Crowe LLP
Independent Member Crowe Global

701 13th Street N.W., Suite 852
Washington, D.C. 20005-3962
Tel +1 202 624 5555
Fax +1 202 624 8858
www.crowe.com

August 6, 2026

By email: comments@pcaobus.org

Ms. Phoebe W. Brown
Office of the Secretary
PCAOB
1666 K Street NW
Washington, DC 20006-2803

Re: Request for Public Comment on PCAOB Standard Setting (PCAOB Release No. 2026-005)

Dear Ms. Brown:

Crowe LLP appreciates the opportunity to respond to the Public Company Accounting Oversight Board's (PCAOB or the Board) request for comment (RFC) on (1) updating the standard-setting and research agendas, (2) revisiting the approach to standard setting, and (3) potential impacts of the recent proposal by the US Securities and Exchange Commission (SEC) regarding semiannual reporting. We commend the Board for taking this step to seek input from stakeholders on the priorities and approach for standard setting.

We are committed to performing high quality audits to support investor confidence in and the integrity of the capital markets. The professional standards set by the PCAOB, including auditing, quality control, and independence, are the foundation for those high quality audits. Robust, durable standards can also promote a strong audit profession by supporting firms of a range of sizes participating in issuer audits and in attracting individuals to the profession.

We support the Board's efforts to enhance the transparency, consistency, and effectiveness of its standard-setting activities. Our comments below are intended to provide considerations for the Board in assessing the standard-setting process and in prioritizing individual standard-setting and research projects to maintain high quality audits.

A Conceptual Framework

The RFC identifies a conceptual framework as a potential tool to promote greater transparency, consistency of standards, and efficient use of resources that could also articulate a structured, principles-based approach to standard setting. We support the Board's development and adoption of a conceptual framework that articulates the objectives, principles, and considerations underlying the Board's standard-setting decisions as a means to promote greater consistency across the standard-setting process and transparency for all stakeholders into the Board's decision-making process.

We believe the framework would be valuable to the Board and stakeholders to the extent it supports the Board's evaluation, prioritization, and development of auditing standards. However, we also encourage the Board to carefully consider the relative priority of this initiative within its broader standard-setting program. Although a conceptual framework may provide meaningful long-term benefits, the Board has also discussed undertaking other ambitious standard-setting projects. The Board should be cognizant of the potential impact development of a conceptual framework may have on the timely completion of other standard-setting priorities. Accordingly, we believe the framework should be appropriately scoped and designed to complement, rather than compete with, the Board's other standard-setting priorities.

The framework should formalize the activities the PCAOB identifies as currently being used to identify and prioritize potential standard-setting projects, including consideration of information obtained through its oversight activities, stakeholder input, and developments identified by other regulators and standard setters. The framework should then establish a structured, principles-based approach for assessing whether standard setting is warranted, determining the appropriate nature and scope of the Board's response, and developing standards that are clear, risk-based, scalable, and capable of consistent application.

The framework should be sufficiently principles-based and adaptable to address the range of circumstances that may give rise to a perceived need for standard setting. Among other matters, it should support consideration of whether an identified issue reflects a deficiency or gap in existing standards, so the Board can reach a conclusion on whether the issue would be more effectively addressed through standard setting, guidance, or targeted clarification of existing requirements. The framework should also include an expectation that there is an analysis of whether the anticipated benefits of a potential action outweigh its costs and potential unintended consequences.

The framework should include expectations for transparency relative to the standard-setting process. This transparency should incorporate regular updates on the status of research and standard-setting projects, expected next steps (e.g., further research, guidance, or standard setting), and the PCAOB's rationale for the expected next steps. Providing this information will allow stakeholders to be aware of the PCAOB's priorities and be better prepared to provide input as projects progress.

Importantly, the framework should support an appropriate level of stability within the body of PCAOB auditing standards and minimize frequent changes that introduce unpredictability and unnecessary complexity into the audit process. Stability enables firms to effectively operationalize new requirements, train personnel, and apply standards consistently in a manner that supports audit quality for the benefit of investors. A disciplined framework for identifying the need for standard setting and selecting the appropriate regulatory response could help the Board balance the need to address emerging issues with the benefits of maintaining durable standards.

We encourage the Board to leverage relevant elements of frameworks developed by other auditing and accounting standard setters, while tailoring the PCAOB's framework to its statutory mandate. Evaluating the experience of other standard setters may allow the Board to identify effective practices and avoid unnecessary differences in standard-setting approaches. At the same time, the PCAOB's framework should reflect the particular responsibilities of auditors subject to PCAOB standards and the needs of investors in the US capital markets.

The benefits of a conceptual framework will be greatest if it is formally integrated into the Board's standard-setting process and applied consistently over time. Embedding the framework in the Board's established processes, while providing for periodic public evaluation and measured refinement, would promote continuity, accountability, and long-term effectiveness.

Standard-Setting and Research Priorities

As the Board develops its standard-setting and research agendas, we encourage it to prioritize projects where there is the greatest identified need and a clear connection between the proposed action and an expected improvement in audit quality. The identification of need should be informed by the PCAOB's own data, including inspection results and recent enforcement actions, as well as information from other standard-setting bodies and stakeholder input. Standard setting should only be undertaken when there is a clearly defined need for a new or revised standard and when a standard-setting project, rather than guidance or targeted clarifying amendments to existing standards, is expected to improve audit quality.

The length of time since a standard was last updated should not be, on its own, a basis for prioritizing a standard-setting project. The Board should focus modernization efforts on standards for which its oversight activities, stakeholder outreach, or other relevant evidence indicate that the existing requirements are no longer fit for purpose. Updating standards primarily because of their age may use resources that could otherwise be directed toward areas of greater need. It may also create unnecessary implementation costs and distractions, particularly when revisions reorganize or restate existing requirements without meaningfully changing the auditor's responsibilities or improving audit quality.

We encourage the Board to establish an agenda that it can reasonably expect to accomplish within the stated timeframes and to drive projects toward timely conclusions. As research develops, including through information obtained from outreach, the Board should be willing to modify the nature or scope of a project, including shifting from standard setting to guidance, or to remove a project from the agenda when standard setting is no longer considered necessary. Maintaining a current and achievable agenda and providing insight into the reasons for changes to that agenda would give stakeholders important transparency into the Board's priorities and focus areas.

Meaningful stakeholder input is also essential to the development of clear and effective standards. The Board should prioritize active engagement with a range of stakeholders during the standard-setting process. In addition to investors, audit committee members, issuers, and academics, the Board should obtain feedback from firms of various sizes. Given differences in how firms are structured, the methodology and technology different firms apply, and the types of companies firms audit, it is important for the Board to hear from a range of firms in order to develop and approve auditing standards that are applicable and able to be effectively implemented across the range of registered firms. To facilitate meaningful and robust engagement, we encourage the Board to provide comment periods of at least 60 days and to allow additional time when warranted by the nature, complexity, or breadth of a proposal. In determining the appropriate period, the Board should also consider the volume and timing of other open requests for comment from the PCAOB, SEC, and other standard setters, as stakeholders may need to draw upon many of the same subject-matter resources to respond to such requests. Where pilot testing, field testing, or similar activities could provide useful information about the operability or potential effects of a proposal, the Board should incorporate sufficient time for those activities into the standard-setting process.

The time needed to implement a new or amended standard will vary significantly based on the nature and extent of the changes. Accordingly, each proposal should specifically request stakeholder input on the appropriate implementation period. In establishing an effective date, the Board should consider, among other matters, the time required for all firms to update audit methodologies and technological resources, develop and deliver training, revise quality control policies and procedures, and implement the requirements consistently across a range of engagements.

Throughout its research and standard-setting activities, the Board should consider the activities of other auditing standard setters. Early and sustained engagement with other standard setters can help minimize unnecessary differences in requirements and terminology. To the extent possible, the Board should consider opportunities to coordinate project timelines, share research and outreach findings, and work collaboratively on the development of standards.

We support the PCAOB engaging with and, to the extent possible, aligning with other standard setters on current and future standard-setting projects. We do not believe, however, that the PCAOB should undertake a retrospective review of previously completed standard-setting projects solely for the purpose of achieving greater alignment. Previously completed standards should be revisited when inspection results, stakeholder outreach, market developments, or other relevant evidence indicate that the requirements are not operating as intended or are otherwise no longer fit for purpose. Revising a standard solely to align it with the standards of another standard setter, without evidence of an underlying need for change, may create implementation costs and disruption without a commensurate improvement in audit quality.

Our views regarding specific standard-setting and research projects are discussed below.

<u>Noncompliance with Laws and Regulations</u>

We encourage the Board to build upon the significant stakeholder outreach and feedback obtained through its previous work on noncompliance with laws and regulations (NOCLAR). The proposal generated extensive engagement from investors, preparers, audit committees, auditors, and other stakeholders, providing the Board with a substantial body of information regarding the practical, operational, and investor protection considerations associated with this important topic. The comment process and related stakeholder discussions fostered an informative dialogue regarding the auditor's role and responsibilities in addressing noncompliance with laws and regulations. Through that process, stakeholders developed a deeper understanding of both the opportunities and the practical challenges associated with expanding auditor responsibilities in this area. In particular, the dialogue helped identify areas where enhancements to existing requirements may be appropriate, while also highlighting the importance of maintaining responsibilities that are aligned with the auditor's role, expertise, and the objectives of the audit.

As the Board considers its future standard-setting agenda, we encourage it to leverage the knowledge and perspectives gained through the prior proposal and stakeholder outreach, as well as the work of the IAASB and other standard setters, to advance its NOCLAR standard by re-proposing a draft standard that takes into consideration this information. We also encourage continued coordination with the SEC as well as consideration of related projects, including fraud, as appropriate, to promote consistency and facilitate meaningful stakeholder input.

Data and Technology

We support the continuation of the PCAOB's Data and Technology research project, including consideration of developments related to artificial intelligence (AI). Given the pace of change in this area, continued research will help the Board remain informed about how issuers and auditors are using emerging technologies, the challenges arising in practice, and whether guidance or standard setting may become necessary.

The research should focus on whether the use of AI by both issuers and auditors changes how auditors identify and assess risks of material misstatement, audit internal control over financial reporting, or obtain sufficient appropriate audit evidence. It should also consider whether existing auditing standards create unnecessary impediments to the appropriate use of technology or require modernization to be suitable for use. Any future action should be based on identified challenges in practice and should distinguish between matters that can be addressed through guidance and those that require changes to the auditing standards.

We also encourage the Board to consider establishing an AI-focused task force as part of this research project. A task force comprising auditors, issuers, investors, audit committee members, academics, and technology specialists could provide the Board with timely and practical input as the use of AI continues to evolve.

Digital Assets

We encourage the Board to prioritize a research project focused on the application of PCAOB auditing standards to audits involving digital assets. The research project should determine whether standard setting or guidance is necessary to support effective auditing of digital assets. Given the continued growth in the use of digital assets and related technologies, we believe this topic warrants further study to determine whether action is necessary to support audit quality.

Many existing PCAOB standards were developed before digital assets and blockchain-based technologies became prevalent. As a result, auditors are increasingly encountering transactions, controls, and sources of audit evidence that present questions regarding how existing auditing concepts should be applied. For example, the Board may wish to examine whether the existing requirements related to obtaining sufficient appropriate audit evidence can be consistently applied in environments where relevant information is maintained through distributed ledger technology and traditional forms of audit evidence may not exist. A research project would provide the Board with an opportunity to better understand the unique characteristics of audits involving digital assets, the practical challenges faced by auditors, and whether existing standards continue to achieve their intended objectives.

We believe a research project is the appropriate first step because it would allow the Board to evaluate the nature and extent of any gaps in existing standards before determining whether standard setting is necessary. In some instances, existing PCAOB standards may already provide an appropriate framework, and additional implementation guidance or clarification may be sufficient to support consistent application.

In other cases, the Board's research may identify areas where standard setting would better address the unique risks and audit considerations associated with digital assets.

As part of this research, we encourage the Board to consider existing implementation guidance and related work developed by other standard setters and professional organizations, such as the AICPA's Digital Assets Practice Aid, *Accounting for and Auditing of Digital Assets*. Leveraging existing resources may help the Board identify areas where additional guidance or clarification may be sufficient, while also informing its assessment of whether targeted amendments to existing standards or new requirements are necessary.

Potential Impacts of Recent SEC Proposal

The PCAOB should monitor the SEC's recent proposal related to semiannual reporting and, if adopted, consider whether there is a need for revisions to Auditing Standard (AS) 6101, *Letters for Underwriters and Certain Other Requesting Parties* (AS 6101), and AS 4105, *Reviews of Interim Financial Information* (AS 4105). While AS 6101 and AS 4105 as currently written accommodate a quarterly or semiannual reporting framework, we encourage the PCAOB to engage with the SEC and capital market stakeholders when evaluating whether any updates are needed to those standards if a final rule is adopted related to semiannual reporting.

* * * * *

We appreciate the opportunity to provide our perspectives on the PCAOB's standard-setting and research agendas and would be pleased to discuss our comments with the Board or its staff. If you have any questions, please contact Kyle Owens, Chief Auditor, at kyle.owens@crowe.com or Ellen Gazlay, National Office Partner, at ellen.gazlay@crowe.com.

Sincerely,

/s/ Crowe LLP

Crowe LLP