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

6 August 2026

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

Dear Ms. Brown:

Ernst & Young LLP appreciates the opportunity to respond to the Request for Public Comment from the Public Company Accounting Oversight Board (PCAOB or Board) on its standard-setting, research and rulemaking projects. We acknowledge that this is the first time the Board has sought comment on its standard-setting and research agenda, and we commend the Board's commitment to transparency and stakeholder engagement.

We support the PCAOB's efforts to promote high-quality audits and protect investors through thoughtful, transparent standard setting that is responsive to changes in the auditing environment. As the Board evaluates future priorities, we encourage an approach that focuses on areas of greatest investor benefit, is informed by robust research and stakeholder engagement, and preserves the flexibility of principles-based standards.

Overall, we recommend that the PCAOB focus on four key areas:

1. Developing a conceptual framework to support a more transparent and consistent approach to standard setting
2. Modernizing and simplifying auditor independence requirements to reduce regulatory overlap and inconsistency while focusing on independence matters that could reasonably affect an auditor's objectivity and impartiality
3. Continuing to monitor emerging technologies through research and providing guidance where appropriate
4. Undertaking other targeted standard-setting projects based on demonstrated need and research activities in other emerging areas

First, we agree that the development of a publicly available conceptual framework could help promote greater clarity and consistency in the PCAOB's standard-setting activities over time. Such a framework could support the Board's efforts to make measurable improvements to its standard-setting process with a focus on transparency, robust stakeholder engagement and coordination with the Securities and Exchange Commission (SEC) to promote a coherent and consistent regulatory framework. The Board should develop a conceptual framework through an open and transparent process, including opportunities for public input, to increase the likelihood that changes will endure over time. While we acknowledge that this effort may require considerable time and resources, we believe it is important that the Board continue pursuing certain other standard-setting, research and rulemaking activities at the same time.

We also believe that modernizing auditor independence requirements should be a high priority for the Board. We encourage the PCAOB to work closely with the SEC and appropriate stakeholders to eliminate outdated interim standards and redundant or unnecessarily prescriptive PCAOB independence rules, while retaining provisions that provide investor protection. This approach would reduce unnecessary complexity and compliance costs, improve clarity and consistency across the regulatory framework, and focus the PCAOB and SEC independence requirements on matters that present meaningful risks to auditor objectivity and impartiality.

Additionally, while data and technology, including artificial intelligence and digital assets, should remain a strategic focus area, we do not believe broad or prescriptive standard setting is warranted at this time. Given the rapid pace of technological change, the Board should continue its research and monitoring activities and leverage stakeholder outreach, inspection observations, interpretive guidance and the consultation process to promote consistent application of existing principles-based standards.

We believe that developing premature or overly prescriptive standards could create unintended consequences and hinder innovation that might otherwise enhance audit quality. Given the importance of this area for all relevant standard setters globally, we also encourage the PCAOB to actively engage with standard setters such as the American Institute of Certified Public Accountants (AICPA), International Auditing and Assurance Standards Board (IAASB), and the International Ethics Standards Board for Accountants (IESBA) as they monitor developments in data and technology.

Finally, we believe the Board should include targeted improvements in certain other areas such as going concern and noncompliance with laws and regulations in its near-term standard-setting agenda. We also encourage the Board to consider additional research regarding auditor communications with audit committees, which would include consideration of auditor independence communications and whether certain firm or engagement metrics should be incorporated into communications with audit committees.

Together, these recommendations are intended to promote a transparent and durable standard-setting process, a modernized auditor independence framework, and an adaptable, principles-based approach to emerging technologies, while maintaining a focus on audit quality and investor protection.

Conceptual framework and standard-setting approach

We agree that developing a publicly available conceptual framework could help promote greater transparency and consistency in the PCAOB's standard-setting process, while supporting the efficient use of Board resources.[1] Any PCAOB conceptual framework should be developed through an open and

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1 See Request for Public Comment on PCAOB Standard Setting (PCAOB Release No. 2026-005), 23 June 2026, page 12.

transparent process that includes opportunities for public comment. Any future amendments to the adopted conceptual framework should be subject to a similar process to support the framework's durability and promote a stable, consistent approach to standard setting over time.

The conceptual framework should provide clear direction and guidelines for how the Board will identify standard-setting priorities, evaluate alternatives, assess costs and benefits, consider stakeholder feedback, evaluate existing standards of other standard setters, and determine whether standard setting, interpretive guidance, research, inspection observations or other Board activities are best suited to address an identified issue.

In particular, the framework should establish expectations for how the Board articulates the problem to be addressed, the public interest rationale for action, the root cause of the issue identified and why standard setting, rather than guidance or another tool, is warranted. The framework should also clearly articulate how the Board will balance principles-based standard setting with practical implementation considerations, including scalability.

The PCAOB should work closely with the SEC to align its standard-setting activities and expectations with the SEC's oversight responsibilities and avoid creating overlapping or inconsistent requirements. For example, the PCAOB and SEC should coordinate to make sure any changes affecting the responsibilities and expectations of management or audit committees are appropriately and consistently reflected across the regulatory framework.

In developing the framework, the Board should consider the processes used by the Financial Accounting Standards Board (FASB), AICPA and the IAASB to provide stakeholder transparency. Examples include open Board meetings and more frequent publications or speeches that provide stakeholders with greater visibility into the Board's direction on standard-setting and research projects. The framework should also promote robust stakeholder engagement throughout the standard-setting project lifecycle, including agenda development, information gathering, proposal development, and implementation and post-implementation activities. Potential mechanisms could include greater use of advisory groups, task forces, roundtables, clearer communication on how stakeholder feedback is considered, expanded opportunities for direct investor input, and field testing or other targeted outreach, where appropriate.

The conceptual framework could address how the Board will consider international and other similar standards as part of its standard-setting process, as well as how it will participate in international and other standard-setting activities (e.g., IAASB and AICPA, respectively). While we support consideration of international standards prospectively, we agree with SEC Chief Accountant Kurt Hohl that differences from international standards will necessarily continue to exist due to the unique nature and needs of the US regulatory and market environment.[2]

Finally, we believe the PCAOB should continue to move forward on certain standard-setting (e.g., auditor independence) and research (e.g., emerging technologies) projects discussed in this letter, even while it works on a conceptual framework. The Board should carefully consider the amount of time and resources needed to develop a conceptual framework to avoid hindering progress on other key initiatives.

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[2] See **Statement in Connection With the 2025 AICPA Conference on Current SEC and PCAOB Developments**, 19 December 2025.

Auditor independence

We believe the Board should prioritize modernizing auditor independence requirements. As previously stated, we believe maintaining auditor independence is foundational to the performance of quality audits and is the shared responsibility of auditors, management and the audit committee.[3] As such, we continue to believe that the SEC is the most appropriate regulatory body for promulgating and interpreting auditor independence standards given its jurisdiction over all parties that share responsibility for auditor independence.

While certain PCAOB Independence Rules align with SEC and AICPA standards or provide meaningful safeguards, we believe that the Interim Standards and certain other PCAOB Independence Rules are outdated, duplicative or unnecessarily prescriptive. For example, Independence Standards Board Interpretation 99-1 relates to the implementation of Statement of Financial Accounting Standards No. 133 and is no longer relevant given that the FASB standard has been effective since 2000. The remaining Interim Standards, as well as PCAOB Rule 3521, *Contingent Fees*, appear to be fully addressed in Rule 2-01 of SEC Regulation S-X and related SEC staff guidance.[4] Retaining duplicative and, in some cases, divergent requirements (e.g., unpaid fees),[5] requires audit firms, management and audit committees to navigate multiple overlapping independence frameworks, determine which requirements apply under specific facts and circumstances, and reconcile differences among them to avoid inadvertent noncompliance. This complexity frequently results in consultations on routine fact patterns that provide little incremental investor protection and do not present a reasonable risk to the auditor's objectivity and impartiality.

We also believe that certain existing requirements such as PCAOB Rules 3524 and 3525 are not appropriately calibrated to the risks they are intended to address. That is because these rules impose incremental documentation and communication obligations that often do not meaningfully contribute to an audit committee's oversight of auditor independence.

For example, requiring auditors to both communicate in writing and engage in live discussions with audit committees regarding the potential effects of any and all proposed non-audit services on the firm's independence often results in auditors, issuers and audit committees devoting considerable time and resources to discussing and documenting matters that pose little, if any, risk to auditor objectivity or impartiality.

US securities laws[6] and SEC regulations[7] already require the audit committee to pre-approve all non-audit services provided by the issuer's auditor. Audit committees therefore have both the authority and ability to request any information they deem necessary to evaluate a proposed service. Accordingly,

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3 EY comment letter, ***Re: PCAOB No. 2026-001, Request for Public Comment PCAOB Strategic Priorities***, 15 May 2026.

4 See **Office of the Chief Accountant: Application of the Commission's Rules on Auditor Independence**.

5 PCAOB Interim Standard ET 191.52 stipulates that independence is impaired if fees of any amount remain unpaid for professional services provided more than one year prior to the date of an audit report. The **SEC Office of the Chief Accountant's Frequently Asked Questions related to the General Standard of Independence** (Question #2) includes a similar requirement but notes there may be a question concerning independence if fees are owed for an extended period of time *and* become material in relation to the fee expected to be charged for a current audit.

6 See Section 10A(i) of the Securities Exchange Act of 1934.

7 See Rule 2-01(c)(7) of Regulation S-X.

we believe the PCAOB should work with the SEC to determine what information audit committees need when evaluating non-audit services and consider what, if any, requirements should govern the form and content of communications between the auditor and the audit committee. We believe this research could be performed in conjunction with a more comprehensive project evaluating auditor communications with audit committees (as discussed further in the **Communications with audit committees** section below).

Accordingly, we recommend that the PCAOB:

- Repeal PCAOB Rule 3500T, Interim Standards ET 101, ET 191, ISB Nos. 2, 3, 99-1, PCAOB Rules 3521 (and related definition in 3501(c)(ii)), 3524 & 3525
- Incorporate PCAOB Rule 3526 into PCAOB AS 1301

We believe the approach outlined above would reduce unnecessary compliance costs, improve clarity and consistency across the regulatory framework, and modernize the PCAOB Independence Rules, while continuing to rely on SEC independence rules and certain PCAOB provisions that remain relevant and protect investors.

Emerging technologies

We support the PCAOB's commitment to protect audit quality by promoting greater understanding across the profession about how data and technology are used and encountered in the audit. We believe it is important that the Board continue to actively monitor and research the evolution of data and technology, including artificial intelligence and digital assets. As part of these efforts, the PCAOB should continue to engage with the AICPA, IAASB and IESBA on their technology-related activities to provide perspectives from the US capital markets and consider what these activities could mean for the PCAOB's standard-setting agenda.

We would caution the Board to avoid preemptive or prescriptive standard setting related to emerging technologies. Instead, we recommend the Board focus on how the concepts in existing principles-based standards apply in the current environment of rapid change. If the Board identifies potential threats to audit quality or areas of inconsistent application and interpretation across firms through monitoring and research activities, including stakeholder engagement, inspections and the new consultation program, we believe it would be most effective in the near term for the PCAOB to consider timely interpretive guidance. If the Board acts prematurely to address emerging technology issues through standard setting, it risks creating unintended consequences and potentially hindering innovation that could otherwise enhance audit quality.

When developing interpretive guidance in any area, the PCAOB should focus on promoting an understanding of the issues and risks at a thematic level while clearly connecting those matters to the related principles in the standards, rather than simply reciting the language in the existing standards (e.g., specifying the aspects of the observed issue, why it's important to audit quality, and what professionals should do differently or consider doing to more effectively apply the principles in the standards). Interpretive guidance developed in this manner would help promote consistent application of standards across firms of all sizes.

We believe that, as the Board conducts its research and monitoring activities, questions will arise regarding how existing principles-based requirements should be applied in an evolving technological environment. One area that may warrant the Board's consideration is the growing use of tools and techniques that can facilitate analysis and testing of full populations. These techniques may provide significant evidence not only regarding the reasonableness of recorded amounts, but also regarding the operating effectiveness of related controls. However, existing PCAOB rules do not meaningfully contemplate relying on such evidence in lieu of direct control testing, which is required in all cases.[8]

Other standard-setting projects

Going concern

We support modernizing relevant auditor requirements under AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern*, to acknowledge and consider management's responsibilities under the applicable financial reporting framework.[9] We also believe the Board should consider aligning the auditor's evaluation period (i.e., reasonable period of time) to the applicable financial reporting framework.

Noncompliance with laws and regulations

We support making targeted revisions to AS 2405, *Illegal Acts by Clients*, given the significance of the topic, but we do not believe a full rewrite of the standard is necessary.[10] The Board can take the opportunity to consider and address best practices as they have evolved and possible areas of convergence with standards by other standard-setting bodies if appropriate for the US capital markets.

Fraud

We support consideration of updates to AS 2401, *Consideration of Fraud in a Financial Statement Audit*, but believe the current standard remains fit for purpose. Consistent with our broader views on standard setting and a potential framework, we believe projects are most effective when they respond to clearly identified issues, are grounded in clear objectives, and are expected to produce measurable benefits. Accordingly, we would support targeted revisions to revise AS 2401 if evidence demonstrates they are necessary and would result in meaningful improvements to audit quality.

Critical audit matters

We recommend the Board focus on completing the post-implementation review of AS 3101 and evaluate whether the standard, including the identification and communication of critical audit matters (CAMs), is functioning as intended. Based on our experiences to date, we do not believe the Board should pursue standard setting. However, if inconsistencies are identified in implementation, targeted interpretive guidance could promote greater consistency in practice if deemed appropriate.

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8 PCAOB AS 2201.B9 "To obtain evidence about whether a selected control is effective, the control must be tested directly; the effectiveness of a control cannot be inferred from the absence of misstatements detected by substantive procedures. The absence of misstatements detected by substantive procedures, however, should inform the auditor's risk assessments in determining the testing necessary to conclude on the effectiveness of a control."

9 See, for example, FASB ASC 205-40, *Going Concern*.

10 ISA 250 and AU-C 250 titled, *Consideration of Laws and Regulations in an Audit of Financial Statements*.

Firm and engagement performance metrics

As noted in our prior letters, we believe that requiring the communication of any firm or engagement performance metrics should be based on demonstrated benefits that outweigh the costs. Communication of any such metrics should include appropriate context and provide decision-useful information for the intended stakeholder(s).[11,12] We continue to believe that engagement-level metrics are more appropriate for discussion with audit committees, given their access to the information and context necessary to evaluate them.

We support development and public communication of certain firm-level metrics, provided they are readily interpretable and scalable, align with the firm's system of quality control, minimize unintended consequences and meet the public's information needs. Otherwise, quantitative metrics that do not meet such criteria and require more extensive context will not provide decision-useful information to the public.

We encourage the PCAOB to consider whether inspections of a firm's system of quality control, changes in inspection reporting, or interpretive guidance could meet stakeholder needs without risking unintended consequences, such as compromising public trust in the reliability of audited financial statements.[13] If a project is considered in the future, the PCAOB would benefit from establishing clear, achievable objectives supported by robust research, economic analysis and outreach to potential stakeholders, including audit committee members and individual investors.

Communications with audit committees

We believe the PCAOB should undertake a research project to comprehensively review existing requirements for communications with audit committees, including those related to auditor independence and those included in existing PCAOB standards.[14] We believe the Board should work closely with the SEC and appropriate stakeholders, including audit committee members, to develop a framework that clearly articulates key objectives of the audit committees' oversight and aligns communications more directly with those objectives. This project could also consider potential communication of engagement performance metrics as discussed in the preceding section.

Semiannual reporting

If the SEC adopts its proposal permitting issuers to elect semiannual reporting,[15] or other changes to interim reporting, we believe the Board should carefully evaluate any expansion of the 135-day window for negative assurance under AS 6101. Extending this period could widen the expectations gap and increase auditor association with information that may be less relevant and higher risk

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[11] EY comment letter, Re: PCAOB proposing release on Firm and Engagement Metrics (PCAOB Release No. 2024-002; Docket Matter No. 041), 7 June 2024.

[12] EY comment letter to the SEC, Re: File Reference No. PCAOB-2024-06, 2 January 2025.

[13] For example, a firm with an effective system of quality control at the firm- and engagement-level delivers consistent, high-quality audits.

[14] See, for example, AS 1301, *Communications with Audit Committees*.

[15] SEC Release No. 33-11414, Semiannual Reporting.

information. In addition, providing negative assurance beyond 135 days after the most recent audit or review would likely require auditors to perform extensive and onerous procedures, potentially reducing the efficiency of the process by which an issuer accesses the capital markets. Any changes to auditor requirements in this area would require clear boundaries and careful consideration of unintended consequences.

The Appendix contains our answers to questions posed in the PCAOB's Request for Public Comment.

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

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Sincerely,

Ernst + Young LLP

Copy to:

SEC
Kurt Hohl, Chief Accountant
Michal Dusza, Deputy Chief Accountant
Emily Fitts, Deputy Chief Accountant

Appendix

Potential focus areas

Question 1: Do you believe that the PCAOB should focus our standard setting and research activities in areas discussed in the table above? How would you approach these areas (e.g., conduct further research, issue staff guidance, or advance to standard setting)? How would you prioritize these areas? Are there areas not listed in the table above that the PCAOB should prioritize?

Yes, as discussed above, we believe the PCAOB's near-term standard-setting efforts would be best directed toward auditor independence, going concern and noncompliance with laws and regulations. In contrast, data and technology, critical audit matters, firm and engagement performance metrics and communications with audit committees would benefit from further research at this stage.

Question 2: Do you have any views not previously shared regarding the scope and objectives of potential standard setting or research in areas discussed in the table above? If yes, what specifically should the PCAOB focus on in each of these areas?

As discussed in our recent comment letter regarding QC 1000,[16] we encourage the Board to provide additional clarity on certain aspects of the newly announced consultation process.

Question 3: In areas where you believe issuing staff guidance would be preferable to amending PCAOB standards, what matters should guidance specifically address?

As it relates to CAMs, interpretive guidance could clarify observations from the post-implementation review, including implementation challenges, illustrative examples, or other noteworthy perspectives that may promote more consistent application across firms if deemed necessary.

Further, as observations arise through the Board's research into emerging technologies, interpretive guidance may help clarify how the existing principles within the PCAOB standards could be applied to the facts and circumstances before amending the standards. Refer to the **Emerging technologies** section in our cover letter for further discussion.

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[16] EY Comment Letter, 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, 9 July 2026.

Question 4: In addition to performing standard setting or research activities in the potential focus areas, should the PCAOB undertake modernization of the remaining "interim" PCAOB standards (including those discussed by commenters, e.g., going concern, inventory, use of service organizations, use of internal auditors)? If the standards were to be updated on an individual basis, which standards would you prioritize?

We believe that going concern should be addressed, as discussed in the **Other standard-setting projects** section above. However, we do not believe modernization of the remaining "interim" PCAOB standards warrants treatment as a standalone priority at this time. A more effective approach would be to update individual standards as circumstances change, and existing requirements are no longer well suited to current practice.

Question 5: Some users of PCAOB standards have expressed concern about the accelerated pace of standard setting and length of comment periods to react to proposals. What would be the preferred length of comment periods to enable stakeholders to fully analyze and respond to proposals? What factors should be taken into account when determining the length of the comment period?

The appropriate length of a comment period depends mostly on the level of transparency and stakeholder engagement preceding the proposal. As a frame of reference, the Integrated Due Process and Public Interest Framework Operating Procedures, which reflect the current practice of the IAASB and the IESBA,[17] contemplate stakeholder engagement throughout the project lifecycle, including information gathering, project scoping, roundtables or public forums. The Operating Procedures also establish an expectation that comment periods ordinarily be no shorter than 90 days, although shorter or longer periods may be appropriate based on the circumstances.

For example, a 60-day comment period is deemed sufficient for certain projects such as a strategy document or work plan. However, even with stakeholder engagement throughout the project lifecycle, we observe that the IAASB's recently completed projects generally included comment periods of 120 days or more for exposure drafts.

Similarly, the AICPA Auditing Standards Board (ASB) framework considers the complexity of the subject matter, the circumstances surrounding the need for a new standard, and whether the comment deadline would fall during practitioners' traditional busy season.

If the PCAOB were to provide early visibility and clarity regarding the direction of a standard-setting project through public discussion, speeches, publications or similar outreach, the feedback stakeholders could provide during an open comment period would be more useful and help reduce the potential for unintended consequences and implementation challenges.

That said, we are supportive of comment periods of 90 days or longer to give stakeholders sufficient time to gather necessary information to provide meaningful feedback. For proposals that are novel, complex or expansive, stakeholders will likely need additional time to evaluate the information.

[17] See IAASB and IESBA **Integrated Due Process and Public Interest Framework (PIF) Operating Procedures**, April 2025.

Relevant factors to consider when determining the length of the comment period include the breadth of the proposal, operational complexity, interaction with other standards, potential effects on issuers and audit committees, and the extent to which the Board publicly shared its thinking.

Question 6: When setting the effective dates of new standards, what factors should be taken into account to provide a sufficient period of time for implementation? Recognizing that implementation timelines will vary depending on the nature and complexity of a standard, what range of time do firms typically need to implement a new standard, including updating audit methodologies and technological resources and training staff?

Similar to the length of a comment period, implementation timing should correlate with the pervasiveness of the change. Relevant considerations include the number of auditing standards affected, the extent of expected performance differences in practice, whether methodologies and technology require modification, training needs, timing of the audit cycle and whether the effects extend beyond auditors to issuers or audit committees.

Continued Board engagement throughout implementation is particularly valuable as unanticipated challenges or unintended consequences arise. We appreciate the Board's collaboration and willingness to consider emerging practice issues during implementation of QC 1000.

Question 7: When prioritizing potential standard setting or research projects, including those outlined above, how and to what degree should the PCAOB consider economic benefits, costs, competitive effects, and unintended consequences? Should such analyses involve an assessment of how any regulatory action may affect smaller firms, including potential barriers to entry or scalability concerns?

These considerations warrant meaningful weight in prioritizing and designing any project. Clear objectives, a disciplined assessment of expected benefits and costs, the expectation for measurable results, and attention to possible unintended consequences strengthen both the process and the resulting standards. We encourage the PCAOB to consider the feedback of firms of all sizes in its economic analysis.

While improving transparency within the standard-setting project, consistent with the **Conceptual framework and standard-setting approach** section above, would help reduce the likelihood of unintended consequences, these issues often arise during implementation. Therefore, continued engagement between the PCAOB and practitioners, similar to their recent engagement on QC 1000, should become the norm throughout implementation of all future standards.

Data and technology

Artificial intelligence

> **Question 8:** In your view, should the PCAOB pursue standard setting and research to address the matters previously identified by commenters (e.g., addressing the impact of the use of AI on identifying and assessing the risk of material misstatement, auditing internal controls, determining what constitutes sufficient appropriate audit evidence, documentation, supervision, and governance of AI-enabled tools)? Alternatively, are these matters best addressed through the issuance of staff guidance?
>
> **Question 9:** In light of rapid advancements in data and technology, including AI, are there additional matters the PCAOB should consider addressing?
>
> **Question 10:** Are there specific areas of the PCAOB's current standards that you believe are not fit for purpose in an AI environment? If so, what are those areas and what changes may be necessary to address the impact of AI on auditing?

Refer to the **Emerging technologies** section in our cover letter.

Digital assets

> **Question 11:** Do you believe there is a need for the PCAOB to address this topic? If so, should the PCAOB pursue standard setting and research to address matters related to auditing digital assets (e.g., access, ownership, control, and existence when held by a third party)? Alternatively, are these matters best addressed through the issuance of staff guidance? In addition to matters discussed in comments provided on the Strategic Priorities RFC, what questions should be specifically addressed through either guidance or standard setting?

We do not view digital assets as a standard-setting priority at this time. Existing principles-based standards provide an adequate foundation for auditors to assess and respond to risks associated with digital assets, including matters related to access, ownership, control and existence when digital assets are held by third parties. Continued research would be useful, however, particularly to monitor developments in practice and identify areas requiring additional clarity.

Similar to our perspectives about other **Emerging technologies** presented in our cover letter, interpretive guidance or other staff communications could be helpful in sharing the PCAOB's observations about applying the existing risk assessment and audit evidence standards to digital assets and related audit techniques. This type of guidance could foster greater consistency across firms and build awareness among stakeholders about audit risks associated with emerging technologies.

Standard setting approach

Question 12: Should we develop and adopt a conceptual framework for PCAOB standard setting? What would be the advantages and disadvantages of establishing such a framework?

We support development of a conceptual framework for PCAOB standard setting. A framework could make the Board's standard-setting process more durable, transparent and disciplined by codifying standard-setting approaches, clarifying objectives and promoting greater consistency. At the same time, we acknowledge that the development of such a framework could require time and resources that may compete with other priorities.

Question 13: What qualitative characteristics should be considered when developing PCAOB standards that could be included in a new framework?

Relevant qualitative characteristics could include a clearly articulated problem statement, clarity of objectives and scope, operability in practice, scalability, comparability where appropriate, responsiveness to the needs of stakeholders within the US capital markets, alignment with existing PCAOB standards and rules, and clear responsibilities and expectations to support compliance. We also believe any conceptual framework should require that the Board provide clarity on how it expects any adopted performance requirements as part of a standard-setting project to affect auditor activities in practice.

If the PCAOB proceeds in developing a conceptual framework, it may be useful to draw on aspects of the processes used by the IAASB and IESBA[18] and the FASB.[19]

Question 14: How should a conceptual framework be integrated with the PCAOB standard setting process and what improvements, if any, could be made to the standard setting process?

A conceptual framework would be most effective if it informs the full life cycle of a project, including agenda setting, research, proposal development, economic analysis and post-implementation review.

As discussed above, greater transparency throughout that process would be particularly valuable. Open Board meetings, speeches, publications or similar communications could give stakeholders better insight into the Board's thinking and progress made on current standard-setting or research projects. This would, in turn, allow stakeholders to better prepare and engage in informed dialogue on Board proposals rather than rush to react in a relatively brief comment period.

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[18] See IAASB ***Framework for Activities***, 4 May 2021; IAASB and IESBA **Integrated Due Process and Public Interest Framework (PIF) Operating Procedures**, April 2025.

[19] See FASB **Conceptual Framework for Financial Reporting**, September 2024.

Question 15: The PCAOB conducts economic analysis and gathers stakeholder input, both before and after our standards take effect. Should a conceptual framework include criteria or factors for evaluating economic benefits, costs, competitive effects, and unintended consequences? If so, what criteria or factors should be considered for inclusion?

Yes, a conceptual framework would benefit from criteria for evaluating these matters both before and after a standard becomes effective. Relevant factors could include expected investor protection benefits, implementation costs, operational complexity, effects on firms of different sizes, competitive effects, scalability, and the likelihood of unintended consequences. It would also be useful for the framework to include considerations about when post-adoption developments may warrant modification to a standard before or after the effective date. It may also be useful to draw on aspects of the IAASB and IESBA framework.[20]

Question 16: Should a conceptual framework address alignment of PCAOB standards with those of other standard setters?

Yes, as stated in our most recent letter,[21] when creating a conceptual framework, the PCAOB should clearly identify any differences from other standard setters, particularly the IAASB and the AICPA's Auditing Standards Board, along with the basis for divergence. Providing such transparency is critical in reducing unnecessary complexity for practitioners applying the standards in multiple jurisdictions.

Alignment with International Auditing Standards

Question 17: What topics should be the highest priority for alignment and why? Should alignment with IAASB standards be given higher priority than alignment with standards of other standard setters and why?

As discussed in our most recent letter,[22] we do not believe alignment warrants priority for its own sake. Instead, the Board should consider alignment when new standard-setting projects arise and when other standard setters have similar active or recently completed projects. Further, the PCAOB may benefit from considering the work of other standard setters, such as the AICPA Auditing Standards Board, that address matters specific to the US market.

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[20] See IAASB and IESBA Integrated Due Process and Public Interest Framework (PIF) Operating Procedures, April 2025.
[21] EY comment letter, *Re: PCAOB No. 2026-001, Request for Public Comment PCAOB Strategic Priorities*, 15 May 2026.
[22] EY comment letter, *Re: PCAOB No. 2026-001, Request for Public Comment PCAOB Strategic Priorities*, 15 May 2026.

Question 18: Should alignment be considered prospectively, i.e., when conducting future standard setting projects, or should the PCAOB also examine previously completed standard setting projects to determine if additional alignment would be feasible and appropriate? Should the PCAOB prioritize aligning its standard setting agenda with those of other standard setters (as opposed to seeking to align specific standards)?

Alignment would be most useful when it is considered prospectively as part of a new project, particularly when another standard setter has a similar advanced or recently completed project. In those cases, the work of the other standard setter could provide the PCAOB with a practical starting point.

Because the PCAOB's standards are organized differently than the international and AICPA standards, any efforts to promote alignment should also consider how changes would fit within the existing PCAOB framework and interact with the broader body of PCAOB standards to avoid creating unintended consequences.

While we do not believe the PCAOB needs to align its agenda with those of other standard setters, we do believe the PCAOB should consider other standard setters' agendas when determining which projects to add to its own agenda. Further, when a topic overlaps and timing is similar, coordination may improve efficiency in research and reduce unnecessary divergence.

Question 19: Should the PCAOB establish formal means to work collaboratively with other standard setters, such as seeking to develop certain projects jointly?

Collaboration can be beneficial, particularly where it allows standard setters to share research, observations and technical perspectives. We observe, however, that when other standard setters (e.g., the FASB and the International Accounting Standards Board) have engaged in formal joint projects, those projects have often become more time-consuming, because each standard setter remains accountable to the needs of its own stakeholders and market(s). For that reason, closer coordination may be more practical than joint standard setting in many cases.

Further, we believe it is important that the PCAOB actively engage with other standard setters and participate in open two-way dialogue when participating in the activities of other standard setters. This engagement can allow the PCAOB to share perspectives from the US capital markets, inform the PCAOB's own judgments about whether and how to address emerging issues, and reduce the risk of unnecessary duplication or fragmentation in standard setting.

In general, more active engagement with other standard setters during the development of related standards not only helps inform others of observations from the US capital markets but also helps inform judgments on areas where its objectives, stakeholder needs or capital market considerations may differ. This type of exchange could enhance transparency around the reasons for alignment or divergence and may also help identify opportunities to reduce unnecessary divergence before standards are finalized.

Question 20: In addition to potential differences between PCAOB standards and those of other standard setters that are mentioned above, are there any other reasons for potential divergence between PCAOB standards and those of other standard setters that may be necessary to consider?

Yes, as discussed in the **Conceptual framework and standard-setting approach** section in the letter, divergence will be necessary in some instances based on the needs of the US capital markets and the requirements of the SEC.

Question 21: Would alignment with international standards create any unique challenges or have disproportionate impact on smaller firms (e.g., costs to change guidance, policies and procedures, training)?

Any changes to PCAOB standards result in implementation costs, including updates to guidance, policies, procedures and training. If the PCAOB does pursue alignment with international standards, any such efforts would also need to contemplate differences between the underlying financial reporting frameworks and consider whether any resulting changes fit coherently within the existing PCAOB auditing standards framework. We encourage the PCAOB to consider feedback from firms of all sizes as part of its standard-setting process.

Semiannual reporting (SEC proposal)

Question 22: Under AS 6101, auditors may provide negative assurance regarding subsequent changes in specified financial statement line items as of a date less than 135 days from the end of the most recent period for which an audit or review has been performed. In light of the SEC's proposed revisions to the rules regarding the age of financial statements, should AS 6101 provisions related to negative assurance be amended?

Question 23: If narrow, conforming amendments related to the negative assurance provisions of AS 6101 were to be considered, should we, for example permit the auditor to provide such negative assurance as of a date subsequent to the end of the most recent audited or reviewed period and prior to the next date that the issuer is required to file periodic financial statements? Would establishing a permissible period for providing negative assurance that is based on the issuer's next required financial statement reporting date, rather than the existing 135-day threshold, give rise to unintended consequences? Is a longer period during which negative assurance is permitted appropriate for a semi-annual filer vs. a quarterly filer? Should there be different limitations on the period during which negative assurance is available depending on whether the next period is subject to an audit or a review? What alternative approaches, if any, should the PCAOB consider?

Question 24: Under AS 6101, auditors are limited to reporting procedures performed and findings obtained—and may not provide negative assurance—as to subsequent changes in specified financial statement items as of a date 135 days or more subsequent to the end of the most recent period for which an audit or review has been performed. If AS 6101 is amended to permit the auditor to provide negative assurance as of a date up to the issuer's next required financial statement reporting date (as described in Question 23), the existing limitation will no longer apply. Are there circumstances that should limit the auditor's ability to provide negative assurance as to subsequent changes in specified financial statement items? Should those circumstances be addressed in the standard? If so, how?

Refer to the **Semiannual reporting** section in our letter.

If the SEC adopts the proposal to allow issuers to elect to report on a semiannual basis,[23] or other changes to interim reporting, we encourage the Board to seek input from the users of comfort letters provided in accordance with AS 6101 (i.e., underwriters and certain other requesting parties) when considering potential changes in this area.

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[23] SEC Release No. 33-11414, Semiannual Reporting.