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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 Release No. 2026-005, *Request for Public Comment on PCAOB Standard Setting*

Dear Office of the Secretary:

Grant Thornton LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB's or Board's) request for comment on PCAOB standard setting. We are encouraged by the Board's intentional consideration of broad stakeholder feedback in its prioritization of future projects, and we welcome providing input on the Board's strategic reevaluation of the standard-setting process. We respectfully submit our firm's perspectives for the Board's consideration.

Standard-setting and research activities

We continue to support sustainable, principles-based standard setting that advances the Board's investor protection mission while balancing operational practicality and implementation considerations. We commend the Board's willingness to engage stakeholders and incorporate feedback when evaluating current and emerging audit issues, and we appreciate the Board's transparency when identifying its focus areas and determining whether a particular matter is best addressed through standard setting, research, staff guidance, or other regulatory action.

Data and technology – artificial intelligence

We support the Board's focus on data and technology, particularly artificial intelligence (AI). Consistent with our comments in response to the Board's Release

No. 2026-001, *PCAOB Strategic Priorities,*[1] we continue to believe that AI is an important area of focus given its rapidly expanding use by both financial statement preparers and auditors. However, we urge the Board to initially address AI-related matters through comprehensive, principles-based staff guidance rather than through formal standard setting. As AI technologies continue to evolve at an unprecedented pace, prescriptive requirements could quickly become outdated and may inadvertently restrict innovation or create compliance obligations that no longer reflect prevailing technologies or practices. Targeted guidance would provide auditors with clear direction while preserving flexibility to adapt to future developments as well as supporting a more consistent application of existing standards for AI-related topics.

In developing such guidance, we continue to believe it is important for the Board to consider AI from two distinct perspectives: (1) a preparer's use of technology and related considerations in an audit or attestation engagement, and (2) an auditor's use of technology to perform such engagements and to obtain evidence. These perspectives give rise to different risks, judgments, and responsibilities, and warrant separate consideration, particularly with respect to generative AI or AI-enabled workflows. We encourage the Board to collaborate with other standard setters, such as the International Auditing and Assurance Standards Board (IAASB) and the AICPA Auditing Standards Board (ASB), and to leverage guidance already released by other organizations, such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Securities and Exchange Commission (SEC). We believe this would promote a globally consistent and practical approach that would reduce duplication of effort as well as minimize unnecessary divergence and implementation complexity across jurisdictions. Consistent guidance across regulatory and standards-related frameworks would reduce uncertainty, promote innovation, and enhance audit quality, while preserving investor protection.

We do not believe the primary challenge is that existing PCAOB standards are fundamentally inadequate; rather, auditors would benefit from practical guidance illustrating how longstanding audit-related concepts are applied in increasingly technology-enabled environments. Such an approach would support innovation while reinforcing the principle that auditors remain ultimately responsible for the judgments reached and conclusions obtained during the audit. We strongly encourage any future guidance to be principles-based and technology-neutral, focusing on the auditor's responsibilities and objectives, rather than prescribing requirements tied to specific technologies that may quickly evolve or become obsolete.

Data and technology – digital assets

Digital assets represent an evolving area that we believe would benefit from additional PCAOB research and staff guidance. As the market for digital assets continues to mature, auditors are increasingly encountering complexities and challenges in practice. However, similar to our views on AI and other emerging technologies, we do not believe the current environment warrants comprehensive standard setting. Given the pace of innovation and continued evolution of the digital asset landscape,

[1] Grant Thornton LLP's May 15, 2026 comment letter to the PCAOB on Release No. 2026-001, *PCAOB Strategic Priorities.*

prescriptive requirements could become outdated quickly and may unintentionally constrain the profession's ability to respond to future developments.

Instead, we recommend that the Board focus on developing practical, principles-based staff guidance that addresses common audit challenges while leveraging the foundation provided by existing auditing standards. We encourage the Board to coordinate closely with the SEC, the AICPA, international standard setters, and other regulatory bodies as they continue to evaluate digital asset developments. In particular, we recommend that the Board consider the AICPA's "Accounting for and Auditing of Digital Assets" practice aid as a useful benchmark. The guide is already widely utilized by practitioners and provides practical considerations regarding key audit areas that have emerged as common challenges in practice. Building upon existing industry guidance could be an efficient and effective approach to promoting audit quality and consistency in application while avoiding unnecessary duplication of effort across standard setters and regulators.

Fraud

We recommend maintaining fraud as a key focus area for the Board's standard-setting agenda. Fraud remains an area of substantial interest to investors, regulators, audit committees, and other stakeholders. Given the importance of the auditor's responsibilities relating to fraud, we further believe there is meaningful opportunity to modernize the existing standards and enhance the auditor's application of professional skepticism while remaining aligned with Section 10A of the Securities Exchange Act of 1934. A holistic review of the fraud standard would allow the Board to evaluate the current framework and determine where updated requirements could better reflect more current uses of data and technology as well as protect the public interest.

Additionally, we believe prioritizing a fraud project would help facilitate greater harmonization with ongoing efforts by international and domestic standard setters. Significant attention is currently being devoted globally to the auditor's responsibilities relating to fraud, creating an opportunity for the Board to participate in, and benefit from, these broader discussions. While we are concerned that fulsome convergence with international standard setters on this topic would create jurisdictional challenges, we encourage the Board to leverage any existing research undertaken and stakeholder feedback received by other standard setters when developing a fraud standard fit for purpose in the United States. We believe this could reduce duplicative efforts while enabling the Board to maintain requirements that reflect the specific legal, regulatory, and investor protection objectives within its jurisdiction.

We believe a modernized fraud standard could provide an important foundation for evaluating other related standard-setting projects, including any future consideration of the auditor's responsibilities related to noncompliance with laws and regulations (NOCLAR). Because fraud and NOCLAR often involve overlapping concepts, establishing a modernized fraud framework first could provide the Board with a strong basis for assessing whether additional changes are needed in related areas, such as NOCLAR, and would help promote a more consistent and integrated set of auditing standards overall.

Critical audit matters

We encourage the Board to include critical audit matters (CAMs) in its research agenda if the Board identifies specific aspects of investor or other stakeholder feedback on CAM reporting that warrant further consideration. While we understand feedback to the Board since the implementation of CAM requirements has been mixed, we believe the current requirements are sufficiently principles-based and are being applied consistently. The current CAM framework provides auditors with sufficient flexibility to apply professional judgment based on the specific nature and characteristics of each engagement. While individual judgments will naturally vary based on engagement-specific facts and circumstances, such variation is an expected outcome of a principles-based framework rather than an indication that the standard requires revision.

Further, we believe the existing standard appropriately balances providing insight into especially challenging, subjective, or complex areas of the audit while avoiding overly prescriptive and boilerplate disclosures, which would diminish the usefulness of CAM reporting. Accordingly, we suggest that any further research focus on understanding stakeholder experiences with the existing framework rather than presuming a need for substantive changes to the standard.

Noncompliance with laws and regulations

We agree with the Board's inclusion of NOCLAR in its focus areas, and, as noted above, we recommend any future consideration of auditor responsibilities related to NOCLAR be informed and preceded by a broader modernization of the PCAOB's fraud standard due to the interconnectedness of the two topics. While we support continued consideration of NOCLAR and recognize its importance to audit quality, we believe any future project would benefit from a fresh evaluation of the topic in light of stakeholder concerns over the Board's prior proposal.

Accordingly, we strongly encourage the Board to begin a NOCLAR project with a completely new concept release or proposal, taking into account the updates to the fraud standard and the stakeholder feedback from the Board's previous proposed Rulemaking Docket Matter No. 051, *Amendments to PCAOB Auditing Standards Related to a Company's Noncompliance with Laws and Regulations and Other Related Amendments*. Many stakeholders raised substantive questions regarding the operational feasibility of certain aspects of the proposal, the potential expansion of auditor responsibilities beyond their traditional role, and the practical challenges associated with implementing certain requirements in complex legal and regulatory environments. Given the significance of these concerns and the potential impact on audit execution, audit quality, and the broader financial reporting ecosystem, we believe it is essential for the Board to carefully evaluate the stakeholder feedback already received before pursuing any standard-setting activities in this area. A measured and deliberate approach, informed by stakeholder feedback and coordinated with related fraud modernization efforts, could promote a durable and effective framework for addressing NOCLAR-related matters.

Firm and engagement performance metrics

We recommend that the Board remove firm and engagement performance metrics from its priorities at this time. As discussed in our previous comment letter on the PCAOB's Rulemaking Docket Matter No. 041, *Firm and Engagement Metrics*, we remain concerned that the publication of additional quantitative metrics may not necessarily provide more meaningful or decision-useful information to stakeholders. In our view, metrics presented without sufficient context may be susceptible to misinterpretation and could result in conclusions that do not accurately reflect audit quality. Audit quality is inherently multifaceted and may not be appropriately captured through a standardized set of numerical indicators alone.

We also continue to question whether broad, public dissemination of firm- and engagement-level metrics would meaningfully enhance investor protection. While transparency is an important objective, more information does not always mean better information, particularly when users may lack the context necessary to interpret the significance of particular metrics or compare them appropriately across firms and engagements. Certain metrics could inadvertently create incentives that focus attention on achieving favorable quantitative outcomes rather than promoting thoughtful professional judgment, professional skepticism, and audit quality.

Further, we believe discussions regarding auditor performance are generally most effective and meaningful when they occur directly between the auditor and the audit committee. Audit committees are uniquely positioned to evaluate auditor performance because they possess a comprehensive understanding of the company's risks, business operations, and governance, as well as the specific circumstances of the audit engagement. Unlike external users, audit committees can supplement quantitative information with qualitative observations regarding the auditor's overall effectiveness, and we would therefore argue that audit committees are better equipped to assess audit quality in a holistic manner than investors relying exclusively on standardized public metrics. If the Board determines that reporting additional performance metrics is necessary, we encourage the Board to focus on narrow metrics that can be interpreted in an appropriate context and are targeted toward audit committees.

Auditor independence

We support the Board's focus on auditor independence, as maintaining auditor objectivity remains fundamental to audit quality and investor protection. Nevertheless, we encourage the Board to evaluate whether certain interim independence standards and duplicative PCAOB requirements continue to provide meaningful incremental benefits relative to the SEC's existing independence framework.

The PCAOB's interim independence standards have remained generally static while the rules of other standard setters, such as the SEC and AICPA, have evolved since the PCAOB's adoption of their interim independence standards. Additionally, many of the PCAOB's interim independence standards and promulgated independence rules currently overlap with the independence requirements and guidance issued by the SEC. In several areas, firms are required to navigate multiple layers of requirements that address the same underlying independence objectives, creating complexity and administrative burden without a corresponding improvement in independence compliance or investor protection.

Accordingly, rather than modernizing interim standards that substantially duplicate existing requirements or introducing additional prescriptive obligations, we encourage the Board to identify opportunities to eliminate unnecessary overlap and rely on the SEC framework as appropriate. This approach could enable accounting firms and audit committees to dedicate more resources to evaluating and addressing substantive independence matters while reducing compliance efforts associated with duplicative requirements. It would also promote a more streamlined and coherent regulatory framework without diminishing the rigor of existing independence requirements. To the extent the Board identifies gaps that are not adequately addressed within the SEC's independence framework, the Board could supplement those requirements with guidance or targeted, incremental standards that are specifically designed to advance the Board's investor protection mandate. This approach could preserve the benefits of a robust independence framework while avoiding redundancies across regulatory regimes.

Going concern

Although going concern was not specifically identified as one of the Board's focus areas, we believe it represents a compelling opportunity for standard setting and could be elevated as a higher-priority project on the Board's agenda. Significant changes have occurred in the financial reporting environment since the Board last substantively considered this area, including the introduction of management's going concern assessment requirements under U.S. GAAP and ongoing developments by domestic and international auditing standard setters. As such, we believe a modernization project could improve the alignment between management's responsibilities for evaluating and disclosing going concern uncertainties and the auditor's responsibilities for evaluating those assessments.

Today's financial reporting framework places significantly greater emphasis on management's formal assessment processes than when the PCAOB's going concern requirements were originally adopted. In light of these developments, we believe updates are necessary to clarify the auditor's responsibilities, reduce potential inconsistencies in practice, and promote a more integrated approach to management's and the auditor's respective responsibilities.

We also believe a going concern project would provide an opportunity to further align the PCAOB's standards with recent developments by international and domestic auditing standard setters. While jurisdictional differences may warrant departures from other frameworks given the global nature of many public companies and audit firms, enhanced alignment would support audit quality while maintaining the Board's focus on investor protection.

Timing – comment periods

While we do not believe there is one comment period that is appropriate for every proposal, we generally believe a minimum of 90 days is necessary to appropriately and adequately respond to significant standard-setting projects. Developing thoughtful feedback on proposed standards requires substantial coordination across multiple stakeholder groups, including methodology and professional standards teams, engagement practitioners, individuals with specific industry expertise, firm leadership, and, where applicable, global network firms. Sufficient time is necessary not only to understand the technical requirements of a proposal, but also to evaluate potential implementation challenges and unintended consequences that may arise in practice.

We acknowledge that the appropriate length of a comment period may vary based on the nature, volume, and complexity of the proposal. Comprehensive proposals that introduce new standards, include extensive amendments to multiple standards, significantly modify auditor responsibilities, or require substantial changes to audit methodologies warrant longer comment periods than smaller rulemaking matters, such as targeted amendments or technical updates. In addition, we recommend that the Board consider external factors that may impact stakeholders' ability to respond, including traditional audit busy seasons, holidays, and the volume of other active requests for comment issued by other relevant standard setters. When multiple significant proposals are open simultaneously, stakeholders may face resource constraints that limit their ability to provide comprehensive input on any individual project.

We also believe there could be opportunities for the Board to potentially shorten formal comment periods, depending on the extent of stakeholder engagement that occurs prior to the Board's consideration and approval of a proposal. Earlier outreach activities, such as roundtables, advisory groups, and other opportunities with stakeholders, including the audit profession, before issuing a proposal may enhance the understandability of proposed standards and may reduce the need for extended comment periods. Conversely, when stakeholders have limited opportunities to provide input before proposals are released, longer comment periods become increasingly important to ensure the Board receives robust and informed feedback.

Consistent with our prior commentary, meaningful stakeholder participation throughout the standard-setting lifecycle is an essential component of sustainable standard setting and ultimately contributes to higher-quality standards and more effective implementation.

Timing – implementation timeline

We acknowledge that the length of implementation periods depends on the scope of changes required to operationalize a new auditing standard. Adoption of a new standard often extends well beyond updating written methodology or revising audit software tools. It is essential for firms to evaluate the interoperability of the new standard with existing standards, to effectively and timely communicate changes throughout the organization, and to provide sufficient training to professionals before the requirements become effective.

We believe an implementation period of at least 18 months prior to the financial statement period-end included in the effective date is appropriate for most significant standard-setting projects. For more complex standards, a longer implementation period may be necessary to support high-quality adoption. Conversely, more limited or targeted amendments may justify shorter implementation periods if significant methodology or technology changes are not required.

In determining effective dates, we recommend that the Board consider several factors, including the complexity of the requirements, the extent of methodology revisions required, the need for technology enhancements, the timing and availability of implementation guidance, and the amount of training necessary to achieve consistent application. The Board may also consider where the implementation date falls within firms' annual audit cycles and which phases of the audit will be impacted by the newly implemented standard. For example, when a new standard affects planning and risk assessment activities, the Board may consider whether the proposed effective date provides auditors with sufficient time to incorporate the new requirements before those procedures are typically performed for a significant portion of audits.

Approach to standard setting

Conceptual framework

We support the Board's development of a conceptual framework for standard-setting activities. A well-designed framework could enhance transparency, consistency, and discipline throughout the standard-setting process while providing stakeholders with greater insight into how projects are prioritized for selection and developed by the Board. Further, a formal framework could help standard setting remain grounded in clearly articulated principles and due process, regardless of changes in Board composition or leadership over time. We believe such a framework could promote greater predictability for stakeholders and facilitate more informed participation in the standard-setting process.

We encourage the Board to incorporate qualitative concepts, such as clearly defining problems, demonstrating stakeholder need and public interest, enhancing transparency into decision-making, and promoting collaboration across the Board's divisions, into the framework to further reinforce confidence in the Board's standard-setting activities and the resulting standards.

However, we caution the Board against allowing the development of a conceptual framework to delay higher priority standard-setting initiatives or impede the Board's ability to respond promptly when circumstances warrant timely action. While a framework can provide valuable structure and discipline, we encourage the Board to remain sufficiently flexible to accommodate projects that require expedited attention, including targeted amendments, implementation-related improvements, or emerging issues that could impact audit quality.

From a standard-setting process perspective, we encourage the Board to build upon its existing description of the process and further articulate the objectives, decision points, and expected outputs associated with each stage. We recognize the steps that the Board currently takes to support thoughtful and transparent standard setting, including the use of economic analysis, research activities, public comment periods, stakeholder outreach, advisory groups, roundtables, and other mechanisms designed to inform the Board's decision-making. These activities provide an important foundation for the Board's standard-setting activities, and we recommend that the Board formalize these existing practices into its conceptual framework.

Alignment with other standard setters

We commend the Board for considering whether and how it can achieve greater alignment with other auditing standards and standard-setting bodies. We continue to believe that all stakeholders in the financial reporting ecosystem could benefit from increased consistency among PCAOB standards, auditing standards generally accepted in the United States, and International Standards on Auditing. Greater alignment can reduce unnecessary complexity, improve comparability across jurisdictions, and create operational efficiencies for firms that operate globally. It can also reduce implementation challenges for organizations that must navigate and apply multiple audit frameworks.

We recognize that complete convergence is neither practical nor necessary. The PCAOB operates within a distinct statutory and regulatory environment, and there are and will be circumstances in which differences between PCAOB standards and those of other standard setters are appropriate. We therefore believe the Board's objective should not be uniformity for its own sake, but rather alignment in overarching principles, concepts, and objectives, with divergence limited to situations where a clear regulatory, legal, or investor-protection rationale exists. When such differences are necessary, we encourage the Board to clearly articulate, during the proposal process, the basis for those differences and the incremental benefit they are expected to provide. Additionally, we do not suggest that the Board revisit recently modernized standards solely for the purpose of achieving convergence where the existing standards are functioning effectively.

We believe the most immediate opportunity to advance harmonization is through enhanced and ongoing collaboration with international and domestic standard setters. Early participation in discussions regarding emerging projects could allow the Board to influence the development of standards before major decisions are finalized and to facilitate more efficient adaptation or adoption of concepts, where appropriate. A greater emphasis on collaboration early in the process could help reduce avoidable differences that arise simply because projects are developed independently.

Additionally, consistent with our discussion in our Strategic Priorities comment letter[2], we encourage the Board to consider greater coordination of standard-setting agendas and project timelines with those of other domestic and international standard setters. While it will not always be possible or desirable for projects to proceed simultaneously, alignment of major projects could provide stakeholders with a more comprehensive view of developments across frameworks and enable them to evaluate similarities and differences more effectively. Coordinated timing could also improve the quality of stakeholder feedback by allowing stakeholders to respond to related proposals contemporaneously rather than evaluating multiple approaches over several years. Further, from an implementation perspective, aligning project

[2] See footnote 1.

timelines could improve efficiency by allowing firms to update methodology, training, technology, and guidance in a more coordinated manner.

Potential impact of recent SEC proposal to allow optional semiannual reporting

We do not support amendments to AS 6101, *Letters for Underwriters and Certain Other Requesting Parties*, that would expand the availability of negative assurance solely as a result of the proposed changes to the SEC's financial statement age requirements. The current 135-day limitation reflects an important principle in that the appropriateness of negative assurance is closely linked to the recency of the auditor's audit or review procedures. As additional time passes between the auditor's procedures and the date of the comfort letter, the risk increases that significant events, transactions, or developments may not be identified through the procedures contemplated by AS 6101.

Accordingly, we do not believe the proposed changes to SEC reporting requirements would automatically result in the need for amendments to AS 6101 and a corresponding expansion of auditor responsibilities thereunder. We further note that if the subsequent change period is 135 days or more, AS 6101 permits accountants to perform certain inquiries related to changes in specified financial statement line items and to report these results. These requirements are also consistent with AICPA AU-C Section 920, *Letters for Underwriters and Certain Other Requesting Parties*, which applies to comfort letters issued in connection with exempt offerings conducted by private companies that do not have any interim reporting requirements. Given that AS 6101 provides a framework for providing comfort on changes in specific financial statement line items, irrespective of the duration of the subsequent change period, and is consistent with AU-C Section 920, we believe that a change to AS 6101 is not required.

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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