



Tel: 312-856-9100  
Fax: 312-856-1379  
www.bdo.com

330 North Wabash, Suite 3200  
Chicago, IL 60611

May 15, 2026

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

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

Dear Ms. Brown:

BDO USA, P.C. is pleased to respond to the Public Company Accounting Oversight Board's (PCAOB or the Board) Release No. 2026-001, *Request for Public Comment: Draft 2026-2030 PCAOB Strategic Plan* (Draft Strategic Plan). We commend the Board's proactive and transparent initiative to solicit input from a broad range of stakeholders concerning its oversight activities, technology advancements, and enhanced stakeholder transparency. The request for comment reflects an opportunity to thoughtfully reassess the PCAOB's priorities considering a changing financial reporting environment, evolving stakeholder expectations, and the growing influence of technology, including artificial intelligence (AI). We value the opportunity to engage with the PCAOB and share our perspectives to help inform the Board's strategic direction and future activities.

We agree that the PCAOB's future agenda should remain grounded in its core investor-protection mission while also being sufficiently agile to respond to emerging risks, changes in market practice, and the continuing evolution of firms' quality control systems, including their implementation of QC 1000.

Since its creation, the PCAOB has played a valuable role in significantly improving audit quality in the public company audit profession in promoting informative, accurate, and independent audit reporting in the public interest. We share the Board's commitment to protecting investors and advancing audit quality, which remain fundamental to confidence in the capital markets. As the PCAOB considers its strategic priorities, we encourage a practical, risk-focused, and collaborative approach that keeps pace with

BDO USA refers to BDO USA, P.C., a Virginia professional corporation, also doing business in certain jurisdictions with an alternative identifying abbreviation, such as Corp. or P.S.C.

BDO USA, P.C. is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



evolving quality control standards and firms' advancements in quality control systems and technology.

We respectfully offer the following comments for the Board's consideration in the spirit of advancing audit quality, supporting the long-term strength and attractiveness of the public company and broker-dealer audit profession, and promoting continued confidence in the capital markets. We would welcome continued dialogue with the PCAOB and its staff as these priorities and related initiatives evolve.

**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?**

Over the next two to five years, the PCAOB should align its strategic priorities with areas most likely to enhance investor protection and improve audit quality. Across standard setting, inspections, and enforcement, the Board should emphasize materiality, harmonization, and clarity in these oversight activities. The Board should also promote an oversight framework that is durable and consistently applied over time, enabling investors, audit committees, issuers and auditors to respond with greater confidence and less uncertainty, all in the furtherance of the ultimate goal of investor protection.

To make these principles actionable, we offer the following:

1. *Materiality*: The PCAOB's oversight activities should be centered on matters that are material to investors, audit committees, preparers, regulators, other users of the financial statements. Prioritizing issues based on their significance and potential impact will better promote investor protection, strengthen audit quality, and strengthen confidence in the capital markets. Oversight activities involving inspections and enforcement should focus on consequential deficiencies that would be of significance to investors and other users of the financial statements. That approach will help ensure that regulatory attention and resources, including the resources of other stakeholders in the financial reporting process are directed where they can have the greatest public interest benefit.
2. *Changing Environment & Undue Reliance Soley on Standard Setting*: The PCAOB should also acknowledge the significant evolution of the audit environment, including the growing complexity of business operations, the increasing use of emerging technologies, and shifting stakeholder expectations regarding the relevance and timeliness of information. In doing so, it should take into account the broader financial reporting ecosystem and articulate with greater precision



both the implications of these developments and the corresponding expectations for auditor behavior.

At the same time, the PCAOB should be careful not to place undue reliance solely on standard setting when addressing issues that may stem more broadly from changing business models, technological innovation, and evolving stakeholder communication needs. In such areas, a more balanced approach - one that also considers market-based solutions - may be more effective.

3. *Harmonization as a Primary Objective*: In the past, the Board and its staff have sought through releases and related materials to explain why certain requirements differ from other standard-setting frameworks, but those explanations have in some instances not been sufficiently precise or compelling. More importantly, they do not reflect harmonization as a clear and meaningful standard-setting objective. As a result, stakeholders have reasonably questioned the underlying rationale for areas of divergence, including whether any such divergence met the standard of being maintained only where absolutely necessary to achieve the Board's mission of protecting investors.

We recommend that, in establishing priorities, the Board adopt a permanent standard-setting framework that is disciplined, consistent and transparent, while leveraging the work of other standard-setters where appropriate. The PCAOB is uniquely positioned as a standard setter because it has direct insight from inspections, audit firm's remediation of quality control deficiencies, and enforcement activities. That perspective should not only inform the Board's own agenda but should also be shared, as appropriate through the Board's public reporting mechanisms - including Rule 4010 reporting - to help inform and influence other standard setters addressing similar issues. Doing so would promote greater transparency, support more coordinated and effective standard setting, and better advance audit quality and investor protection.

A framework grounded in that level of transparency would assist all participants in the financial reporting ecosystem and would be fully consistent with the Board's investor-protection mission. Where the Board chooses to retain differences from other standards - whether those differences are foundational or merely terminological - it should articulate with greater specificity why divergence is needed, why alignment would not be appropriate, and how the expected benefits justify the resulting operational, training, methodology, and compliance costs borne by audit firms and ultimately passed onto investors,



particularly where those costs do not produce commensurate benefits. Absent a clear commitment to harmonization as a central objective, divergence will continue to drive significant cost without a corresponding investor-protection gain.

4. *Stakeholder Engagement*: We encourage the Board to deepen its coordination with domestic and international regulators and standard setters, including the IAASB, ASB, and FASB. Meaningful, ongoing dialogue among these bodies can help the Board identify emerging risks more proactively, foster consistency where appropriate, and support the development of well-informed, balanced solutions that advance audit quality while protecting investors without imposing unnecessary burdens.

In addition, we encourage the Board to continue strengthening stakeholder engagement as a central component of its oversight activities, including inspections, enforcement and standard setting. We support the Investor Advisory Group and the Standards and Emerging Issues Advisory Group as important mechanisms for informed dialogue on current and emerging issues. We believe that broader and more deliberate engagement throughout the full life cycle of the Board's projects could further enhance the quality, practicality, and effectiveness of its work. In particular, targeted outreach to a wide range of stakeholders—including investors, preparers, audit committees, and auditors, and organizations such as the Center for Audit Quality—would help ensure that the Board's priorities and responses are informed by operational realities as well as investor needs.

Expanded use of roundtables, task forces, subcommittees, and other consultation mechanisms—while leveraging and coordinating with comparable forums employed by other standard setters to reduce redundancy and identify the most effective and efficient solutions—could further position the Board to obtain practical, diverse, and scalable input, enhance its assessment of costs, benefits, and unintended consequences, and support timely and effective responses through standard setting, practical implementation guidance, or other communications.

We were pleased to hear Chairman Logothetis share during the PCAOB Standards and Emerging Issues Advisory Group meeting on May 6, 2026 that

when the PCAOB publishes their strategic goals and priorities, they will also release their first standard-setting agenda consultation.

5. *Practical Implementation Guidance & Good Practices in Sufficient Detail:* The Board should place meaningful emphasis on supporting the implementation of both existing and newly adopted auditing and related professional practice standards through practical, timely, and sufficiently detailed guidance. Such support could be provided through adopting releases, accompanying rule text, or other interpretive communications and other existing Board mechanisms—including the Board’s Rule 4010 and PCAOB Spotlights—to share observations and effective practices with far greater specificity than it has historically done. For example, under PCAOB Rule 4010, *Board Public Reports*, the Board may publish general summaries or reports about its inspections, including criticisms or potential flaws in firms’ quality control systems, and it may do so without disclosing the names of those firms. We believe that “general summaries” could also include what the Board has seen as good practices, provided in sufficient detail to enable broader impact on enhancing audit quality.

Greater transparency and a clearer understanding of the Board’s expectations would help audit firms implement standards and remediation efforts more effectively and efficiently while significantly improving audit quality across the profession. Clearer and more actionable implementation guidance could have a meaningful and far-reaching impact in promoting high quality audits and achieving the Board’s important mission of protecting investors.

**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)?**

Our primary recommendation is that the PCAOB redesign its inspections program to place greater emphasis on a firm’s system of quality control, while reducing its relative focus on individual engagement-level file reviews.

We were encouraged to hear Chairman Logothetis announce at the PCAOB Standards and Emerging Issues Advisory Group meeting on May 6, 2026 that the PCAOB intends to convene an inspections task force composed of experts from across the financial reporting ecosystem to help inform the redesign of the inspections program. We support this initiative and respectfully encourage the Board to ensure the task force includes broad and balanced representation, including audit practitioners from firms



of all sizes, so that its recommendations are informed by investor protection considerations, practical experience, and operational realities.

We also offer the following observations on the current approach, which we believe may be useful in informing the redesign.

### **Proportionate, Risk-Based Scaling of Engagement Inspections**

As the PCAOB considers moving towards a quality control-focused inspections model, it should remain mindful of the need for engagement inspections to be appropriately calibrated to a firm's size, practice composition, and risk profile. In prior years, some firms have been subject to a disproportionately high number of engagement inspections relative to their total issuer population, a dynamic that can diminish confidence in the consistency and credibility of a risk-based approach.

A more balanced degree of consistency in the percentage of issuer and broker-dealer audits inspected across firms would enhance the integrity of the program, while preserving the PCAOB's ability to respond appropriately to differing risk circumstances.

In addition, a more proportionate approach would lessen unnecessary disruption to engagement teams and firm quality resources, allowing greater focus on the planning, execution, supervision, and review of audits. By reducing avoidable distraction and strain on current-year audit activities, such an approach can better support audit quality while still preserving rigorous and effective regulatory oversight.

While we recognize that risks vary across firms and that a one-size-fits-all approach is not always the best means of protecting investors, at least with respect to the proportionality of inspected audits we believe all stakeholders would benefit from a more consistent approach. That matters from the standpoint of investors, audit committees, and overall market resilience because frequent inspections of the same engagement partners can divert time from current audit execution and may result in the unintended consequence of discouraging firm's most experienced partners from taking on issuer audits—outcomes that could reduce audit quality and increase concentration thereby limiting competition.

Accordingly, as the PCAOB places greater emphasis on evaluating firms' systems of quality control, it should also consider whether an effective quality control system warrants a reduced number of engagement inspections needed to achieve appropriate oversight. A scaled, risk-based framework of this kind would better align inspection



effort across firms and support investor protection, enhance audit quality, and promote competition in the issuer and broker-dealer audit market.

### **Timing of Engagement Inspections Should Better Support Audit Quality**

The PCAOB should consider adjusting the timing of engagement inspections so that the process does not interfere with the periods when audit teams are most heavily engaged in current-year audit execution. Inspected firms commit substantial resources to the inspection process not only of the engagement teams themselves but also national office personnel who support those teams. As a matter of audit quality and investor protection, inspections are most effective when they provide meaningful oversight without drawing key personnel away from the audit's critical phases of planning, execution, and reporting.

For that reason, the PCAOB should avoid conducting inspections during firms' busiest period when engagement teams and national office personnel are focused on interim and year-end reporting and audit completion activities. A scheduling approach that is better aligned to the audit cycle would reduce unnecessary disruption while preserving the Board's ability to carry out its oversight activities.

### **The PCAOB Should Use a Measured, Learning-Oriented Initial Implementation of QC 1000**

In light of QC 1000, the PCAOB should consider a phased or "soft rollout" approach to inspections of firms' systems of quality control during the first year of implementation. Where a new standard requires firms to design, implement, operate, and evaluate an updated system, the most constructive regulatory approach is often to use the initial cycle to gather information, identify implementation themes, and provide feedback before embedding observations into formal inspection outcomes. The PCAOB has used comparable transition approaches before, including in areas such as the implementation of critical audit matters and, historically, in its early inspections of internal control audits. A measured transition approach would promote consistency, improve the quality of implementation across firms, help the Board identify and communicate common implementation themes, and better align the inspections program with sustainable quality improvement rather than relying solely on inspections or enforcement to communicate findings during the transition period.

A transitional model would also produce more decision-useful information for the PCAOB, firms, audit committees, and investors. It would allow the Board to identify common implementation challenges under QC 1000, communicate those themes to the market, publish practical implementation guidance, and refine its inspection focus in later cycles. Consistent with the PCAOB's prior approach in the 2006 inspection



cycle for internal control audits, the Board could reserve formal reporting in the first year for unusual circumstances involving especially serious concerns, while otherwise limiting its communications to feedback and observations. That approach would support faithful implementation of QC 1000, encourage candid engagement between firms and inspectors, and strengthen the long-term effectiveness and credibility of the quality control-focused inspection program.

### **Clarification of the Remediation Framework to Promote Audit Quality**

We encourage the PCAOB to provide updated and transparent guidance on how it interprets the statutory standard that a firm address quality control criticisms “to the Board’s satisfaction.” While we recognize and appreciate the need for regulatory flexibility, greater clarification - through the articulation of objective criteria to guide the Board’s assessment – would better enable firms to design effective remediation efforts and reduce unnecessary ambiguity.

The 2013 *Staff Guidance Concerning the Remediation Process* (Staff Guidance) and the 2023 *Spotlight: Additional Insights on the Remediation Process* have been helpful, and we note the Spotlight’s statement that staff was evaluating the Staff Guidance, including the criteria used in assessing firms’ remediation efforts, to determine whether changes may be needed. In that context, we believe any updates to the guidance would present a valuable opportunity to further strengthen the remediation framework as an important mechanism for advancing audit quality and investor protection. Greater transparency into how the Board applies its stated criteria—such as change, relevance, design, implementation, execution, and effectiveness—would help promote more effective, timely, and durable remediation efforts across firms.

Recognizing that it is not always feasible to complete remediation within the one-year timeframe contemplated by the Sarbanes-Oxley Act, the PCAOB’s existing guidance references a “substantial progress” standard to assess whether there has been meaningful progress towards remediation. We believe this standard of “substantial progress” appropriately supports the purposes of the Act while also providing appropriate incentives for firms to focus their resources on effective remediation. Accordingly, we recommend that the Board formally adopt, and consistently apply, this “substantial progress” standard as one of the primary objective criteria for assessing remedial efforts.

Further, as audit firms have become increasingly sophisticated in their monitoring activities including root cause analysis over time, the Board’s evaluation of whether remediation has been achieved “to the Board’s satisfaction” should meaningfully consider both the evolution of identified root causes and the progress being made in addressing them, even where the quality control criticism at its surface may remain



unchanged. In particular, the Board should recognize that a firm's system of quality control, including its monitoring and remediation processes, can serve as an important framework for overseeing the firm's identification of root causes, the design and implementation of remedial actions, and the evaluation of whether those actions are operating effectively over time.

We also believe additional guidance would be beneficial with respect to:

- how the stated criteria are applied in evaluating whether remediation is satisfactory;
- how design, implementation, execution, effectiveness, and sustainability are considered in the overall assessment;
- how progress made within the 12-month period is evaluated;
- the types of evidence that best demonstrate successful remediation under each criterion; and
- whether more formalized examples, timelines, or feedback mechanisms could help firms understand expectations earlier in the process.

Clarification in these areas could provide a stronger platform for firms to design and implement remedial actions that are responsive to inspection findings, sustainable in practice, and ultimately more effective in advancing audit quality and protecting investors.

We also encourage the Board to utilize its broad base of knowledge and insights on good practices to be more instructive to inspected firms on what constitutes effective remediation. While we appreciate that there is discussion between the inspected firm and the Board's staff on a firm's remediation plans, a clearer understanding of what the Board believes would be effective remediation will benefit and expedite the remedial process and align the Board's and the inspected firm's goals of continuous audit quality improvement.

As noted above, we also encourage the Board to make greater use of its ability to publish general summaries or reports describing criticisms or potential deficiencies in firms' quality control systems without identifying particular firms (e.g., through PCAOB Rule 4010). Such reporting could also highlight good practices observed by the Board,



providing valuable insights to a broader audience and meaningfully enhancing audit quality across the profession.

### **Create Incentives for Effective Firm Remedial Efforts**

The Sarbanes-Oxley Act created a framework that encourages firms to remediate inspection findings—whether on individual engagements or on a firm’s overall system of quality control. A firm’s comprehensive and effective root cause analysis is fundamental to developing its remedial efforts.

We note that, at cross-purposes to those goals, a firm’s own root cause analyses have been used by the PCAOB in subsequent PCAOB enforcement proceedings. In other instances, the volume of remedial efforts has been viewed as evidence of the significance of an inspection finding, which creates a disincentive for firms to engage in thorough remediation efforts.

A firm’s efforts to identify the causes of, and remediate, any identified issues should be encouraged. Attempts to turn these efforts into “admissions” in enforcement proceedings would undermine legitimate and valuable efforts of a firm to be self-critical for fear that same self-critical analysis will be used against the firm in an enforcement action.

To eliminate this tension, we recommend that the Board establish a “self-evaluative qualified privilege” that excludes from evidence in PCAOB enforcement matters a firm’s root cause analysis as well as its remediation efforts.

### **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?**

#### **Inspection Reporting Should Prioritize Direct Evidence, Investor Relevance, and Clarity**

Inspection reporting would be most useful to stakeholders if it more clearly distinguished between matters supported by PCAOB obtained direct evidence and matters identified as indicators of potential quality control issues based on engagement-level findings. In particular, Part II matters should be communicated to a firm with clear explanation of whether the criticism is based on the PCAOB’s direct testing of the relevant elements of the firm’s system of quality control or whether it is based on patterns or themes observed through engagement findings that may warrant



further evaluation. The existence of Part I.A engagement findings alone may not always provide the same level of support as direct testing of the relevant quality control elements. Inspection reporting would be enhanced if the PCAOB more clearly differentiated between observed control deficiencies, risk indicators, and areas identified for additional scrutiny.

For engagement-level reporting, the PCAOB should focus public reporting on matters most meaningful to investors—particularly deficiencies that resulted in, or created a meaningful risk of, an unsupported audit opinion, with emphasis on issues that led to restatements or affected areas of greatest significance to the issuer’s business. For example, in a financial institution audit, findings related to the allowance for credit losses are likely more decision-useful than matters involving less significant accounts. Consistent with that objective, inspection reporting would be enhanced if it provided greater context regarding the significance of individual findings, including whether the matter relates to a significant risk, a core audit procedure, or an area central to the issuer’s financial reporting. Providing that context would help stakeholders better understand which findings are most relevant to their assessment of audit quality and auditor performance.

By contrast, Part I.A matters already identified through the firm’s own monitoring processes before PCAOB inspection should not be reported by the PCAOB in Part 1.A rather than being presented in a manner that suggests they were first identified by the PCAOB, because doing so can obscure the important distinction between execution issues and a monitoring system that is functioning as intended. Excluding such matters from Part I.A would more appropriately reflect the fact that the firm identified them through its own processes prior to inspection and would avoid conflating firm-detected matters with deficiencies identified by the PCAOB. That distinction would also give stakeholders more useful insight into whether the firm’s monitoring processes are operating effectively.

Now that the Board has a few years of experience with the newer additions to the public inspection report – Parts 1.B and 1.C - we encourage it to evaluate whether those sections are providing meaningful value, particularly where the information does not relate directly to unsupported audit opinions and could be addressed more appropriately through other regulatory mechanisms (e.g., through Part II as a potential quality control criticism, where applicable, or through the Board’s Rule 4010 reporting mechanism). A more focused reporting model based on materially significant matters



would make inspection reports clearer, more comparable, and more useful to investors, audit committees and other users.

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

The PCAOB should give further consideration to the cumulative effect of standard setting including where there is divergence from other standards and the operational impact of changes on audit firms. In some instances, the organizational consequences of implementation of new standards may result in dramatic changes in how the audit firms operate and perform audits. Particularly for smaller firms, efforts to absorb change may redirect limited resources from other efforts to improve audit quality and may therefore be counterproductive.

We recommend that the PCAOB prioritize standard-setting and guidance projects in areas where audit practice and financial reporting are evolving more quickly than the existing standards. In our view, two areas merit particular attention and may benefit from additional guidance or rulemaking: (1) the use of technology and AI in the audit and by issuers and broker-dealers, and (2) the auditor's responsibilities with respect to digital assets.

#### **The Use of Technology and AI in the Audit and By Issuers and Broker-Dealers**

One important area that may warrant additional guidance or potential rulemaking is the expanding use of technology in both the audit and the issuer's and broker-dealer's financial reporting process, including the role of automation, AI-enabled tools, and digital agents in performing audit procedures, facilitating supervision and review, and shaping how issuers and broker-dealers generate information, operate controls, and support financial reporting judgments. Current standards were developed in a more human-centered environment and may not fully address how audit responsibilities should be fulfilled when technology performs or supports aspects of execution, monitoring, evaluation, or decision-making. Recent PCAOB staff outreach confirms that generative AI is already being explored both in audits and in financial reporting and has identified emerging questions relating to supervision and review, the reliability and auditability of AI-generated content, data governance, source-data integrity, and the controls surrounding the development and use of these tools.

A project in this area could help clarify for auditors the circumstances under which technology-enabled controls, application controls, or automated procedures may provide sufficient audit evidence, as well as the degree of human oversight required, including consideration of the reliability, governance, and oversight of such tools. It could also help address how auditors should evaluate information produced by issuers



and broker-dealers when key processes, judgments, or controls are supported by AI or other advanced technologies. This may be especially important where preparer use of AI introduces new risks or amplifies existing risks in financial reporting and internal control, including risks related to consistency, transparency, segregation of duties, and the use of third-party models or data.

### **The Auditor's Responsibilities with respect to Digital Assets**

The PCAOB should consider practical implementation guidance addressing the auditor's responsibilities when auditing entities with material digital asset activities, particularly in areas involving ownership, control, and safeguarding of digital assets. Current PCAOB standards were not developed with blockchain-based assets, private keys, wallet structures, or on-chain/off-chain recordkeeping in mind. As a result, there appears to be diversity in practice regarding what audit evidence is sufficient to support conclusions about a company's rights to digital assets, whether the company has sole or shared control over those assets, and how auditors should evaluate arrangements involving custodians, exchanges, omnibus accounts, or other intermediaries. While the PCAOB Staff Spotlights have been helpful to inform practice, additional PCAOB direction would promote greater consistency, strengthen audit quality, and further enhance investor protection in this area.

In particular, practical implementation guidance would be helpful on how auditors should evaluate ownership and control when legal title, beneficial ownership, and access to private keys may not align neatly, and when wallet arrangements involve commingling of customer or entity assets. In practice, blockchain visibility alone may not resolve whether a registrant truly controls a specific quantity of assets, whether assets are segregated or exposed to claims of others, or whether a wallet address reflects sole ownership versus pooled holdings. PCAOB practical implementation guidance could help clarify expectations for testing management's assertions in these circumstances, including the interaction of on-chain evidence, custodial records, contractual terms, and internal controls over safeguarding and reconciliation. From a stakeholder perspective, greater clarity in this area would help reduce inconsistency,



improve transparency, and better align audit execution with the risks that digital asset activities can pose to investors and the public markets.

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

In addition to our comments in response to question 1 above, we believe the PCAOB should significantly build on the coordination that exists with the IAASB through earlier, more frequent, and more substantive engagement before standards are amended or guidance is contemplated.

Alignment is often easier to preserve when potential differences are evaluated during the development process rather than after standards are finalized. A more structured process for comparing proposed standards, supported by appropriate economic analysis for the differences where applicable, would help the PCAOB determine whether convergence or divergence is warranted in a particular area and would reduce the risk of unnecessary differences becoming embedded over time. Such a process would not require identical standards in all cases. Rather, it would help ensure that differences are deliberate, well understood, and justified by the PCAOB's statutory mandate and the needs of U.S. capital markets. This would support a more disciplined, consistent, and durable standard-setting process over time. This approach also recognizes the relevant policy question is whether investors would be better served by reducing unnecessary variation in standards, and that the appropriate objective is convergence—or harmonization—rather than uniformity for its own sake.

Another example of how the PCAOB can best achieve greater alignment with international auditing standards is to first undertake a more formal and rigorous, side-by-side comparison of PCAOB standards and the International Standards on Auditing (“ISAs”) at the beginning of a standard-setting project. In many areas, the two sets of standards appear to address similar underlying objectives, even where they differ in terminology, structure, or drafting style. A structured and formal baseline comparison would help identify which differences are truly substantive and which instead reflect alternative wording, organization, or emphasis. Differences in standards may arise not only from objectives and requirements, but also from formatting, wording, organization, and presentation—all of which can affect understanding, application, and oversight. A formally structured baseline comparison process would also provide a more transparent foundation for convergence by helping investors, audit



committees, regulators, and other stakeholders understand where differences are meaningful and where the standards are already broadly consistent in concept.

As part of that process, the PCAOB should seek to promote consistent terminology where PCAOB standards and ISAs are intended to address the same core concept. Using more consistent terminology would improve comparability and reduce avoidable confusion regarding whether different wording is intended to convey a different requirement. For example, differing terminology such as “expert” and “specialist” may create avoidable confusion if the standards are intended to address a similar underlying concept but do not clearly explain whether the difference is substantive or instead reflects differences in wording or presentation. Where different terminology is retained, the PCAOB could improve transparency by clearly articulating the reason for the distinction and its practical implications for application, oversight, and compliance.

More generally, where one framework includes incremental procedures or requirements not found in the other, the PCAOB could articulate more clearly why a difference is necessary and how it is expected to enhance investor protection. That type of transparency would be consistent with the approach of seeking to avoid unnecessary differences where possible, while remaining mindful that some differences may be needed to align with U.S. federal securities law, SEC rules, other PCAOB standards, or risks identified through oversight activities. A more specific explanation of retained differences would also help stakeholders to better assess whether divergence is being preserved only where necessary and whether the expected benefits justify the resulting operational, training, methodology, and compliance costs borne by audit firms and ultimately passed on to investors.

Finally, the PCAOB should recognize that alignment depends not only on the wording of the standards, but also on how they are applied in practice. Discussions with other audit oversight bodies can help move toward convergence not only in written standards, but also in how those standards are implemented. In some cases, greater consistency may be achieved through clearer practical implementation guidance, particularly where similar concepts are interpreted differently in practice because of differences in terminology, examples, explanatory material, or implementation expectations. Additional guidance may be especially useful in areas involving less complex audits or narrower risk profiles, where stakeholders would benefit from



greater clarity regarding how core objectives should be achieved in a manner that is rigorous, understandable, and capable of being applied consistently.

Overall, the most effective path to greater alignment would build on the PCAOB's coordination with the IAASB and other standard setters through a structured convergence process that begins with alignment on the issues and begins with a side-by-side baseline comparison, promotes consistent terminology where feasible, clearly explains retained differences, and supports more consistent interpretation and application through appropriate practical implementation guidance.

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

BDO supports the PCAOB's thoughtful use of technology, including AI, where it can enhance the Board's effectiveness in advancing investor protection, regulatory consistency, and timely insight into emerging risks. In our view, the most valuable uses are likely to be those that improve the Board's ability to analyze large volumes of information, identify patterns and outliers across inspections, remediation, standard setting, and enforcement activities, and communicate more timely, decision-useful insights to market participants, while preserving appropriate human judgment, due process, and accountability in matters involving significant regulatory consequences.

The PCAOB also could deploy technology and AI to improve the accessibility, consistency, and transparency of its own processes, for example, by identifying horizontal themes from inspections and remediation activities, informing risk-based standard-setting priorities, and enhancing public reporting through anonymized summaries, trend analyses, or other mechanisms that help firms, audit committees, issuers, and investors understand areas of recurring concern and emerging good practices. Any such use should be accompanied by clear governance, validation, confidentiality protections, and appropriate safeguards to help ensure outputs are reliable, explainable, and used in a manner consistent with the Board's statutory mission. The PCAOB may also wish to begin with targeted use cases before expanding to more consequential applications.

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

The PCAOB can enhance transparency with stakeholders by providing clear, detailed, and consistent communication regarding its standard-setting activities, inspection observations, expectations for change, and consultation processes. Stakeholders would benefit from greater visibility into the Board's strategic and standard-setting



priorities, including open Board discussions that are not overly scripted, broader opportunities for early-stage two-way dialogue with relevant stakeholders, and clearer explanations of how stakeholder feedback informs the PCAOB's agenda. Transparency would also be improved through more direct communication regarding areas of significant stakeholder interest, including audit committee communications, inspection findings, materiality-related concepts, and recurring inspection themes, so that stakeholders better understand both the Board's objectives and the practical implications of its work for investors, audit committees, and other market participants.

Transparency can also be improved if the PCAOB more clearly explains the expected impact of change—not only what changes are being proposed or pursued, but also why they are being made, what outcomes the Board expects, and what auditor behavior those changes are intended to drive, including within the firm's quality control system.

This should include clearer communication regarding common deficiency themes, good practices, implementation challenges, and remediation expectations, as well as how those observations relate to audit quality trends and the PCAOB's broader investor-protection objectives. Providing more decision-useful information about inspection themes and quality control matters would help audit committees, investors, and other stakeholders better understand where risks are recurring, how firms are expected to respond, and how the PCAOB's activities are intended to improve audit quality over time.

We commend the PCAOB for its plans to stand up a formal consultation process within the Office of the Chief Auditor to provide timely guidance on complex or novel auditing issues. To further strengthen transparency and promote more consistent application in practice, we encourage the Board to look to the SEC's Financial Reporting Manual (FRM) as a useful model for communicating staff views on recurring interpretive questions, significant issues that arise, and how those matters are resolved, particularly where the relevant fact patterns do not fit neatly within existing guidance.

A centralized, regularly updated resource of this kind would preserve the benefits of case-specific consultation while also making important interpretive insights more broadly accessible to firms, audit committees, preparers, investors, and other stakeholders. Following an FRM-style model would reduce uncertainty, promote more consistent application of standards in practice, and improve audit quality by sharing recurring interpretative insights more broadly across the profession. It would also enhance transparency into the PCAOB staff's thinking, promote greater consistency *within* the PCAOB itself as staff apply judgment in carrying out their respective



oversight activities, help narrow the expectations gap with stakeholders, and strengthen confidence in the Board's oversight framework.

Finally, as noted above, we recommend the PCAOB consider broader use of PCAOB publications including, where necessary Rule 4010 reports, when it observes trends or good practices that, if adopted, could improve audit quality. Those reports would also be an effective and transparent tool for communicating consistently observed areas where the Board believes existing practices fall short of achieving acceptable audit quality. Doing so would level the playing field by providing increased and more timely information both to audit firms and to users of the financial statements. Observations of trends relating to firms' systems of quality control would be particularly beneficial to all stakeholders.

\* \* \* \* \*

We appreciate the opportunity to share our perspectives on the Board's strategic priorities and would welcome continued dialogue with the Board and its staff. If you would like to discuss our comments further, please contact Lillian Ceynowa at [lceynowa@bdo.com](mailto:lceynowa@bdo.com).

Sincerely,

BDO USA, P.C.

BDO USA, P.C.

cc:

PCAOB

Demetrios Logothetis, Chair  
George M. Botic, Board member  
Steven D. Laughton, Board member  
Mark A. Calabria, Board member  
Brent Simer, Chief of Staff

SEC

Kurt Hohl, Chief Accountant  
Michal Dusza, Deputy Chief Accountant  
Emily Fitts, Deputy Chief Accountant