, these elements are often comingled, making it more difficult for practitioners to identify and consistently apply relevant interpretive considerations. A more structured approach that clearly separates these components would improve usability for practitioners, support the development of audit methodologies aligned with Board interpretations, and promote more consistent application of the standards. Similar approaches adopted by other standard-setters have enhanced the understandability of their standards while preserving a principles based framework.
- We encourage the Board to increase the interactivity of its meetings to include discussion or debate. Other standard-setters, including the Financial Accounting Standards Board, the IAASB and the ASB, have demonstrated that open deliberations, where staff recommendations are actively discussed and challenged, lead to a more informed constituency and more effective standards. Greater openness, combined with enhanced external engagement, should improve both the quality and credibility of PCAOB standards. In addition, increased visibility into the Board's deliberations would assist other standard-setters and audit firms in understanding both the substance of PCAOB decisions and the considerations underlying them, thereby creating opportunity for greater alignment across auditing standards.
- We strongly support Board Member Laughton's proposal⁹ to convene standard-specific task forces with broad constituent representation to actively discuss standard-setting projects prior to a proposal being issued. We further recommend such task forces engage with constituents throughout a project's life cycle – from proposal, to finalization, and during post-adoption. Timely follow-on guidance addressing recurring application questions would further promote consistent implementation outcomes.
- We further encourage the Board to supplement new standards with formalized processes to address implementation questions that arise following adoption and to publish related implementation guidance, as appropriate. Establishing a structured mechanism to identify, assess, and respond to recurring or significant application questions would promote more consistent interpretation and application of new standards.

Enhanced stakeholder dialogue

We believe enhanced stakeholder engagement is also critical to strengthening the PCAOB's transparency and credibility with its stakeholders, and we offer the following ways the Board could further promote two-way dialogue and deeper collaboration.

- We recommend the meetings of the Board's advisory groups emphasize active, two-way dialogue rather than one-way communication.

⁹ [PCAOB Standards and Emerging Issues Advisory Group Meeting | PCAOB](#)

- We suggest establishing a standing emerging technology task force, with participation from audit firms, issuers, audit committees, investors, academics and technology experts, as appropriate.
- Finally, we suggest the creation of an audit committee advisory group to provide a dedicated forum for engagement with audit committees and to focus on information relevant to audit committees.

Audit Practitioner Fellowship Program

We commend the Board for launching the Audit Practitioner Fellowship Program. By bringing experienced auditors with recent, in-the-field experience into the PCAOB, the program will represent a practical and effective mechanism for enhancing transparency and providing insights into emerging issues. As this program matures, the PCAOB should consider expanding the program to other divisions and offices, such as the Division of Registration and Inspections.