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July 9, 2026

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

Via Email to comments@pcaobus.org

Re: PCAOB Rulemaking Docket Matter No. 057, *Supplemental Request for Comment: Proposed Amendments to QC 1000,* A Firm's System of Quality Control*, and Related Rule and Forms*

Dear Office of the Secretary:

Grant Thornton LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or Board) Rulemaking Docket Matter No. 057, *Supplemental Request for Comment: Proposed Amendments to QC 1000,* A Firm's System of Quality Control (QC 1000), *and Related Rule and Forms* (SRC).

We appreciate the Board's continued consideration of stakeholder feedback and its efforts to improve both the clarity and operability of QC 1000. Overall, we support the proposed amendments, which enhance practical implementation while preserving the objective of supporting high-quality audits.

We respectfully submit our comments and recommendations for the Board's consideration, including the accompanying Appendix to this letter that contains our responses to the questions posed in the release document.

Principles-based flexibility

We support the Board's movement toward more principles-based requirements in the targeted areas, which allow firms to design and operate quality control (QC) systems that reflect their specific facts and circumstances. Greater flexibility, such as permitting more tailored assignment of roles and responsibilities, removing prescriptive constraints, and allowing firms to select their evaluation date, supports the development of more effective and sustainable QC systems. These changes strengthen accountability and support high-quality engagements under PCAOB standards in the public interest and for the protection of investors.

Alignment and consistency

We strongly support amendments that improve alignment with other existing quality management frameworks, including International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* and Statement on Quality Management Standards (SQMS) No. 1, *A Firm's System of Quality Management*. The removal of requirements that diverge from these frameworks, such as the design-only requirement and the concept of a "major QC deficiency," as well as the elimination of the External QC Function (EQCF) requirement, represents meaningful progress. Greater alignment promotes consistency, reduces unnecessary complexity, and supports firms that operate in multiple regulatory environments.

Operational clarity

We believe continued engagement between the Board and stakeholders will further support the effective application of QC 1000. In particular, areas such as monitoring and remediation, evaluation of similar engagement deficiencies across engagements, and documentation requirements would benefit from ongoing dialogue and implementation guidance, as firms operationalize the requirements in practice. Continued interaction, whether through outreach, the consultation process with the Office of the Chief Auditor, or informal and formal post-implementation review, would allow the Board to better understand firms' experiences, while providing firms with greater confidence in applying the requirements as intended.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Craig Woodfield, National Managing Partner of Assurance Quality and Risk, at 212-542-9735 or Craig.Woodfield@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP

Grant Thornton

Appendix

Responses to questions within the SRC

Question 1: Is the proposed rescission of the design-only requirement appropriate? Why or why not?

We believe that rescinding the design-only requirement appropriately refocuses QC 1000 on firms that are subject to applicable professional and legal requirements with respect to engagements under PCAOB standards. With this rescission, the proposed amendment better aligns the scope of the standard with its underlying objective, which is to support the consistent performance of high-quality engagements, rather than requiring preemptive system design in the absence of such engagements. We believe this is a more targeted and risk-based approach.

Further, eliminating the design-only requirement improves consistency with other quality management frameworks, including ISQM 1 and SQMS 1, which are generally applied in the context of firms performing engagements. This alignment reduces unnecessary complexity for firms operating across multiple regulatory environments and supports more efficient and coherent implementation of QC systems.

Consistent with our previously submitted comments on QC 1000, we have observed that incremental and prescriptive requirements can create meaningful implementation challenges, including increased costs and operational disruption, without yielding clear corresponding benefits. The rescission of the design-only requirement is a measured step toward addressing those concerns by removing a requirement that is not demonstrably linked to improved audit quality outcomes.

Finally, and of utmost importance, we believe the proposed amendment does not diminish investor protection. Firms that perform engagements under PCAOB standards would remain fully subject to QC 1000 requirements, including the design, implementation, and operation of an effective QC system. Accordingly, the Board's objective of promoting high-quality audits is preserved, while unnecessary burdens on other registered firms are reduced.

Question 2: Is there a measurable benefit for retaining some form of design-only requirement under the requirements of ISQM 1 or SQMS 1 for firms that do not perform engagements under PCAOB standards? If so, do the benefits justify the cost of compliance? Why or why not?

We do not believe there is a measurable benefit to retaining a design-only requirement for firms that do not perform engagements under PCAOB standards and, therefore, do not believe any such benefit would justify the associated costs of compliance.

We note that ISQM 1 and SQMS 1 are generally applied in the context of firms performing engagements. Requiring a design-only system outside of that context would introduce incremental complexity and divergence, without generating a clear quality-related benefit. Eliminating this requirement supports greater alignment across frameworks and reduces unnecessary burdens for firms operating in multiple regulatory environments.

Consistent with our broader comments previously submitted on QC 1000, we believe regulatory requirements are most effective when they are closely tied to activities that directly affect audit quality, whether related to audit or other assurance engagements. In this case, we do not believe a design-only requirement meets that objective and, as such, do not support retaining it in any form.

Question 3: Are there activities that should trigger a QC-system design requirement before a firm becomes subject to applicable professional and legal requirements in connection with an engagement? If so, what are they, and why should they trigger a design requirement?

We do not believe a broad or prescriptive set of activities should trigger a QC system design requirement before a firm becomes subject to applicable professional and legal requirements in connection with an engagement. Consistent with our responses to Questions 1 and 2, QC requirements are most effective when directly linked to the performance of engagements within the PCAOB's jurisdiction. Introducing pre-engagement triggers could reintroduce complexity and cost without a clear connection to audit quality, particularly if such triggers are defined broadly or applied inconsistently across firms.

Question 4: Are the proposed amendments to paragraph .12, to allow (a) the specified roles and responsibilities to be assigned to individuals who are not firm personnel and (b) firms to divide responsibilities of a role among multiple individuals, sufficiently clear and appropriate? If not, why not?

We support the proposed amendments to paragraph .12 and believe they are sufficiently clear and appropriate. The proposed amendments are responsive to concerns we have raised in previous comment letters and reflect a meaningful shift toward a more principles-based framework. In particular, allowing specified roles and responsibilities to be assigned to individuals who are not firm personnel, and permitting firms to divide responsibilities among multiple individuals, better accommodates the diverse organizational structures that exist across firms.

We believe these amendments will promote thoughtful and effective allocation of responsibilities, enabling firms to align roles with the appropriate expertise, experience, and capacity. In doing so, the amendments help mitigate the risk that responsibilities assigned to a single individual become overly concentrated or operationally untenable, particularly in larger firms. At the same time, the requirement continues to preserve clear accountability within the QC system, as firms remain responsible for appropriately defining, assigning, and overseeing these roles within their governance structures. Overall, we believe the amendments strike an appropriate balance between flexibility and accountability, which will support the design and operation of more effective QC systems and, ultimately, enhance audit quality.

Question 5: Are the proposed conforming amendments to paragraphs .15-.17 sufficiently clear? If not, why not?

We believe the proposed conforming amendments to paragraphs .15–.17 are sufficiently clear and appropriately aligned with the revisions to paragraph .12. In particular, the amendments reinforce a more principles-based approach by allowing firms to implement governance and accountability structures that reflect their specific size, complexity, and organizational model, while preserving the core expectation that responsibilities are clearly defined and effectively carried out.

Question 6: Would the proposed amendments to paragraphs .12 and .15-.17 support audit quality? Why or why not?

We believe that the proposed amendments to paragraphs .12 and .15-.17 support audit quality by providing firms with greater flexibility to assign and structure quality control roles and responsibilities to individuals who have the appropriate expertise, experience, and capabilities. This increases the likelihood that key QC activities are performed effectively and consistently, rather than being constrained by rigid role structures that may not reflect how firms operate.

Importantly, we believe these amendments enhance audit quality outcomes by promoting the effective execution of quality control responsibilities, while maintaining accountability for results. Taken together, the amendments help firms operationalize their QC systems more effectively, supporting consistent performance of high-quality audits and enhancing investor confidence.

Question 7: Should the proposed amendments to paragraphs .12 and .15-.17 be available only on a scaled basis (e.g., only to firms that issued audit reports for fewer than 100 issuers in the prior calendar year)? If so, why, and what should the relevant thresholds be?

We do not believe the proposed amendments to paragraphs .12 and .15–.17 should be limited to firms on a scaled basis. In our view, the flexibility introduced by these amendments is equally, if not more, important for larger firms, given the increased complexity, geographic dispersion, and specialization inherent in their operating models. Limiting the availability of these provisions could create unnecessary operational challenges, particularly in identifying individuals with the appropriate expertise and capabilities to fulfill specified roles within a more rigid structure. We also believe that applying these amendments only to smaller firms could have unintended

consequences for audit quality. Allowing firms of all sizes to distribute responsibilities across individuals and leverage specialized expertise supports a more effective execution of QC processes, clearer accountability in practice, and more timely identification and remediation of identified deficiencies.

Accordingly, we believe the amendments should be available to all firms, regardless of size, as a principles-based approach that enables firms to design governance and accountability structures that best support the consistent and effective delivery of high-quality engagements.

Question 8: Are there additional costs and benefits of the proposed removal of the EQCF requirement that should be considered?

We appreciate the Board's responsiveness to stakeholder feedback in proposing the removal of the EQCF requirement. We fully support eliminating this requirement, as we believe the elimination appropriately addresses previously identified implementation challenges and removes a provision that would have imposed significant operational complexity without delivering a clear, commensurate benefit to audit quality.

Based on our understanding of the SRC and the Board's analysis, we do not believe there are additional costs or benefits that have not already been appropriately considered. In particular, the removal of the EQCF requirement is expected to reduce unnecessary compliance burdens and practical challenges, such as identifying sufficiently qualified and independent individuals, while preserving the core elements of a robust QC system. We believe that the remaining requirements continue to provide a strong framework for oversight, accountability, and evaluation of QC systems, such that audit quality and investor protection are not diminished.

Question 9: Would the alternative approach of retaining the EQCF requirement only for firms that issued audit reports with respect to more than 500 issuers during the prior calendar year be appropriate? Why or why not?

We do not believe the alternative approach of retaining the EQCF requirement only for firms that issued audit reports for more than 500 issuers would be appropriate. As noted in our response to Question 8, we support the complete removal of the EQCF requirement.

Applying a threshold does not address the fundamental concerns regarding the operational complexity, cost, and limited incremental benefit of the requirement. The challenges associated with identifying suitably qualified and independent individuals, as well as integrating the EQCF into existing governance structures, would remain for firms above any threshold. We also do not believe that limiting the requirement to larger firms would result in a commensurate improvement in audit quality. Generally, larger firms already have established governance and oversight mechanisms within their QC systems, and the EQCF requirement risks duplicating these processes without delivering a clear benefit to audit quality.

As such, we believe the EQCF requirement should not be retained, whether on a scaled or universal basis.

Question 10: Is there an alternative threshold that would be appropriate? If so, what is that threshold and why would it be appropriate?

For the reasons described in our response to Questions 8 and 9, we do not believe an alternative threshold would be appropriate.

Question 11: Would the alternative approach of adopting the requirement for an independent oversight function in the form initially proposed be appropriate? Why or why not?

For the reasons described in our response to Questions 8 and 9, we do not believe an alternative approach would be appropriate.

Question 12: Are there other mechanisms that provide an independent oversight function that should be considered? If so, what are they, and what are their associated costs and benefits?

We do not believe additional mechanisms for an independent oversight function need to be considered beyond the principles-based governance requirements already embedded in QC 1000.

As designed, QC 1000 provides a comprehensive, principles-based framework that requires firms to establish appropriate governance structures, assign clear roles and responsibilities, and implement monitoring and remediation processes that collectively support the effective oversight of the QC system. These requirements inherently allow for and, in many cases, already result in the incorporation of independent perspectives within a firm's governance and quality management processes, tailored to the firm's size, complexity, and organizational structure.

Therefore, we believe the current principles-based approach, with the rescission of the EQCF requirement, appropriately allows firms to determine whether and how independent input should be incorporated into their QC systems, and no further prescriptive mechanisms are necessary.

Question 13: Are the proposed amendments to paragraph .53e sufficiently clear and appropriate? If not, why not?

We support the proposed amendments to paragraph .53e and believe they are sufficiently clear and appropriate. We appreciate the Board's responsiveness to stakeholder feedback and believe the proposed amendments appropriately narrow the scope of information subject to this requirement. In our view, this refinement improves the practical implementation of the requirement by focusing on information that is most relevant to the effective functioning of the QC system, while reducing the risk of over-collection or inclusion of information that may not meaningfully contribute to quality outcomes.

We believe this more focused approach is important to ensuring that firms are able to identify, capture, and use information that is reliable, relevant, and actionable. Overly broad requirements in this area could create challenges in practice, including difficulty in distinguishing critical information from less relevant data, which could reduce the overall effectiveness of the QC system. In that respect, we believe the proposed amendments are a positive step toward improving clarity and usability.

Overall, we believe the proposed amendments meaningfully improve the clarity and focus of the requirement and are supportive of effective QC system design and operation.

Question 14: Would allowing firms to provide an explanation of metrics on their website adversely affect the utility and comprehensibility of metrics made public for investors and other users? If so, how?

We do not believe that allowing firms to provide explanations of metrics on their website would adversely affect the utility and comprehensibility of those metrics. Given current technology capabilities and the dissemination of public information electronically, firms can provide explanations in a way that is easily accessible through hyperlinks or similar mechanisms, without detracting from the clarity of the reported metrics themselves.

If firms were to choose this approach, we believe it may, in fact, enhance the overall usefulness of the information for investors and other users. Providing supplemental context outside of the primary disclosure allows firms to clearly present standardized metrics while also offering more detailed explanations, assumptions, or qualitative insights, where necessary. This layered approach helps avoid overloading core disclosures, while still enabling users to access additional information when desired.

In addition, maintaining explanations on a firm's website provides flexibility for firms to timely update or refine contextual information, which could improve the relevance and timeliness of disclosures. This is particularly important where metrics may evolve or further clarification is needed to support consistent interpretation by users.

Overall, we believe this approach strikes an appropriate balance between clarity, accessibility, and flexibility, and supports the important objective of providing decision-useful information to investors and other stakeholders.

Question 15: Are the proposed amendments to paragraphs .68a and .68d sufficiently clear and appropriate? Why or why not?

We generally support the proposed amendments to paragraphs .68a and .68d and believe they provide needed clarity. The amendments take a more risk-based approach to a firm's analysis of similar engagement deficiencies by focusing attention on those engagement deficiencies that are most relevant to evaluating the effectiveness of the QC system. This improvement directs firms' efforts toward areas that have the greatest potential impact on audit quality.

Importantly, we believe the amendments will improve audit quality outcomes by encouraging firms to focus on identifying patterns, root causes, and broader implications of engagement deficiencies, rather than treating all deficiencies as equally impactful. This more targeted focus supports more effective monitoring and remediation, enabling firms to respond in a timely and meaningful way to issues that could affect multiple engagements or indicate systemic risks.

Nevertheless, we note that the assessment of whether an engagement deficiency "could result in" an inappropriate audit opinion or a failure to obtain sufficient appropriate audit evidence remains inherently judgmental. As a result, firms may

reasonably reach different conclusions regarding the potential impact of identified engagement deficiencies, even when evaluating similar facts and circumstances.

Question 16: What, if any, additional direction is needed regarding paragraph .68d?

While we support the proposed revisions to paragraph .68d, we believe the profession would benefit from additional guidance to promote consistent and effective application. In particular, illustrative examples that include information on the nature of the engagement deficiencies, the identified root cause(s), and the procedures performed to evaluate whether similar engagement deficiencies exist on different engagements would help firms operationalize the requirement as intended by the Board, especially in the context of evaluating whether an engagement deficiency has broader implications for other engagements or the QC system as a whole.

The example included in the SRC does not, in our view, clearly demonstrate the intended application of the "could result in" threshold in the proposed amendment. Specifically, if cash was not a significant account and the failure to perform cash confirmation procedures did not result in a failure to obtain sufficient appropriate audit evidence, it is unclear whether the fact pattern would constitute an engagement deficiency.

Given the importance of this concept within the monitoring and remediation process, we believe the PCAOB could clarify paragraph .68d by providing a more robust set of examples. Specifically, it would be helpful to include a range of scenarios that distinguish between engagement deficiencies and identified root cause(s) that (1) are indicative of systemic issues and may impact other engagements and (2) are more isolated or limited in nature and do not have broader implications.

Providing such examples would support more consistent interpretation and application across firms, reduce unnecessary subjectivity, and help ensure that firms focus their efforts on matters most relevant to audit quality. We believe this additional guidance would meaningfully enhance the operability of the requirement, particularly as firms prepare for implementation ahead of the effective date.

Question 17: Would the proposed amendments to .68d reduce the complexity, subjectivity, or costs associated with evaluating engagement deficiencies across other engagements? Please explain.

Given our feedback on Questions 15 and 16, it is difficult to determine whether the proposed amendments will meaningfully reduce complexity, subjectivity, or implementation costs. We believe additional implementation guidance, particularly in the form of illustrative examples, would enhance consistency in application and help maximize these benefits.

Question 18: Are the proposed amendments to the definition of QC deficiency to take into account other quality responses (e.g., compensating responses) appropriate and clear? Why or why not?

We support the proposed amendments to the definition of QC deficiency and believe they are both appropriate and provide needed clarity. We believe explicitly acknowledging the role of other quality responses, including compensating

responses, represents an important refinement that better reflects how QC systems operate in practice.

We believe this approach will improve the evaluation of QC observations and the determination of whether a QC deficiency exists by promoting a more balanced and holistic assessment of the effectiveness of the QC system. Rather than viewing identified QC observations in isolation, the proposed definition appropriately allows firms to consider whether other aspects of the QC system mitigate the potential effects of the underlying matter when determining whether a QC deficiency exists. This is consistent with a principles-based, risk-focused framework and supports more meaningful conclusions about the overall effectiveness of the QC system.

From an audit quality perspective, we believe the amendments will help firms better distinguish between QC observations or deficiencies that represent systemic weaknesses and those that are mitigated by other controls or responses. This should enhance the focus of monitoring and remediation efforts on issues that have the greatest potential impact on audit quality, while avoiding unnecessary escalation of matters that are appropriately addressed within the QC system.

Overall, we believe the proposed amendments improve both the clarity and operability of the definition and support more consistent, decision-useful evaluations of QC system effectiveness.

Question 19: Is permitting firms to choose their own evaluation date to conclude on the effectiveness of the QC system appropriate? Why or why not?

We support permitting firms to choose their own evaluation date to conclude on the effectiveness of the QC system. We previously expressed concerns with the prescribed September 30 evaluation date and believe the proposed flexibility is responsive to those concerns, representing a meaningful improvement of the requirement. We believe this principles-based approach improves both the practicality and effectiveness of the requirement, while maintaining appropriate accountability for firms to perform a timely and rigorous evaluation of their QC systems.

Allowing firms to select an evaluation date that aligns with their internal processes, reporting cycles, and governance structures enables a more effective and disciplined evaluation. A fixed date may not align with how firms monitor and assess their QC systems in practice, potentially resulting in inefficiencies or evaluations that are less reflective of actual system performance. By contrast, providing flexibility allows firms to conduct evaluations at a point in time when relevant information is complete and decision-useful, thereby supporting a more robust and reliable assessment of effectiveness.

From an audit quality perspective, we believe this change will enhance the quality of firms' evaluations by promoting more thoughtful and well-supported conclusions. When firms are able to align the evaluation date with the natural cadence of their monitoring and remediation activities, they are better positioned to identify trends, assess the impact of remediation efforts, and reach conclusions that more accurately reflect the state of the QC system.

Question 21: Is the proposed evaluation framework for concluding on the effectiveness of a firm's QC system, including the three proposed conclusions in paragraph .77, sufficiently clear and appropriate? Why or why not?

We believe the proposed framework for concluding on the effectiveness of a firm's QC system is sufficiently clear and that the three proposed conclusions are appropriate and should be retained. In our view, the three-tiered framework aligns more closely with other quality management standards and enhances transparency by allowing firms to differentiate between varying degrees of effectiveness, rather than requiring a binary outcome that may not fully reflect the nature and significance of identified QC deficiencies.

In particular, we believe the availability of an intermediate conclusion (the "except for" conclusion) is important in circumstances where QC deficiencies are severe but not pervasive to the QC system. Absent this distinction, such matters could result in a conclusion that the QC system is not effective, even when the QC deficiencies are isolated, well-understood, and not indicative of broader systemic issues. The proposed framework allows firms to more clearly communicate the nature and impact of such deficiencies, providing a more balanced and decision-useful view of QC system effectiveness.

From an audit quality perspective, we believe this approach promotes more thoughtful and rigorous evaluation by encouraging firms to assess both the severity and pervasiveness of QC deficiencies in a structured way. It also supports more targeted remediation efforts by distinguishing between systemic issues and more isolated matters. In doing so, the framework reinforces a focus on continuous improvement while maintaining appropriate accountability.

Overall, we believe the proposed evaluation framework strikes an appropriate balance between clarity, transparency, and operational practicality, and provides a more meaningful basis for evaluating and communicating the effectiveness of a firm's QC system.

Question 22: Are the factors to evaluate the severity and pervasiveness of unremediated QC deficiencies sufficiently clear and appropriate? Why or why not?

We believe the proposed factors for evaluating the severity and pervasiveness of unremediated QC deficiencies are generally clear and appropriate as well as align with a principles-based approach. The framework appropriately emphasizes the nature, impact, and potential systemic implications of QC deficiencies, which are critical considerations in assessing the effectiveness of a firm's QC system.

While the application of these factors will involve professional judgment, we believe the proposed framework provides a sufficient foundation for consistent evaluation in practice. Overall, we believe the factors support a more thoughtful and risk-based assessment of QC deficiencies and contribute to more meaningful evaluations of QC system effectiveness.

Question 23: Is the proposed removal of "major QC deficiency" from QC 1000 appropriate? Why or why not?

We support the proposed removal of the term "major QC deficiency" from QC 1000. As noted in our previous comment letters, the introduction of this term represented a fundamental departure from ISQM 1 and SQMS 1, which would have reduced consistency across quality management frameworks. Such divergence introduced unnecessary complexity for firms operating in multiple regulatory environments and risked creating confusion in how QC deficiencies are identified, evaluated, and communicated.

We also believe that retaining a separate category of "major QC deficiency" is not necessary to achieve a robust and effective evaluation of QC systems. The existing framework, including the evaluation of the severity and pervasiveness of QC deficiencies, provides a sufficiently strong and principles-based approach for distinguishing between matters of varying significance. In that context, introducing an additional defined term risks creating artificial distinctions that may not meaningfully improve the quality of evaluations or engagement outcomes.

We appreciate the Board's responsiveness to stakeholder feedback in proposing to eliminate this concept. In our view, its removal will enhance clarity, improve alignment with other quality management standards, and support more consistent and effective evaluations of QC system effectiveness.

Question 24: What, if any, additional direction is needed regarding the possible conclusions on the effectiveness of the firm's QC system in paragraph .77?

We support the proposed conclusions on the effectiveness of a firm's QC system in paragraph .77. However, we believe implementation guidance would be helpful regarding the treatment of subsequent events occurring between the evaluation date and the report date. For example, guidance addressing how firms should evaluate newly identified deficiencies, inspection results, remediation outcomes, or other quality-related matters that become known during this period would assist firms in determining whether such information provides evidence about conditions that existed as of the evaluation date and, if so, how it should be reflected in the firm's evaluation conclusion under paragraph .77. Such guidance would promote greater consistency in the application of the evaluation framework.

Question 25: Are the proposed conforming amendments to Rule 2203A and Form QC appropriate? Why or why not?

We support the proposed conforming amendments to Rule 2203A and Form QC and believe they are appropriate in light of the Board's proposed changes to QC 1000. Aligning these reporting requirements with the revised framework promotes consistency and supports more accurate and meaningful reporting of a firm's QC system and its evaluation thereof.

We believe the Board's approach to addressing changes in a firm's evaluation date is reasonable and operationally practical, as it helps ensure that the PCAOB receives current and decision-useful information regarding a firm's QC system and evaluation period.

Question 26: Would the alternative evaluation framework with a binary conclusion (i.e., that the QC system is either effective or not effective in achieving the reasonable assurance objective) be more appropriate for evaluating the effectiveness of the QC system? Why or why not?

We do not support a binary conclusion framework for the reasons described in our response to Question 21, including our view that the proposed three-tiered framework provides greater transparency and more appropriately reflects the range of potential QC system outcomes. A binary approach may not sufficiently capture situations where QC deficiencies are severe but not pervasive and could therefore result in conclusions that do not fully reflect the effectiveness of the QC system.

In addition, we believe a binary framework may reduce the decision-usefulness of the evaluation by oversimplifying complex circumstances, potentially obscuring important distinctions in the severity and impact of identified QC deficiencies. By contrast, the three-tiered approach enables a more nuanced and informative assessment, which supports clearer communication, more targeted remediation, and ultimately more meaningful insights into the effectiveness of a firm's QC system.

Question 28: Are the proposed amendments to paragraph .84 sufficiently clear and appropriate? If not, why not?

We believe the proposed amendments represent an improvement over the previous documentation requirements. However, we continue to have significant concerns regarding the clarity and practical application of certain aspects of the amendments, particularly the extent of documentation that would be required to demonstrate the operation of quality responses in a manner that would enable an experienced auditor to understand and evaluate the operation of the quality responses, as well as the expectation of "timely retrieval of documentation" that is not maintained in the quality monitoring tool.

Unlike an audit or attestation engagement, a QC system is continuous and does not have a defined end point. While firms may evaluate the QC system as of a particular date, the underlying processes and documentation continue to evolve. This creates challenges in determining when documentation is sufficiently complete and what level of detail is necessary to retain in order to meet the documentation requirements. For example, it is unclear whether firms would be expected to retain informal communications, such as emails, beyond standard retention periods if they relate to QC processes. Similarly, response owners may maintain support for the operation of a quality response, such as meeting notes, in SharePoint sites or other repositories outside centralized systems that are subject to established retention policies. In our view, the proposed retention requirement heightens the need for greater clarity regarding the nature and extent of documentation expected to demonstrate the operation of quality responses, as firms would otherwise need to identify, monitor, and retain documentation across a broad range of decentralized locations.

It is also unclear how firms should address documentation residing in systems or applications that have been replaced during the evaluation period. In practice, expectations in these areas could result in documentation requirements that are

operationally complex and difficult to manage, without providing a commensurate benefit.

We ask the Board to provide additional implementation guidance or examples to further enhance operability. We believe further clarification, particularly regarding expectations for documentation at a point in time and the scope of materials expected to be retained to support QC conclusions, would support more consistent and practical application.

Question 29: Is the proposed amendment to retain documentation for five years sufficiently clear and appropriate? If not, why not?

We believe the proposed five-year retention requirement is sufficiently clear and support the reduction from the seven-year period previously contemplated.

However, as noted in our response to Question 28, ongoing uncertainty regarding the scope of documentation required to demonstrate the operation of quality responses introduces practical challenges. In that context, a fixed five-year period could exacerbate operability concerns, particularly where documentation resides across decentralized systems or informal channels.

While the revision is a positive step, we encourage the Board to consider whether a shorter or more flexible approach, together with greater clarity on documentation expectations, could achieve the intended objectives in a more practical and scalable manner, while achieving the overall objective of the proposal.

Question 30: Are the proposed amendments to Form 1 and Form 2 in Appendix 3 appropriate? If not, why not?

We believe the proposed amendments to Form 1 and Form 2 are appropriate in light of the Board's proposed changes to the QC 1000 requirements. Aligning these forms with the revised framework helps to ensure consistency between the underlying requirements and the related reporting obligations.

We also believe the proposed amendments will reduce unnecessary administrative burden created by the original requirements, particularly where disclosures may have extended beyond what is necessary to convey meaningful information about a firm's QC system. By refining the scope of information required, the amendments support more focused and relevant reporting.

Question 31: Should a firm applying for registration be required to report on Form 1 which quality management standard(s) (e.g., QC 1000, ISQM 1, or SQMS 1) its QC policies are based on?

While such disclosure could provide helpful context regarding a firm's approach to quality management, its relevance may be limited in practice, as firms will ultimately be required to comply with PCAOB standards when performing engagements within the Board's jurisdiction. We further note that ISQM 1 and SQMS 1 are substantially converged such that the resulting QC system would generally align with both sets of standards, even if it is not required to be. Therefore, we believe the appropriateness of this requirement likely depends on the Board's intended use of the information.

Question 34: Have the economic considerations fairly considered the potential impacts of the proposed amendments? If not, please describe any other potential economic impacts of the proposed amendments. To the extent feasible, please quantify your response and explain your methodology.

We appreciate the robust economic analysis provided by the Board in the SRC and its consideration of both the costs and expected benefits of the proposed amendments. In particular, we believe the analysis appropriately recognizes the potential for certain amendments to reduce unnecessary operational burdens, while maintaining the overall objective of supporting audit quality.

Consistent with our responses throughout this letter, we believe many of the proposed amendments are likely to improve efficiency in the design and operation of QC systems. These changes should help reduce incremental compliance costs and allow firms to better focus their resources on activities that have the greatest impact on audit quality.

At the same time, certain areas, such as documentation expectations, monitoring and remediation processes, and evaluation of deficiencies, may still involve implementation complexity and associated costs, particularly as firms establish and refine their approaches. While these impacts may be difficult to quantify at this stage, we believe the proposed amendments overall strike an appropriate balance between costs and benefits and also support the development of effective and scalable QC systems.