

May 15, 2026

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

Via website submission: [comments@pcaobus.org](mailto:comments@pcaobus.org)

RE: Request for Public Comment – PCAOB Strategic Priorities (PCAOB No. 2026-001)

To Whom It May Concern:

The American Bankers Association<sup>[1]</sup> (ABA) welcomes the opportunity to comment on the Public Company Accounting Oversight Board’s (PCAOB) Request for Public Comment – PCAOB Strategic Priorities (the RFI). The RFI seeks input regarding strategic priorities as the Board develops its 2026–2030 strategic plan and refreshes its standard-setting focus areas.

Executive Summary

**Banking context and risk assessment:** Because banks operate under extensive prudential supervision, examinations, and regulatory reporting, the PCAOB should recognize how that framework affects audit risk assessment and avoid expectations that duplicate existing regulatory requirements. The PCAOB should also examine whether its inspections program is assigning disproportionate risk to the banking industry, as reflected in the comparatively higher selection rate of bank audits for inspection review, and recalibrate its selection approach to ensure that it is evidence-based and balanced. That concern is compounded by the comparatively limited number of inspections personnel with meaningful banking experience. ABA believes this dynamic can create a circular pattern in which inspections generate more findings, which in turn reinforces a perception of heightened risk in the banking industry. The result is significant inefficiency and unnecessary cost.

**Audit efficiency and proportionality for community banks:** The PCAOB should make audit efficiency and cost a clear priority by reinforcing scalable, risk-based auditing and discouraging checklist-driven expansions in testing and documentation. This is especially important for community banks, where audit cost and auditor availability are practical components of audit quality and where smaller and mid-sized audit firms play a critical role in preserving a competitive audit market.

**Inspections, reporting, standard setting and transparency:** As QC 1000 is implemented, inspections should place greater weight on evaluating firm-wide quality controls and, where appropriate, perform fewer engagement-level reviews of individual audits, while promoting clarity and reducing redundant expectations in highly regulated environments. Inspection reporting should avoid creating a pass/fail impression by providing context on severity, scope,

recurrence, and remediation, and by applying consistent criteria for what rises to the level of a public comment or cited deficiency. In standard setting, the PCAOB should prioritize projects that remove unnecessary or redundant procedures, provide practical implementation guidance and examples to support consistent application, and align materiality guidance more closely with the SEC, including qualitative considerations that are especially relevant for banks with large balance sheets. The PCAOB should also consider eliminating critical audit matters (CAMs), which have added disclosure volume and defensive process without demonstrating commensurate investor benefit. In addition, the PCAOB should consider lessons from ABA’s April 17, 2026 comment letter to FASB on the CECL post-implementation review, which explained that CECL is intended to be scalable and proportional to an institution’s size, complexity, and portfolio, but that auditing procedures, documentation expectations, and model-validation demands in practice often do not allow that intended scalability. The PCAOB should take that experience into account in its own priorities by reinforcing that audit expectations for CECL should be risk-based, scalable, and proportionate, and should not impose procedures that effectively override the standard’s intended flexibility. Finally, the PCAOB should modernize confirmation expectations to reflect evolving fraud risks and recognize secure alternative procedures. The PCAOB should enhance transparency by clearly communicating implementation expectations for new standards and expanding two-way engagement with stakeholders, including by clarifying or amending EC9 to make appropriate staff engagement allowable and expected.

ABA’s answers to the specific questions in RFI:

**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 prioritize a risk-based approach to registration, inspections, and enforcement that strengthens audit quality while recognizing how prudential supervision, examinations, and extensive regulatory reporting in the banking industry affect the auditor’s risk assessment. PCAOB oversight should focus on audit risks within the auditor’s remit and avoid expectations that function as a duplicative overlay to existing bank regulatory frameworks.

The PCAOB should also make audit efficiency and cost a clear priority by reinforcing scalable, risk-based auditing that targets procedures to the highest-risk areas and discourages checklist-driven expansions in testing and documentation. Inspections should promote effective planning and supervision, sufficient appropriate evidence, including in technology-enabled environments, strong ICFR evaluation, and timely remediation, while enforcement should focus on egregious or repeated failures.

Community banks warrant particular consideration because audit cost and auditor availability are practical components of audit quality for smaller institutions. The PCAOB should explicitly commit to proportionality by calibrating expectations to an institution’s complexity and by recognizing the important role that smaller and mid-sized audit firms play in serving community

banks and preserving a competitive audit market. Its priorities and communications should provide clear, scalable expectations that avoid compliance layering that increases fees or narrows auditor choice without improving outcomes.

**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)?**

As the PCAOB implements QC 1000, the inspections program should evaluate whether a firm’s quality control system identifies and remediates audit quality risks in a manner that supports efficient, risk-based audits. A more QC-focused model can place greater weight on assessing the design and operation of firm-wide quality controls and, where appropriate, perform fewer engagement-level reviews of individual audits. Inspections should reinforce practices that improve audit effectiveness without driving unnecessary documentation or parallel testing that increases cost.

For the banking sector, changes to the inspections program should promote clarity and reduce redundancy. When inspection expectations encourage duplicative documentation or checklist-driven expansions that overlap with existing governance and regulatory processes, costs rise without improving audit quality. The PCAOB should also evaluate whether the comparatively higher selection rate of bank audits reflects a disproportionate assessment of banking risk relative to other industries. If so, the selection methodology should be recalibrated so that inspection choices are grounded in objective indicators of audit risk rather than assumptions that may overstate the residual risk of audits performed in a highly supervised industry. The PCAOB should emphasize inspection procedures that assess how firms tailor audit plans to bank-specific risks and evaluate evidence, while signaling that scalability and professional judgment—not sheer volume of process—are the objective.

Community bank audits are a prime example of where proportionality matters. Inspections should reinforce QC 1000’s scalable approach by calibrating expectations to the size and complexity of the institution and the audit firm, recognizing that effective quality management in this segment may rely on direct partner involvement, continuity of personnel, and targeted monitoring rather than enterprise-style structures. This is especially important because the pool of PCAOB inspections personnel with banking-specific experience appears comparatively limited, and inspection signals that treat banking as uniformly higher risk may therefore be more difficult to calibrate appropriately and may contribute to higher costs. Clear, scalable inspection expectations would help preserve auditor availability for community banks and avoid unnecessary cost and complexity that do not improve outcomes.

**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?**

Stakeholders benefit most from inspection reporting that is contextualized and explains what the results mean, rather than implying a “pass/fail” outcome. Reports should provide context on

severity, scope, recurrence and remediation status and clearly distinguish engagement-specific issues from firm-wide quality control themes.

Under a quality control-focused program, the PCAOB should also apply consistent criteria for what rises to the level of a public comment or cited deficiency, so similar facts produce similar reporting across firms and industries. Clear, consistently applied thresholds and plain-language explanations would reduce misinterpretation—particularly for community bank audits—where a simplified label can drive unnecessary process and cost.

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

From a banking-industry perspective, the PCAOB’s standard-setting agenda should prioritize projects that improve audit quality while explicitly removing unnecessary or redundant procedures and documentation. Targeted amendments that clarify what is required—and what is not—can reduce “layering” in highly regulated sectors and allow auditors to focus effort on the highest-risk areas and the most persuasive evidence.

The PCAOB should pair any standard-setting with clearer implementation guidance and practical examples to promote consistent application, rather than allowing expectations to develop over time through inspections and the comment process. In particular, audits—especially in banking—can overemphasize expansive, system-by-system user-access testing without a commensurate focus on the broader IT control environment and the risks that drive financial reporting outcomes. The PCAOB should reinforce a top-down, risk-based approach to ITGC, including change management, IT operations, incident response, and monitoring, and provide examples that illustrate how auditors can scale procedures and tailor testing to end-to-end processes and key reports. Clearer guidance would improve consistency while reducing unnecessary cost and documentation burden.

The PCAOB should also amend and clarify its materiality guidance to permit separate balance-sheet or disclosure materiality when appropriate. For banks with proportionally larger balance sheets, a single quantitative materiality benchmark derived from income-statement measures can distort judgments and elevate quantitative discrepancies in balance-sheet and disclosure matters that may be qualitatively immaterial. One example is the completeness and presentation of notional amounts and related disclosures in derivatives footnotes.

The PCAOB should also consider how its standards, inspections, and implementation messaging affect audits of CECL estimates. As ABA explained in its April 17, 2026 comment letter to FASB on the CECL post-implementation review, CECL was designed to be scalable and proportional, allowing institutions to use methods and data appropriate to their size, complexity, and risk profile. In practice, however, auditing procedures and related expectations around documentation, qualitative support, and model validation can prevent that intended scalability from operating as designed. The PCAOB should therefore make clear that CECL auditing should remain risk-based and proportionate and should avoid inspection signals or practice expectations that drive auditors toward uniform, resource-intensive procedures regardless of institutional complexity. This is an important consideration if the PCAOB wishes to support audit quality

without unnecessarily increasing cost, complexity, or barriers to auditor availability in the community bank sector.

The PCAOB should also eliminate the requirement to communicate CAMs. In practice, CAMs have too often produced standardized or defensive disclosures, increased drafting and review burdens, and encouraged additional process without providing a clear, incremental benefit to investors beyond existing financial statement disclosures, MD&A, and audit committee communications. Eliminating CAMs would reduce unnecessary cost and complexity while allowing auditors and issuers to focus on the areas that most directly affect audit quality and investor protection.

Finally, as the PCAOB considers its standard-setting priorities, we encourage the Board to conduct a post-implementation review of the new confirmations standard. Confirmations remain a pain point in bank audits, and the new standard did not address prescriptive requirements that can become redundant as technology and fraud risks evolve. Confirmation expectations should account for imposter scams, such as phishing, and avoid encouraging the solicitation of sensitive consumer information in ways that conflict with widely accepted anti-scam guidance.

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

Greater alignment with international auditing standards can enhance consistency for audits involving global banking groups and networks, reduce unnecessary complexity, and support comparable audit quality outcomes across jurisdictions. To the extent the PCAOB maintains differences, it should clearly articulate the investor-protection rationale and consider the operational effects, particularly where divergence may increase documentation and compliance burdens without improving audit performance.

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

The PCAOB should deploy technology and AI to enhance risk identification and oversight efficiency, including by using data analytics to identify patterns in inspection findings, recurring audit deficiencies, and emerging risks across industries. However, the PCAOB should also be mindful that technology-driven oversight can inadvertently increase burdens if it results in new layers of documentation expectations that do not demonstrably improve audit quality.

In the banking context, where institutions and auditors already operate within extensive data, cybersecurity, and model-governance requirements, PCAOB technology initiatives should complement existing controls rather than require redundant, parallel evidence trails. This is especially important for community banks, which may have fewer resources to respond to rapidly expanding technology-related documentation demands even when their underlying business models are comparatively less complex.

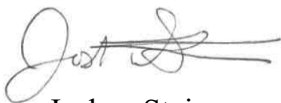
**Question 7. How can the PCAOB enhance transparency with its stakeholders?**

The PCAOB can enhance transparency by providing clear, timely communications on implementation expectations for new standards during the transition period, including what is required, what is scalable, and what documentation is sufficient, so that application does not effectively develop over time through inspection comments and remediation. Practical implementation guidance, examples, and transition messaging would help auditors and audit committees apply new requirements consistently and avoid unnecessary layering that increases cost without improving audit quality.

The PCAOB should also expand direct engagement with stakeholders through transparent forums that allow two-way dialogue on implementation challenges and emerging risks. To support that engagement, the PCAOB should clarify and, if needed, amend Ethics Code paragraph 9 (EC9) to make clear that appropriate outreach and discussions with external stakeholders are allowable and expected.

Thank you for considering our comments. If you need additional information or have any questions, please contact me at [jstein@aba.com](mailto:jstein@aba.com) or 202-663-5318.

Sincerely,

A handwritten signature in black ink, appearing to read "Joshua Stein", with a stylized flourish extending to the right.

Joshua Stein