



Letter from the Investment Company Institute

May 15, 2026

By email: comments@pcaobus.org

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

Re: Request for Public Comment on Strategic Priorities (PCAOB No. 2026-001)

Dear Board Members:

The Investment Company Institute¹ (ICI) appreciates the opportunity to comment on the PCAOB's Request for Public Comment on Strategic Priorities (PCAOB No. 2026-001).² ICI supports the PCAOB's statutory mission to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports. ICI appreciates the request for comment in advance of the development of strategic priorities, demonstrating the Board's commitment to stakeholder outreach.³

As ICI is a representative of registered funds that are subject to audit requirements and an advocate for long-term individual investors, we believe the PCAOB's strategic priorities should be guided by a practical question: whether a given standard, inspection practice, enforcement priority, or disclosure meaningfully improves the reliability of audit reports and the information investors use to make decisions. We encourage the PCAOB to prioritize matters that are

¹ The Investment Company Institute (ICI) is the leading association representing the asset management industry in service of individual investors. ICI's members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in other jurisdictions. Its members manage \$43.4 trillion invested in funds registered under the US Investment Company Act of 1940, serving more than 125 million investors. Members manage an additional \$10.4 trillion in regulated fund assets managed outside the United States. ICI also represents its members in their capacity as investment advisers to collective investment trusts (CITs) and retail separately managed accounts (SMAs). ICI Associate Members include service providers to member firms and CIT trust companies. ICI has offices in Washington DC, Brussels, and London.

² See PCAOB, Request for Public Comment on Strategic Priorities, PCAOB No. 2026-001 (Mar. 31, 2026).

³ In announcing the request for comment, PCAOB Chairman Demetrios Logothetis stated that the PCAOB "functions best when it is informed by the perspectives of participants from the full financial reporting ecosystem," including investors, audit committee members, preparers, auditors, and academics.

material to investors, enhance audit quality in practice, and provide transparent, contextual information that is useful to audit committees, fund boards, registrants, and investors.

We have organized our letter based on the questions in your Request for Public Comment. We look forward to further engagement with you on these issues.

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 encourage the PCAOB to focus its strategic priorities on registration, inspections, and enforcement actions that most directly advance investor protection. In particular, we encourage a sustained emphasis on matters that are material to investors.

Inspections and enforcement are most effective when they concentrate on issues that indicate meaningful audit quality risk, such as matters associated with restatements, significant breakdowns in audit execution, recurring deficiencies, or matters that could affect the reliability of the audit opinion, rather than technical, isolated, or low-significance matters that are unlikely to affect the information on which investors rely. A sustained emphasis on meaningful issues can improve the usefulness of oversight, reinforce accountability where it matters most, and help market participants distinguish between issues that warrant prompt attention and those that do not. When oversight signals do not consistently make that distinction, audit committees and management teams may divert resources toward addressing low-value items instead of concentrating on areas that more directly drive investor confidence.

We also encourage the PCAOB to consider how its strategic approach may affect the audit profession's ability to attract and retain high-quality talent. High-quality audits depend on high-quality people. In that context, an outsized emphasis on matters unlikely to affect investor decision-making in inspection findings or enforcement could contribute to perceptions about the industry that discourage high-caliber professionals from entering or remaining in the audit field. A focus on issues that are truly meaningful to investors can support the PCAOB's mission while reinforcing that the profession is centered on judgment, integrity, and outcomes that matter.

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)?

In ICI's view, an effective inspections program should be oriented toward evaluating a firm's system of quality control (how it is designed, implemented, and operating in practice) rather than emphasizing isolated items in individual audit engagements. A quality-control-centered

approach can better direct attention to root causes, reinforce accountability for sustainable quality improvements, and improve the signal value of inspections for stakeholders.⁴

At the same time, a quality control-centered inspection program should continue to include sufficient engagement-level review to test whether a firm's quality control system is operating effectively in practice. Engagement-level inspections can provide an important check on whether firm-wide policies and controls are producing consistent audit execution in areas that are significant to investors.

From the perspective of registrants, fund boards, and audit committees, inspections are most useful when they identify systemic quality issues, recurring risk areas, and practical steps that improve future audits. To the extent inspection procedures duplicate work already performed through a firm's quality control system without adding meaningful insight, the result may be higher audit costs and process burdens without a corresponding improvement in investor protection. We therefore encourage the PCAOB to calibrate inspections to focus on the effectiveness of the firm's quality control system, root causes, recurring risks, and matters most relevant to the reliability of audit reports.

Additionally, we encourage the PCAOB to more clearly connect inspection priorities and recurring inspection themes to its standard-setting agenda.⁵ When stakeholders can see how inspection observations inform standard setting, and how new standards relate back to inspection priorities, it becomes easier for firms, audit committees, and investors to understand the PCAOB's priorities and concentrate on material risks rather than immaterial matters.

This approach also aligns with the broader objective of supporting the audit profession's ability to attract and retain top talent. An inspections program that is visibly focused on meaningful quality control and material audit quality risks rather than immaterial findings may help reinforce that the profession is centered on outcomes that matter.

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

As an overarching principle, we encourage the PCAOB to approach inspection reporting and related communications as to reflect that audit quality is an abstract concept and that there is no single comprehensive measure of audit quality. The PCAOB made this point in its adopting

⁴ See Center for Audit Quality, Comment Letter on PCAOB Release No. 2026-001, Strategic Priorities (May 11, 2026) (supporting a PCAOB inspection program focused on firms' systems of quality control and noting that a quality-control-focused approach can provide more useful information about firm-level root causes and sustainable improvements than engagement-by-engagement findings alone).

⁵ See Demetrios Logothetis, Chairman, PCAOB, Remarks at the Standards and Emerging Issues Advisory Group Meeting (May 2026) (announcing that the PCAOB will seek experts from across the financial reporting ecosystem to form an inspections task force to help the Board navigate the redesign of its inspections program and noting that ideal candidates would have knowledge of QC 1000, inspection regimes, and emerging technologies).

release on Firm and Engagement Metrics⁶, and we agree.⁷ For that reason, no single metric or set of metrics should be presented as establishing a causal relationship with audit quality.

In evaluating and communicating about audit quality, we encourage the PCAOB to consider a balanced set of indicators that includes both inspection observations and outcome-based measures. For example, significant restatements may provide one relevant indicator of audit quality, particularly where they suggest deficiencies in audit execution or professional judgment. At the same time, no single measure should be treated as determinative. A more useful approach would consider significant restatements, recurring inspection themes, remediation outcomes, and quality control trends together, with appropriate context regarding severity, frequency, and investor impact.

Inspection reporting should provide appropriately balanced, contextual information that helps users understand a firm's degree of compliance and the nature and severity of issues observed, without implying that any one measure or disclosure item is determinative.⁸

We also encourage the PCAOB to address the timing of inspection reporting as a first-order usability issue. Inspection information is most useful when issued promptly and on a predictable schedule. We recommend that the PCAOB engage a broad range of stakeholders to understand expectations for report timing and to consider whether setting consistent release dates shortly after inspection fieldwork concludes would improve relevance. More timely reporting could also help inspected firms take earlier action to address quality control criticisms for engagements that may be inspected in the next cycle.

Inspection reports should be designed not only for audit firms, but also for audit committees and fund boards that use inspection information in overseeing the external auditor. For those users, the most helpful reporting would identify recurring themes, relative severity, industry relevance, and whether a finding reflects an isolated engagement-level issue or a broader quality control concern.

With respect to inspection report content, we encourage several enhancements to improve clarity and reduce the risk of misleading impressions:

- Part I.A: The PCAOB should emphasize meaningful quality control and material audit quality matters rather than immaterial findings in individual engagements. In that context, we encourage the PCAOB to reevaluate how it reports Part I.A deficiencies. Assessments of the sufficiency of audit evidence involve judgment, and

⁶ We note that this release was withdrawn.

⁷ See PCAOB, Firm and Engagement Metrics, PCAOB Release No. 2024-012 (Nov. 21, 2024), at 185–86 (“audit quality is an abstract concept, and there is no single comprehensive measure of audit quality”).

⁸ See Letter from Investment Company Institute and Independent Directors Council to PCAOB regarding Firm and Engagement Metrics; PCAOB Rulemaking Docket Matter No. 041 (June 7, 2024).

inspection outcomes can vary. Current presentation may suggest that all Part I.A items are comparable in severity, even though they can differ significantly.⁹ For example, inspection reporting could better distinguish between deficiencies that suggest a significant risk to the reliability of the audit opinion and deficiencies that are more limited in nature, scope, or potential effect. With appropriate stakeholder input, the PCAOB may consider more summarized reporting of the areas in which deficiencies were identified, rather than describing each individual finding, and should add context that better reflects relative significance and supports a clearer understanding of the nature, severity, and pervasiveness of deficiencies.

- Part I.B: The PCAOB should reconsider the decision-usefulness of publicly reporting Part I.B matters. These matters do not represent circumstances in which the PCAOB concluded that the firm failed to obtain sufficient appropriate audit evidence to support its opinion(s).¹⁰ Public disclosure of these matters, particularly without context, can give undue prominence to issues that may not be material to inspection report users. Further, where matters are indicative of a quality control concern, the PCAOB already has a mechanism for addressing them through Part II and the remediation framework. At a minimum, if these matters continue to be reported publicly, they should be presented in a more aggregated and contextual manner that clearly distinguishes them from deficiencies where the PCAOB concluded that the firm failed to obtain sufficient appropriate audit evidence.
- Part I.C: The current public presentation of Part I.C items does not provide a meaningful view of a firm's degree of compliance. Independence requirements include both bright-line rules and principles-based provisions, and Part I.C requires reporting any instance of noncompliance, including matters that are self-identified and remediated and that did not result in an independence violation. This information generally is not material to an investor, fund board, or audit committee unless it suggests broader concerns related to tone at the top, governance, firm culture, objectivity, or auditor independence. For these reasons, we suggest that the PCAOB reconsider the current public presentation of Part I.C matters. At a minimum, the PCAOB should distinguish between technical or self-identified matters that were

⁹ See Center for Audit Quality, Comment Letter on PCAOB Release No. 2026-001, Strategic Priorities (May 11, 2026) (observing that the presentation of Part I.A deficiencies may create the impression that all such deficiencies are equally significant, even though their severity can vary considerably).

¹⁰ See Center for Audit Quality, Comment Letter on PCAOB Release No. 2026-001, Strategic Priorities (May 11, 2026) (discussing Part I.B matters and noting that, by their nature, they do not represent circumstances in which the PCAOB concluded that the firm failed to obtain sufficient appropriate audit evidence to support its opinion).

remediated and more serious independence matters that may indicate broader concerns regarding governance, culture, objectivity, or tone at the top.¹¹

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

ICI encourages the PCAOB to pursue standard-setting projects that modernize auditing requirements where there is a clear, evidence-based need, with appropriate consideration of the impact on users and a robust cost-benefit analysis. Before adding new auditor obligations, the PCAOB should identify the investor need being addressed, the audit quality problem observed in practice, whether existing standards already address the issue, and why the proposed solution is expected to improve audit quality in a cost-effective manner. We also encourage the PCAOB to seek input from a broad range of stakeholders, including auditors, industry participants, and investors.

We also encourage the PCAOB, as part of its strategic planning, to consider the role of audit and PCAOB oversight in the broader public-company ecosystem. High-quality independent audits are essential to investor confidence in public markets. At the same time, auditing standards and oversight practices should be calibrated so that they advance investor protection without imposing costs or complexity that are disproportionate to the benefits. This is particularly important as policymakers consider ways to make the public markets more attractive to companies and investors. The PCAOB can support that objective by focusing on requirements that demonstrably improve audit quality and investor-useful information, while avoiding unnecessary complexity and costs that may discourage companies from entering or remaining in the public markets.

We also recommend that the PCAOB prioritize projects that clarify auditors' responsibilities when firms use technology-enabled tools, including AI, in planning, risk assessment, and testing. Given the various reasons that technology and AI are used, it is essential that the PCAOB first engage in roundtables or similar forums to better understand how auditors, registrants, audit committees, and investors are using these tools. Given rapidly evolving practices and novel fact patterns (including digital assets) and as audit firms increasingly use AI and other technology-enabled tools in risk assessment,¹² sampling, testing, documentation, and review, the PCAOB should consider whether additional principles-based standards or guidance are needed to support responsible and consistent practice. Any such standards or guidance should emphasize reliability, explainability, appropriate supervision and review, data

¹¹ See Center for Audit Quality, Comment Letter on PCAOB Release No. 2026-001, Strategic Priorities (May 11, 2026) (noting that, without appropriate context, an instance of independence noncompliance may appear more severe than it is, particularly where self-identified and remediated); Audit Committee Council, Comment Letter on PCAOB Release No. 2026-001, Strategic Priorities (May 11, 2026) (stating that independence reporting should focus on material matters that affect a reasonable person's view of the auditor's objectivity and impartiality).

¹² See PCAOB, Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form; see also PCAOB Release No. 2024-007.

integrity, validation of tools and outputs, and the continued exercise of professional skepticism. At the same time, the PCAOB should avoid prescribing specific tools, methods, or technologies that may quickly become outdated.¹³

The PCAOB may also consider targeted projects that reduce unnecessary divergence from international auditing and ethics frameworks, where consistent with its statutory mandate and the U.S. regulatory structure. In our view, certain existing requirements may benefit from limited updates that improve alignment with international approaches, rather than broad expansions that are not clearly needed. We encourage the PCAOB to start with the international model, identify where U.S. requirements diverge, and carefully consider whether alignment is appropriate.

Across these priorities, we encourage an open, transparent standard-setting process with clearly stated objectives and scope for each project, ongoing **two-way** dialogue with stakeholders throughout development¹⁴, and a deliberate choice of the right tool (formal standard setting versus guidance) based on the nature of the issue. We also encourage the PCAOB to more clearly demonstrate how it has solicited and incorporated input from the full range of stakeholders. In our view, transparency and breadth of engagement have not been consistently evident in recent standard-setting efforts, such as the Noncompliance with Laws and Regulations (NOCLAR) proposal.¹⁵

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

To achieve greater alignment between PCAOB auditing standards and international auditing standards, we recommend that the PCAOB pursue a structured, transparent comparison of requirements and outcomes. Greater convergence between PCAOB and international frameworks, where appropriate, would help registrants, audit committees, global audit teams, and investors avoid unnecessary complexity, operational inefficiency, and compliance costs.

The PCAOB may consider conducting a detailed “mapping” project that compares PCAOB standards to the relevant international standards and clearly identifies where and why

¹³ See PCAOB Board Member George R. Botic, AI and the Pursuit of Audit Quality: A Regulatory Perspective (Sept. 16, 2025) (discussing the potential role of principles and frameworks to support responsible use of AI in auditing).

¹⁴ See Center for Audit Quality, Comment Letter on PCAOB Release No. 2022-003, Draft 2022–2026 PCAOB Strategic Plan (Sept. 15, 2022) (encouraging stakeholder engagement throughout the standard-setting process and consideration of developments in other jurisdictions).

¹⁵ See Proposing Release: Amendments to PCAOB Auditing Standards related to a Company’s Noncompliance with Laws and Regulations and Other Related Amendments at https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-051/pcaob-release-no.-2023-003---noclar.pdf?sfvrsn=fe43e8a_4

differences exist.¹⁶ That analysis should be informed by robust stakeholder input, with particular focus on auditors and other stakeholders with experience on global engagements where U.S. and international requirements are applied concurrently.

Where the PCAOB identifies divergence, it should distinguish between: (i) differences that are intentional (for example, due to U.S.-specific statutory or market considerations); and (ii) differences that may be unintended, such as where the standards were meant to align but have been interpreted or applied differently in practice. In the latter case, the PCAOB could address the issue by either remedying the inconsistency through standard setting or clarifying the intended scope and expected outcomes through guidance.

Overall, we suggest that the PCAOB seek alignment with international standards where feasible and appropriate (if alignment would not materially increase costs). Where it intentionally diverges or sets a higher bar, it should state that clearly and explain the rationale so investors, audit committees, and other market participants can understand the objective and comply efficiently.

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

ICI encourages the PCAOB to deploy technology, including AI where appropriate, in ways that improve the transparency and usability of PCAOB outputs for investors and audit committees. The PCAOB also should consider the technological capabilities it needs to keep pace with changes in audit and financial reporting. As audit firms and registrants increasingly use technology-enabled tools and AI, the PCAOB's inspections, standard-setting, and stakeholder communications functions will need sufficient expertise and infrastructure to evaluate these developments effectively. This includes the ability to understand how such tools are governed, validated, supervised, and documented, and how they affect audit evidence, professional skepticism, data integrity, and investor-useful information.

In particular, we encourage the PCAOB to use technology to make inspection results more decision-useful. Today, inspection reports primarily present findings, but they offer limited ability for stakeholders to understand patterns, context, and comparability across audits. The PCAOB could enhance visibility by publishing more searchable and scalable information and enabling users to filter results (for example, by industry, issuer size/market capitalization

¹⁶ See, e.g., Center for Audit Quality, Comment Letter on PCAOB Release No. 2026-001, Strategic Priorities (May 11, 2026) (supporting international cooperation where it promotes clarity, reduces complexity, and lowers compliance costs while preserving U.S. regulatory authority); KPMG LLP, Comment Letter on PCAOB Release No. 2022-003, Draft 2022–2026 PCAOB Strategic Plan (Sept. 14, 2022) (encouraging PCAOB engagement with the Auditing Standards Board and IAASB); PricewaterhouseCoopers LLP, Comment Letter on PCAOB Draft Strategic Plan 2022–2026 (Sept. 15, 2022) (encouraging PCAOB engagement with IFIAR, ASB, IAASB, SEC, and FASB); Ernst & Young LLP, Comment Letter on PCAOB Release No. 2022-003, Draft 2022–2026 PCAOB Strategic Plan (Sept. 15, 2022) (supporting PCAOB collaboration with international standard setters and IFIAR).

bands, or other appropriate categories). Presenting this information in interactive formats such as dashboards or downloadable datasets could help stakeholders engage more deeply with the results, better assess the relevance and materiality of findings, and avoid misinterpretation.¹⁷

We recognize the PCAOB is not a data repository in the same way as the SEC's EDGAR, and we are not suggesting it should become one. However, thoughtfully-designed technology solutions that are focused on transparency and accessibility could strengthen the PCAOB's investor-protection mission by improving market participants' ability to understand inspection themes and areas of recurring risk. Any such effort should include appropriate safeguards to protect confidential information, avoid misleading comparisons, and provide sufficient context so information is not interpreted as a simple scorecard.

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

Several of the PCAOB's proposed and recently announced initiatives can meaningfully enhance transparency with stakeholders. Seeking input on strategic priorities before finalizing a strategic plan signals a commitment to engage early and openly. We appreciate this approach and encourage the PCAOB to continue that dialogue.

The PCAOB can further increase transparency by improving its communications and prioritizing what is decision-useful. In particular, PCAOB communications should help stakeholders understand how inspection observations, enforcement priorities, and standard-setting projects fit together. Greater transparency around that connection would help audit committees, fund boards, registrants, and investors understand whether the PCAOB is identifying isolated issues, recurring themes, emerging risks, or matters that warrant changes to auditing standards. For ICI and its members, that means focusing on matters that are material to audit quality and investor protection. For any standard-setting agenda item, we recommend the PCAOB clearly explain the problem being addressed and the intended use case for any new requirement or disclosure. Conversely, emphasizing immaterial or low-relevance items without a clear rationale can obscure what matters most and make it harder for stakeholders to understand, align with, and operationalize the PCAOB's priorities.

The PCAOB also could enhance transparency by identifying the measures it uses to evaluate the effectiveness of its inspections, enforcement, and standard-setting activities, and by periodically reporting, at an appropriately aggregated level, how those activities are advancing audit quality and investor protection.

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¹⁷ See PCAOB, Firm Inspection Reports downloadable datasets; see also Center for Audit Quality, Public Policy and Technical Alert (Apr. 2025) (noting that the PCAOB made available new and enhanced downloadable datasets related to PCAOB inspection reports).

We appreciate the opportunity to comment on the PCAOB's strategic priorities and would welcome the opportunity to discuss these views further. If you have any questions, please contact Jason Nagler at (202) 961-5506 or jason.nagler@ici.org.

Sincerely,

/s/ Eric J. Pan

Eric J. Pan
President & CEO

/s/ Jason J. Nagler

Jason J. Nagler
Senior Director, Accounting and Compliance

cc: Demetrios Logothetis, PCAOB Chair
George R. Botic, PCAOB Member
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