Comments of the Auditing Standards Committee of the Auditing Section of the American Accounting Association on the PCAOB's Strategic Plan Goals and Objectives

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Note: The views expressed in this letter are those of the participating members of the Committee and do not reflect an official position of the American Accounting Association. The comments do not necessarily reflect the views of every member.

Comments of the Auditing Standards Committee of the Auditing Section of the American Accounting Association on the PCAOB's Draft 2026-2030 Strategic Plan Goals and Objectives

SUMMARY: On July 20, 2026, the Public Company Accounting Oversight Board (PCAOB) issued a request for comment on its 2026-2030 draft strategic plan goals and objectives (PCAOB 2026). The Auditing Standards Committee (ASC) submitted this comment letter to the PCAOB, expressing our views regarding the goals and objectives. Overall, the ASC supports the goals and objectives and provides suggestions for refining them.

Generative AI technology has not been used in the preparation of this manuscript.

I. INTRODUCTION

In June 2026, the Public Company Accounting Oversight Board (PCAOB or the Board) requested comments on its draft 2026-2030 strategic plan goals and objectives (PCAOB 2026a). The Board has identified the following six strategic plan goals:

1. Modernize standard setting and implementation.
2. Modernize the inspections and registration programs.
3. Sharpen enforcement focus on conduct harmful to investors.
4. Deepen stakeholder engagement and communication.
5. Modernize oversight through technology and data.
6. Strengthen organizational effectiveness and stewardship.

Overall, we agree with the six strategic plan goals. The strategic plan goals align with the Board's mission to "protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports for companies the securities of which are sold to, and held by and for, public investors" (U.S. House of Representatives 2002).

II. DISCUSSION OF SELECTED STRATEGIC PLAN OBJECTIVES

Goal #1: Modernize Standard Setting and Implementation

The draft lists four objectives related to the goal to modernize standard setting and implementation (i.e., establish a framework for high-quality standard setting, support effective implementation and post-implementation evaluation, foster alignment with international standards, and advance responsive, risk-based standard-setting priorities). We agree that these objectives are appropriate and congruent with the goal to "advance audit quality and clarify what constitutes a high-quality standard" (PCAOB 2026a, 4).

Objective 1.1 Establish a Framework for High-Quality Standard Setting

In its recent request for comment on the PCAOB's standard-setting agenda, the Board asked whether it should develop and adopt a conceptual framework for standard-setting (PCAOB 2026b). In our comment letter responding to that request for comment, we agreed that a conceptual framework could enhance the Board's standard-setting process and provided specific suggestions for its development (Barr-Pulliam, Dennis, Holt, Keyser, McAllister, and Zimmerman 2026a).

Objective 1.2 Support Effective Implementation and Post-Implementation Evaluation

The Board should provide implementation guidance on new standards. We note that the Board has provided a considerable amount of implementation guidance regarding QC 1000 including staff guidance, practice aids, staff presentations, knowledge checks, and workshop videos. We encourage the Board to continue this practice as it issues new standards.

We also support the Board's objective to perform post-implementation reviews. The Board commenced its first post-implementation review in April 2016 when it evaluated AS 1220, *Engagement Quality Review* (Keyser 2023). Although the Board has since completed interim analyses of two additional standards (i.e., Auditor Reporting and Auditing Accounting Estimates, Including Fair Value Measurements; Auditor's Use of the Work of Specialists), it has not completed any other post-implementation reviews. We recommend that the Board establish a formal framework requiring post-implementation reviews of every standard within an appropriate time period following the required adoption date.

Objective 1.3 Foster Alignment with International Standards

We support the Board's stated intention to reduce unnecessary differences between PCAOB standards and international auditing standards. Standard setters and audit practitioners have acknowledged that multiple sets of auditing standards can confuse auditors and, thus, be detrimental to audit quality (Cullinan, Earley, and Roush 2013). In its recent request for comments on its standard-setting agenda, the Board identified appropriate factors that warrant divergence from international auditing standards:

- Consider relevant requirements of U.S. federal securities law, including SEC regulations, and other PCAOB standards and rules;
- Meet the needs of investors in U.S. publicly listed companies;
- Retain requirements in current PCAOB standards that are not covered in standards of other standard setters;
- Address specific emerging risks and problems observed through our oversight activities that impact U.S. public companies and registered broker-dealers. (PCAOB 2026b, 14).

Objective 1.4 Advance Responsive, Risk-Based Standard-Setting Priorities

We agree that the PCAOB should focus its priorities on the areas of greatest impact. We encourage the Board to embrace elements of agile standard setting to rapidly respond to emerging areas of audit risk (Christensen, Emett, Ho and Wood 2026). Timely illustrative guidance (e.g., related to emerging issues) could be a highly effective component of these efforts.

Goal #2: Modernize the Inspections and Registration Programs

The Board has identified five objectives related to its goal to modernize its inspections and registration programs: focus inspections on firms' systems of quality control; improve inspection report clarity and timeliness; revise evaluation and reporting of remediation determinations; establish a permanent broker-dealer auditor inspection program; and assess and enhance the first registration process.

Objective 2.1 Focus Inspections on Firms' Systems of Quality Control

The Sarbanes-Oxley Act (SOX) identifies three areas for PCAOB inspection: (1) individual audit engagements, (2) the firms' system of quality control, and (3) "other testing of the audit, supervisory, and quality control procedures of the firm as are necessary or appropriate in light of the purpose of the inspection and the responsibilities of the Board" (U.S. House of Representatives 2002). We understand that the Board intends to shift the focus of inspections to place less emphasis on individual audit engagements and more emphasis on firms' systems of quality control. Although a shift in emphasis is within the Board's discretion, we caution the Board to consider the potential implications and unintended consequences.

SOX requires the Board to "inspect and review selected audit engagements of the firm . . . performed at various offices and by various associated persons of the firm, as selected by the Board" (U.S. House of Representatives 2002). The requirement to inspect individual audit engagements is essential because audit quality depends on the competence, objectivity, and due care exercised by the individuals assigned to the engagement teams that perform audits. We caution the Board not to view inspections of individual audit engagements as "supplemental," but an integral part of the inspection process.

At its inception, the PCAOB decided to expand the scope of inspections beyond individual audit engagements and quality controls to include firms' business practices, including partner compensation and marketing efforts (Keyser 2024a). We urge the Board to continue to examine how compensation structures, promotion systems, engagement economics, and performance incentives influence audit quality. Research consistently suggests that organizational incentives can significantly affect auditor judgment and behavior (e.g., McDaniel 1990; Andiola, Downey, and Westermann 2020; Christensen, Schmardebeck, and Seidel 2022). A deeper assessment of incentive systems and audit firm governance would strengthen a quality-control-centered inspection model. The Board should pay particular attention to the influence of private equity investors on firms' quality control systems (Donahoo, Nielson, and Pickerd 2026; Csere, Jenkins, Mathis, and Negangard 2026; Keyser and Smith 2026).

Objective 2.2 Improve Inspection Report Clarity and Timeliness

SOX requires the Board to issue a written report for each inspection and provide that report to the Securities and Exchange Commission (SEC) and the public (U.S. House of Representatives 2002). However, the inspection reports are not intended to provide market data to the public, but to incentivize auditors to improve performance in deficient audit areas (Keyser 2024b). The Board should always prioritize the timely, accurate, and complete feedback to firms regarding deficient audit areas over the timely communication of inspection results to the public.

We understand that some audit firms review their peers' inspection reports to improve their own audit quality. For this purpose, the PCAOB could further enhance inspection effectiveness by providing additional information regarding recurring deficiencies, root causes of audit failures, and common quality-control weaknesses observed across firms. This information does not need to be provided at the individual firm level but could be provided at the industry level.

Objectives 2.3 Revise Evaluation and Reporting of Remediation Determinations

We support the Board's goal to provide more timely monitoring and assessment of firms' remediation efforts. Bills, Keyser, Petcheva, and Zimmerman (2025) identify challenges firms face when they do not receive remediation information and determinations on a timely basis. Greater transparency regarding successful and unsuccessful remediation efforts would provide valuable information to audit firms, audit committees, investors, and researchers. Sharing lessons learned from remediation processes could encourage adoption of effective corrective actions throughout the profession.

Objective 2.4 Establish a permanent broker-dealer auditor inspection program

Congress imposed the requirement for the PCAOB to conduct inspections of broker-dealers when it passed the Dodd-Frank Act in 2010 (U.S. House of Representatives 2010). The Board implemented an interim inspection program for brokers and dealers in August 2011 (PCAOB 2012). To the extent that the interim program satisfies the requirements of the Dodd-Frank Act, the Board should simply adopt it as its permanent program so that resources are not diverted from the regulation of auditors of SEC registrants.

Objective 2.5 Assess and Enhance the Firm Registration Process

The Board should consider eliminating this objective. The registration process has not historically been used as a "gatekeeping mechanism" (Keyser 2024a). Instead, the registration process makes a firm subject to the PCAOB's jurisdiction for inspections, investigations, and disciplinary actions. The Board's strategic focus may be spent in other areas it has identified.

Goal 3: Sharpen Enforcement Focus to Conduct Harmful to Investors

Objective 3.1 Focus Enforcement on Significant Risks to Investors and Market Integrity

The draft states that the Board intends to concentrate enforcement activity on "significant violations that present meaningful risks to investors, audit integrity, and the integrity of U.S. capital markets." For example, as discussed in our comment letter on the Board's strategic priorities, the Board should treat enforcement as a "last resort to support inspections" (Barr-Pulliam, Dennis, Holt, Keyser, McAllister, and Zimmerman 2026b). Therefore, the PCAOB should use its enforcement powers to maintain the integrity of the inspection process and continue to investigate and discipline auditors involved in activities that comprise the inspection process, such as backdating of workpapers and making false representations to inspectors.

Objective 3.2 Clarify Enforcement Principles and Priorities and Strengthen SEC Coordination

The PCAOB could further improve predictability and accountability by publishing periodic summaries of enforcement themes, recurring misconduct patterns, and key factors influencing enforcement decisions. Enhanced transparency would help regulated entities better understand expectations and align behavior accordingly.

Goal 4: Deepen Stakeholder Engagement and Communication

Objective 4.1 Strengthen Stakeholder Engagement to Inform Oversight Priorities and Communications

We appreciate the PCAOB's efforts to engage with the academic community, including attendance at our mid-year auditing section meeting and sponsoring the annual Conference on Auditing and Capital Markets. The PCAOB could establish additional mechanisms for incorporating academic research into its oversight activities (e.g., academic advisory panels, research roundtables, sponsored research initiatives, and periodic consultations with audit researchers). Independent academic evidence can provide valuable insights regarding regulatory effectiveness, emerging risks, and behavioral responses to oversight.

Objective 4.2: Improve Organizational Transparency and Accountability

As we discussed in our comment letter on the PCAOB's strategic priorities, the Board could enhance transparency by including more information in its annual report (Barr-Pulliam et al. 2026b). See Appendix A of that comment letter for specific recommendations on relevant information that could be added to the annual report.

Goal 5: Modernize Oversight through Technology and Data

Objective 5.1: Enable Data-Driven, Risk-Based Oversight Capabilities

We support the Board's goal to leverage data-driven and technology-enabled oversight capabilities. As discussed in our comment letter on the Board's strategic priorities, robust IT infrastructure is foundational to the Board's ability to regulate effectively (Barr-Pulliam, Dennis, Holt, Keyser, McAllister, and Zimmerman 2026b).

Objective 5.2 Develop Internal Technology, Data and AI Capabilities

The draft states that the Board intends to ensure the PCAOB "remains equipped to oversee an increasingly technology-enabled audit environment." We appreciate and support these efforts. The PCAOB should ensure that it continues to have sufficient resources to evaluate the advanced, evolving, and emerging technologies that registered firms deploy on audit engagements.

Goal 6: Strengthen Organizational Effectiveness and Stewardship

Objective 6.1: Advance Organizational Effectiveness Through Disciplined Investment

We appreciate and support the Board's goal of strengthening its effectiveness through prudent investment of resources.

Objective 6.2: Strengthen Mission-Critical Organizational Culture and Workforce Capabilities

Attracting and maintaining skilled professionals is vital to supporting the Board's strategic priorities. We support the Board's efforts to strengthen these capabilities.

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