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

9 July 2026

Re: PCAOB No. 2026-002, Supplemental Request for Public Comment: Proposed Amendments to QC 1000, A Firm's System of Quality Control, and Related Rule and Forms

Dear Ms. Brown:

Ernst & Young LLP appreciates the opportunity to respond to the PCAOB No. 2026-002 supplemental request for public comment from the Public Company Accounting Oversight Board (PCAOB or Board) regarding the Board's proposed amendments to QC 1000, *A Firm's System of Quality Control, and Related Rule and Form*. We support the PCAOB's commitment to stakeholder engagement since the Securities and Exchange Commission (SEC) approved QC 1000 in 2024, and we applaud the Board for taking the necessary steps to address the consistent themes that have arisen throughout this stakeholder engagement. We support the Board's proposed amendments and believe they would improve the standard by increasing consistency between QC 1000 and ISQM 1,[1] reducing incremental costs that outweigh benefits, and focusing on what is most important to achieve the mission of advancing audit quality.

Furthermore, we encourage the Board to utilize its newly announced consultation process so practitioners can consult with the PCAOB's Office of the Chief Auditor on remaining interpretive matters in QC 1000 and beyond. As currently designed, the scope of items that qualify for consultation may appear to be limited given the nature of firms' implementation processes, including dry runs (i.e., situations cannot relate to "activities or conduct that has already occurred"[2]). We encourage the Board to consider designing the firm consultation process in a way that promotes open two-way dialogue on interpretative issues that are facing practitioners. This will help provide clarity and confidence to auditors and issuers, facilitate consistent application of professional standards, minimize unintended consequences, and in turn help protect investors in a proactive manner. We believe this will provide benefits to the PCAOB as well, since it will be involved in emerging issues practitioners are facing in real time.

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[1] International Auditing and Assurance Standards Board (IAASB) quality control standard, 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* (ISQM 1).

[2] OCA Firm Consultation | PCAOB.

We look forward to continuing to engage with the Board and PCAOB staff in exploring the remaining challenges that practitioners are working through in applying the provisions of QC 1000, particularly with the remaining areas in QC 1000 that differ from international quality control standards. We agree with Board Member Steven Laughton's recommendations[3] on engaging stakeholders earlier in the standard-setting process and believe this can be a beneficial approach for publishing PCAOB interpretations and implementation guidance as well.

This letter addresses the proposed revisions to QC 1000 and provides additional incremental areas where we believe implementation guidance is still warranted and would help avoid unintended consequences by providing practical interpretations of the final standard. We also support the formation of the PCAOB's Inspections Modernization Council (IMC)[4] and the Board's objective to pursue a modernized quality control-focused inspections approach grounded in the principles and objectives outlined in QC 1000.

Evaluation date and framework[5]

We are supportive of the Board's proposed amendments to allow firms the flexibility to choose their own evaluation date and the proposed amendments made to the evaluation framework and Form QC. As we stated in our previous comment letters[6] and reiterated with the PCAOB, the previously adopted evaluation framework and required evaluation date included prescriptive requirements that resulted in significant challenges and differences between QC 1000 and ISQM 1. We believe these were not grounded in the principles of materiality or in a risk-based QC standard that contributed to investor protection.

We believe the proposed amendments that would allow firms the flexibility to choose their own evaluation date would be appropriate, especially given the non-public nature of Form QC. This flexibility would enable firms to choose the most relevant date based on their unique business considerations.

We also believe the proposed amendments to the QC 1000 evaluation conclusions, which now largely align with ISQM 1, would be appropriate and would address the challenges we previously identified. These amendments would also appropriately address previous concerns raised regarding the downstream ramifications of communicating these conclusions to other participants, as well as transparency reporting inconsistencies. Based on the proposed amendments, we believe it would be uncommon for firms to come to different conclusions under QC 1000 and ISQM 1. Because this approach will result in firms choosing evaluation dates throughout the year, we encourage the PCAOB to consider issuing implementation guidance to address practical challenges that may arise.[7]

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[3] Earlier Stakeholder Engagement in Standard-Setting | PCAOB.

[4] PCAOB Announces Inspections Modernization Council, Seeks Participation From Outside Experts | PCAOB.

[5] Commentary provided is intended to address PCAOB supplemental request for comment questions 19-27.

[6] EY comment letter to the SEC, 24 September 2025, among other previous letters.

[7] Implementation guidance could address several challenges, including how to handle situations in the adoption year where there may be quality responses that do not occur in the five-plus month period between the effective date of QC 1000 and the firm's selected evaluation date.

External quality control function[8]

We are supportive of the Board's recommendation to rescind the external quality control function (EQCF) requirement. We continue to believe the EQCF role is unnecessary to meet the objectives of QC 1000 when taking into account the many existing adequate governance and advisory structures our firm has in place, in addition to the dedicated monitoring function required under the standard and the PCAOB's own inspection activities. Identification and onboarding of this role would be a significant undertaking, and firms would need to be afforded sufficient time if an EQCF or similar role is to be prescribed now or in the future. The EQCF function would be entirely duplicative, costly and unnecessary, and we support the proposed amendment to rescind this requirement.

Roles and responsibilities[9]

We are supportive of the Board's proposed amendments that would allow firms to assign roles and responsibilities to other individuals who are not "firm personnel," if these individuals possess the necessary understanding and accountability for their roles and responsibilities. We also support the proposed amendment that would allow more than one individual to serve in these roles.

We continue to believe the ability to assign roles and responsibilities to other individuals who are not firm personnel would be a better outcome for firms that audit fewer issuers and are part of larger or global networks, as these roles may be assigned to individuals outside of the specific member firm based on how the firm operates its business. These assignments often enhance the experience, competence and authority specific to the functional area (e.g., ethics, independence) or provide the individuals with the time needed to carry out their responsibilities effectively.

Allowing firms the flexibility to assign these roles to multiple individuals also would allow responsibilities to be assigned based on subject-matter expertise. We commend the Board for aligning to international standards and allowing for a more scalable approach in this area that would focus on the substance of the individual's roles and responsibilities and would align the role with the appropriate expertise.

Monitoring and remediation process[10]

We are supportive of the Board's proposed amendments related to evaluating whether other similar engagement deficiencies exist, as well as the proposed amendment to the definition of a QC deficiency. Limiting the requirement to evaluate whether similar engagement deficiencies exist to those engagement deficiencies that result in (or could result in) a firm's failure to obtain sufficient appropriate evidence to support its conclusion or an inappropriate overall conclusion would add an element of materiality. This would make the requirement more risk-based, practical and grounded in

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[8] Commentary provided is intended to address PCAOB supplemental request for comment questions 8–12.
[9] Commentary provided is intended to address PCAOB supplemental request for comment questions 4–7.
[10] Commentary provided is intended to address PCAOB supplemental request for comment questions 15–18.

the reasonable assurance objective. Furthermore, the proposed amendments to the QC deficiency definition would help clarify that compensating quality responses should be considered when determining whether a QC deficiency exists. We believe these proposed amendments would be appropriate, and we support the Board's clarifications in these areas.

We look forward to engaging with the PCAOB on practical examples of how these requirements would be applied. Currently, the example provided in the release text related to cash confirmation procedures not being applied to an insignificant account has resulted in confusion regarding the initial determination that an engagement deficiency existed. This determination is inconsistent with an auditor's expectation of an audit response for an insignificant account. Further clarification of this example would be helpful to avoid unintended interpretations of the requirements.

Documentation[11]

We are supportive of the Board's proposed amendments to the documentation requirements in QC 1000 related to the length of time firms are required to maintain documentation to support the operation of its QC system. However, we believe it will be equally, if not more, important to issue implementation guidance related to the extent of documentation required to be retained related to the operation of a firm's QC system. We continue to believe the "experienced auditor" threshold in paragraph .83b, without further guidance, would result in the retention of significant amounts of unnecessary documentation due to an analogy to the similar threshold used in the Board's auditing standards.

Consistent with recent discussions we have had with the Board's staff, we believe it will be important for the Board to clarify in implementation guidance the views it shared with us that the QC 1000 documentation requirements are not expected to be interpreted as a reperformance standard consistent with how the experienced auditor threshold is applied in audits of financial statements and internal control over financial reporting (i.e., Auditing Standard (AS) 1105[12]). Instead, consistent with the staff's views, the documentation that a firm is required to retain should be commensurate to what is needed to support the firm's internal monitoring function in evaluating the design and operating effectiveness of its quality responses.

Based on our experience, we also continue to believe the PCAOB's evaluation of the sufficiency of a QC system would benefit from the evidence gathered by an effectively designed and operating monitoring function. This documentation should also be sufficient for the PCAOB to reach its own conclusions on the sufficiency of the QC system as an alternative to requiring the firm to retain every instance of a quality response operating throughout the evaluation period for purposes of PCAOB inspection, and in turn, retaining this voluminous documentation for five years.

[11] Commentary provided is intended to address PCAOB supplemental request for comment questions 28-29.

[12] AS 1105: Audit Evidence | PCAOB.

Focusing the PCAOB's requirements on the documentation inspected internally by the monitoring and remediation function would help alleviate the onerous volume of documentation necessary to retain. We believe this would align with the final rule and the PCAOB's statutory mandate. Current discussion in the adopting release of QC 1000 indicates the PCAOB believes it needs to extend its focus beyond the documentation used by firms' monitoring functions.[13] We encourage the Board to reconsider this position in implementation guidance and through the important work of the IMC.

Information and communication[14]

We are supportive of the proposed amendments to the information and communication requirements related to firm and engagement metrics. We believe narrowing the requirement to a more cost-effective approach, while still achieving the objective of providing accurate and not misleading information to stakeholders for publicly available metrics, would be a reasonable approach. In discussions with the PCAOB, we have indicated that the quality responses for certain public and non-public communications of firm and engagement level information may often involve policies <u>or</u> procedures based on a risk-based approach. The staff has not objected to this and has indicated that while the PCAOB's definition of a quality response refers to "policies and procedures," the Board's intent was for "policies and/or procedures" to be applied overall. We believe written implementation guidance on this topic would be beneficial to help avoid diversity in practice and provide confidence to practitioners that firms have made reasonable interpretations that will stand the test of time.

Additionally, while no amendments were proposed related to .53d, we believe implementation guidance on this topic would be helpful to stakeholders. This requirement states, "Information is communicated to external parties in accordance with applicable professional and legal requirements." As a guiding principle we have interpreted that this paragraph was meant to encompass external communications that are specifically required by applicable professional and legal requirements (APLR).

Practitioners and inspectors could interpret this requirement to include all ad hoc communications to regulators or others, even those that are not specifically "required communications" in accordance with APLR. Therefore, we believe implementation guidance addressing how to apply the requirements of .53d to specific fact patterns, including PCAOB inspections and ad hoc communications with regulators, is warranted. We often do not know the intention of the requests received from regulators, and therefore, it can be challenging to meet the requirements of the standard.

Alternatively, if this requirement is only applied to communications required by APLR, we believe this applicability should be clarified in guidance and would be a reasonable and more practical approach.

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[13] See page 283 of QC 1000 Adopting Release, which states "in light of the scope of our statutory mandate, the Board's inspection procedures cannot be limited to quality responses (and, to the extent applicable, samples of the operation of quality responses) that the firm chose to monitor in the period. On the contrary, firms will be expected to provide evidence of the operating effectiveness of any quality responses selected for inspection in connection with the PCAOB's evaluation of the effectiveness of the firm's QC system."

[14] Commentary provided is intended to address PCAOB supplemental request for comment questions 13-14.

Other topics

Lastly, although the Board did not propose any amendments to .34b, we believe this is an area where further clarification through implementation guidance is warranted. This paragraph of QC 1000 requires firms to have policies in place for making available and communicating updates at least monthly to the list of restricted entities to firm personnel and others subject to independence requirements. We support the objective of making sure personnel are aware of restricted entities and maintaining independence.

Our concern is that the specified mechanics, including population-wide monthly updates and mandatory review, do not reflect how independence risk is best managed at scale with modern technological tools. We encourage the PCAOB to acknowledge the sophisticated IT systems that some firms have in place to maintain continuously updated restricted entity lists in independence systems, perform automated comparisons to identify affected individuals, and deploy targeted communications and controls.

Existing requirements do not acknowledge this construct and appear to provide a prescriptive solution when a "one-size-fits-all approach" would be ineffective and cause confusion for firms that have existing automated processes in place. We believe this could be clarified in implementation guidance and result in a more cost-effective and reasonable approach to interpreting this requirement.

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We would be pleased to discuss our comments with the Board or its staff at its convenience.

Very truly yours,

Ernst + Young LLP