Members of the Investor Advisory Group

<u>Via Email</u>

August 7, 2026

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

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

Dear Secretary Brown and Members of the Public Company Accounting Oversight Board (PCAOB or Board):

The Members of the Investor Advisory Group (MIAG)[1] appreciate the opportunity to share our views regarding the PCAOB's request "seeking public comment on (1) updating the standard-setting and research agendas, (2) revisiting our approach to standard setting, and (3) considering the impact of the recent proposal by the U.S. Securities and Exchange Commission . . . [(SEC)] regarding semiannual reporting" (RFC).[2] We offer the following responses to select questions posed by the Board in the RFC.

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?[3]

The MIAG generally supports the PCAOB focusing on the standard-setting and research activities in the areas discussed in "Table 1 – Focus Areas" of the RFC (Table 1).[4] For the convenience of the reader, a condensed version of Table 1 is reproduced on the following page.

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[1] This letter represents the views of Investor Advisory Group (IAG) and does not necessarily represent the views of any individual members, any member's employer or affiliated organization, or any other organization with which a member may be associated. IAG views are developed by the members of the group independent of the views of the Public Company Accounting Oversight Board (PCAOB) and its staff. For more information about the IAG, including a listing of the current members, their bios, and the IAG charter, see https://pcaobus.org/about/advisory-groups/investor-advisory-group.
[2] Request for Public Comment, PCAOB Release No. 2026-005 (June 23, 2026), https://assets.pcaobus.org/pcaob-dev/docs/default-source/standards/standard-setting-agenda-request-for-comment/request-for-public-comment-on-pcaob-standard-setting.pdf?sfvrsn=4cf12519_2.
[3] *Id.* at 9 (emphasis added).
[4] *Id.* at 6-8.

Potential Focus Area Identified by PCAOB	PCAOB's Views on Potential Scope of Standard-Setting and Research Activities (Condensed)
Data and Technology	Consider changes related to data and technology, including artificial intelligence and digital assets, as a critical emerging issue. (Data and Technology is a project on the PCAOB's current research agenda.)
Fraud	Consider whether AS 2401, *Consideration of Fraud in a Financial Statement Audit*, should be revised and, if so, how, including whether ISA 240 (Revised) could be leveraged and whether amendments should be considered in conjunction with potential amendments to AS 2405.
Critical Audit Matters	Consider whether AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, should be revised in respect of critical audit matters (CAMs), including further research on the continued decrease in the average number of CAMs and whether enhancements to the information reported through CAMs may be warranted.
Noncompliance with Laws and Regulations	Consider whether AS 2405, *Illegal Acts by Clients*, should be revised and, if so, how, considering stakeholder feedback on the 2023 standard-setting proposal, the requirements of other standard setters, and potential amendments to AS 2401.
Firm and Engagement Performance Metrics	Consider whether to pursue amendments to rules and reporting forms to require the reporting of specified firm-level and/or engagement-level metrics, including further research and outreach to audit committees, investors, and audit firms.
Auditor Independence	Consider whether to update the interim ethics and independence standards, including whether they are necessary to retain in their current form given the potential overlap with SEC Rule 2-01 of Regulation S-X.

We are pleased that the areas included in Table 1 align well with topics that are important to investors. Every project listed has the potential to improve audit quality and strengthen our capital markets.

In broad terms, we believe the Board should prioritize those projects with a high probability of completion and implementation within a reasonable time frame. And whenever possible, the Board should avoid taking on too many projects at once, as this can lead to slow progress or rushed standard setting.

More specifically, we would prioritize the Table 1 focus areas of "Critical Audit Matters," "Firm and Engagement Metrics," Data and Technology," and "Fraud."[5]

We generally believe Critical Audit Matters (CAMs) and Firm and Engagement Performance Metrics (FEMs) should be the highest priorities because they are the two focus areas that are most likely to provide investors with more useful information for investment or voting decisions. They also have the greatest potential to encourage audit quality competition among auditing teams and firms.

In addition, we generally believe Data and Technology (D&T) and Fraud focus areas should be pursued as distinct projects but coordinated workstreams where research on the impact of new technologies on the auditing industry could lead to potential near-term staff guidance.

[5] *Id.*

And finally, one area not listed in Table 1 that the PCAOB should prioritize is the Board's current "targeted amendments to QC 1000[[6]] . . . ."[7]

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?[8]

<u>CAMs</u>

The MIAG generally views CAMs as a key project that is incomplete. As you may be aware, the MIAG has long advocated for targeted amendments to "AS 3101: The Auditor's Report of Financial Statements When the Auditor Expresses an Unqualified Opinion"[9] to (1) address the declining incident and under identification of CAMs and (2) improve the content of the CAMs disclosed.[10]

Address the Declining Incidence and Under-Identification of CAMs

We generally agree with the PCAOB's assessment that the low and decreasing number of CAMs is one reason that this project is incomplete.[11] In addition to continuing to strongly support the narrow amendment we have long recommended, we would not oppose the PCAOB further researching additional approaches to promoting the complete identification and decision-useful communication of CAMs, including potentially expanding the scope of AS 3101 to include matters arising from internal control audits. We note that internal control audits are a key aspect of a PCAOB compliant audit but were explicitly excluded from the standard.[12]

Improve the Content

While we remain concerned about the declining incidence and under-identification of CAMs, the underwhelming content of the disclosure (often boilerplate) is in our view the bigger driver of CAMs failing to live up to their potential.

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[6] *See* Supplemental Request for Comment: Proposed Amendments to QC 1000, A Firm's System of Quality Control, And Related Rule and Forms, PCAOB Release No. 2026-002 (June 9, 2026), https://assets.pcaobus.org/pcaob-dev/docs/defaultsource/rulemaking/docket-057/2026-002-qc-src.pdf?sfvrsn=92c20332_2.

[7] Letter from Members of IAG to Office of the Secretary, PCAOB, ***Reference: PCAOB Rulemaking Docket Matter No. 057, Supplemental Request for Comment: Proposed Amendments to QC 1000, A Firm's System of Quality Control, And Related Rule and Forms*** 1 (July 9, 2026), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-057/22_miag.pdf?sfvrsn=6e099e23_2.

[8] PCAOB Release No. 2026-005 at 9 (emphasis added).

[9] *See* AS 3101: The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion, PCAOB (last visited July 12, 2026), https://pcaobus.org/oversight/standards/auditing-standards/details/AS310.1 https://pcaobus.org/oversight/standards/auditing-standards/details/AS310.1.

[10] *See, e.g.,* The First Annual Investor Advisory Group Most Decision-Useful Critical or Key Audit Matters for 2023, MIAG 5 (Dec. 2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/advisory/documents/seiag-november-2024/iag-report---the-first-annual-iag-critical-or-key-audit-matter-report.pdf?sfvrsn=49214add_1 (Two of [the MIAG 2023] recommendations include the following proposed amendments to AS 3101: (1) Revise the "especially challenging" language used in paragraphs .11 and .12 for identifying potential CAMs, and (2) Revise the description in paragraph .14(c) of how the critical audit matter was addressed in the audit.") (footnotes omitted).

[11] *See* PCAOB Release No. 2026-005 at 7 ("Perform further research to understand why there has continued to be a decrease in the average number of CAMs included in the auditor's report over time . . ..."),

[12] *See* The Auditor's Report On An Audit of Financial Statements When The Auditor Expresses An Unqualified Opinion And Related Amendments To PCAOB Standards, PCAOB Release No. 2017-001 at 35 n.55 (June 1, 2017), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket034/2017-001-auditors-report-final-rule.pdf?sfvrsn=14ad22c9_0 ("It should be noted that the determination that a matter was a significant deficiency in internal control over financial reporting, on its own, could not be a critical audit matter.").

In addition to continuing to strongly support our long recommended narrow amendment to AS 3101 to improve the content of CAMs, we would also support the PCAOB performing further research on whether or not additional amendments to AS 3101 should be adopted that would (1) implement the United Kingdom's "graduated findings" and expand auditor reporting[13] and (2) address potential liability risks and consequences, a topic that was extensively deliberated by the Board in connection with the development of AS 3101.[14],[15]

Finally, we would also generally support the PCAOB staff publishing a report highlighting attributes of effective and ineffective CAM disclosures, supported by anonymized or published examples across selected industries, perhaps starting with the technology industry. The report should emphasize company-specific information and avoid model language that could encourage standardized disclosures. This could spur competition within an industry and improve the content of the disclosure of CAMs.

<u>FEMs</u>

The MIAG has also long advocated "for amendments to rules and reporting forms to require the reporting for specified firm level [and] . . . specified engagement level metrics"[16] to investors and the public.[17] While the issuer's audit committee can reasonably measure firm and engagement performance, both input-focused and outcome-based, that information has proven difficult to disseminate to investors who are responsible for ratifying the audit firm and electing the chair or members of the audit committee.

We believe FEMs should be publicly reported, consistently defined, comparable across firms and over time, subject to appropriate controls, and accompanied by sufficient context to avoid misleading investors. We also believe FEMs should supplement, rather than substitute for, qualitative assessments of audit quality.

Given the high concentration of audit market share, which is likely to limit competition, we also view FEMs as having the potential to encourage audit quality competition among auditing teams and firms. In addition to requiring the reporting of specified input-focused and outcome-based FEMs, we believe the PCAOB should also consider how to provide investors with information to assist them in better understanding the FEMs to further facilitate informed voting. For example, the PCAOB could evaluate trend information and metrics relating to, among other metrics, engagement-team workload, relevant experience, use and supervision of specialists, retention and tenure, inspection history, and restatements.[18]

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[13] *See, e.g.*, Parliamentary Business, Publication and Records, The Future of Audit Contents (Apr. 2, 2019), https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1718/171805.htm ("One such reform is 'graduated findings', which refers to the auditor expressing an opinion on key management estimates and judgements in the accounts, describing them on a range from cautious to optimistic [and] . . . ***We recommend that the FRC make graduated findings mandatory***.").
[14] *See* PCAOB Release No. 2017-001 at 40-44 ("*Liability Consideration Related to Critical Audit Matters*").
[15] *See id.* at 43 n.72 ("Some commenters suggested that safe harbor rules be created to protect auditors and companies from liability for statements about critical audit matters [and] [w]hile, as noted above, the Board will monitor the effects of critical audit matters should the requirements be approved by the SEC, the Board is not convinced at this time that any such safe harbor is necessary and, in any event, such a safe harbor is beyond the Board's authority.").
[16] PCAOB Release No. 2026-005 at 8.
[17] *See, e.g.,* Letter from Members of IAG to Office of the Secretary, PCAOB, ***Reference: PCAOB No. 2022-003, Request for Public Comment – PCAOB Draft Plan 2022-2026*** at 3 (Sept. 15, 2022) https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/strategic-plan-comments-2022/10_iag.pdf?sfvrsn=f24d0e63_4 ("Recommendation: We suggest another way to deliver guidance to the audit profession that would be useful, objective, and unbiased: the development and establishment of audit quality indicators (AQI), at the audited company level, audit firm office level, and the audit firm level.").
[18] *See, e.g.,* Letter from Members of the IAG to Office of the Secretary, PCAOB, **PCAOB Rulemaking Docket Matter No. 041, Firm and Engagement Metrics and PCAOB Rulemaking Docket Matter No. 055 Proposing Release: Firm Reporting.** 12-16 (May 29, 2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket_041/4_iag.pdf?sfvrsn=2680ecfd_2 (discussing MIAG views on proposed metrics).

D&T and Fraud

As indicated, the MIAG generally believes there is the potential for the Fraud project and the D&T project to be distinct but coordinated workstreams. Developments in data analytics and artificial intelligence (AI), including large language models (LLMs), may enhance auditors' ability to identify unusual transactions, relationships, or patterns that warrant further investigation. At the same time, technology does not alter the auditor's responsibility to exercise professional skepticism, obtain sufficient appropriate audit evidence, and apply professional judgment. The Board's research should therefore include examining how technology may improve fraud risk assessment and how the use of D&T may itself create or obscure risks of material misstatement.

The Board should consider whether existing standards sufficiently communicate and operationalize the auditor's responsibility to identify and respond to risks of material misstatement due to fraud and whether greater transparency regarding those responsibilities could help reduce the longstanding expectations gap. Using "ISA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements"[19] as a starting point for the Fraud project could be one potential approach,[20] but may not be the optimal starting point.

The Board's research could also consider how auditors should respond when rapidly evolving technologies contribute to significant capital expenditures, complex contractual arrangements, heightened estimation uncertainty, related-party risks, or incentives to misstate operating or performance measures.

Question 3 – In areas where you believe issuing staff guidance would be preferable to amending PCAOB standards, what matters should guidance specifically address?[21]

The MIAG generally believes that for most of the matters discussed in Table 1, we see the need for amendments to existing standards or new standards. However, we generally see the potential for new guidance to be helpful as a potential response to the D&T and Fraud projects discussed in response to Question 2, and in response to the Table 1 auditor independence project,[22] as a result of the growth of private equity investment in the audit industry.[23]

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 should we prioritize?[24]

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[19] ISA 240 (Revised), The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, IAASB (July 8, 2025), https://www.iaasb.org/publications/isa-240-revised-auditor-s-responsibilities-relating-fraud-audit-financial-statements.
[20] *See* PCAOB Release No. 2026-005 at 6 ("Consider whether AS 2401, *Consideration of Fraud in a Financial Statement Audit*, should be revised and, if so, how.").
[21] *Id.* at 9 (emphasis added).
[22] *See id.* at 8 ("Consider whether to update the interim ethics and independence standards and, if so, how.").
[23] *See* Letter from Members of IAG to Phoebe W. Brown, Secretary, PCAOB, ***Reference: PCAOB No. 2026-001, Request for Public Comment – PCAOB Strategic Priorities*** 4 (May 13, 2026), https://assets.pcaobus.org/pcaob-dev/docs/default-source/about/administration/strategic-plan-comments-2026/28_miag.pdf?sfvrsn=6ab7d737_2 ("Given the growing segment of business represented by private companies and the importance of private capital, a priority for the Board's next strategic plan should include some consideration of how private markets may impact on the Board's initiatives and goals.").
[24] PCAOB Release No. 2026-005 at 9 (emphasis added).

The MIAG generally supports the PCAOB's efforts to update all the interim standards. As we stated in our September 2022 letter in response to the "PCAOB Draft Plan 2022-2026*"*:

> We know that auditors have been working with long-standing "interim" standards since the PCAOB's inception and their modernization is long overdue – yet there is no timeline or date goal set for their replacement, or even various stages of replacement. Setting dates for completion – and achieving them – establishes accountability for the PCAOB.
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> . . . .
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> . . . We recommend that the Board prioritize modernization of interim auditing standards in this five-year plan, with the scalability of standards as a secondary priority.[25]

Now more than three years later, we continue to believe that to enhance the PCAOB's credibility and accountability it should set realistic dates for completing all the interim standards. Those dates should reflect the relative priorities of each of the interim standards, based on factors such as the ability of the new standard to improve audit quality, provide information to assist investors in making proxy voting decisions, and the timeliness of the subject matter. More specifically, we would also generally support prioritizing interim standards "AS 2415: Consideration of an Entity's Ability to Continue as a Going Concern"[26] and "AS 2305: Substantive Analytical Procedures."[27]

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?[28]

The MIAG generally agrees that there have been periods of time when the PCAOB's standard-setting pace has been too accelerated to allow proper stakeholder vetting. The complexity of the topic should be the primary driver of comment periods, with a minimum of 60 days per comment request.[29] At least 90 days should be allowed for the most critical and complex auditing topics, or when multiple solicitation requests have been issued.

We note that one of the objectives of MIAG comment letters is to encourage other stakeholders, particularly investors, to submit their own comment letters to the PCAOB. As a result, it has been MIAG's goal to submit its comment letters approximately two weeks before the PCAOB's comment letter deadline. We believe it is more challenging to achieve our goal when the PCAOB's comment deadline is less than 90 days.

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[25] Letter from Members of IAG to Office of the Secretary, PCAOB, ***Reference: PCAOB No. 2022-003, Request for Public Comment – PCAOB Draft Plan 2022-2026*** at 2.
[26] AS 2415: Consideration of an Entity's Ability to Continue as a Going Concern, PCAOB (2002), https://pcaobus.org/oversight/standards/auditing-standards/details/AS2415.
[27] AS 2305: Substantive Analytical Procedures, PCAOB (2002), https://pcaobus.org/oversight/standards/auditing-standards/details/AS2305**.**
[28] PCAOB Release No. 2026-005 at 9 (emphasis added).
[29] *Cf.* The SEC Reform and Restructuring Act, H.R. 9329, 119th Cong. § 701 (as reported by H. Comm. Fin. Servs., June 30, 2026), https://www.congress.gov/bill/119th-congress/house-bill/9329/text#toc-HBE2C906B65C4402AA6C3899390F5F974 ("IN GENERAL.—With respect to a proposed rulemaking for which a public comment period is required . . . the Commission shall provide a public comment period of—"(A) at least 60 days; or "(B) if the Commission determines the proposed rule addresses imminent investor harm, at least 30 days.").

In addition, we would respectfully request that the PCAOB's public workplan include estimated dates for when the Board anticipates it may issue a document for public comment for each of its projects. And we believe those estimated dates should be updated at least twice a year. If our recommendation is adopted, we believe this practice would also assist the MIAG and other stakeholders in planning and allocating resources for developing and submitting comment letters prior to the PCAOB's comment letter deadlines.

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?[30]

We generally believe that implementation timelines should be set depending on the circumstances of the proposed changes. Whilst we understand that firms will need time to address the changes, and an appropriate amount of time should be given to ensure that training of staff and technological resources can be updated, any changes should be seeking to improve audit quality for investors and therefore should be implemented as soon as practicable.

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?[31]

As investors ultimately bear the cost of auditing, we find the economic data quite helpful when evaluating the merits of a proposed new or amended standard. Economics, including the economic benefits of improvement in audit quality, should always be a critical consideration when the PCAOB is looking to improve or expand auditing standards.

As for the economic impact of auditing rules on smaller firms, we continue to believe scalability should not be the primary concern of the Board when prioritizing potential projects, but we recognize there is a delicate balance between not overburdening smaller PCAOB registered audit firms, further increasing concentration in public firm accounting, and creating an under-regulated environment for smaller audit firms that leads them to fall short of the audit quality of larger firms. Economic analysis of the impacts on smaller firms should be a consideration when evaluating that balance.

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?[32]

As the MIAG indicated in our May 2026 letter in response to the PCAOB Strategic Priorities:

> [We support] . . . [t]he Board's current research project on the use of data and technology [] designed to "[a]ssess whether there is a need for guidance, changes to PCAOB standards, or other

[30] PCAOB Release No. 2026-005 at 9 (emphasis added).
[31] *Id.* at 9-10 (emphasis added).
[32] *Id.* at 11 (emphasis added).

> regulatory actions in light of the increased use of technology-based tools by auditors and preparers. This includes evaluating the role technology innovation plays in driving audit quality. Research from this project may give rise to individual standard-setting projects and may also inform the scope or nature of other projects that are included on the standard-setting agenda.[33]

It is our current view that AI, and more specifically LLMs, are probably too nascent a technology to justify PCAOB standard setting. However, as indicated in our response to Question 2 and in our May 2026 letter, we continue to support PCAOB research projects addressing matters relating to AI. Moreover, we believe that staff guidance rather than standard setting should remain the PCAOB tool of choice for addressing matters that may arise from ongoing research relating to these topics.

Finally, we wish to emphasis our belief that the PCAOB conduct its own independent research to assess what, if any, additional matters the PCAOB should consider addressing relating to AI. Overreliance of firm views in this area, as in many others, is likely to result in PCAOB responses, which, whether in the form of standards or guidance, are less likely to benefit investors and the public interest.

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?[34]

The MIAG generally believes that compared to the use of AI in auditing, crypto currencies are currently a much narrower topic, impacting a small set of firms. While we believe the PCAOB should continue to research and potentially provide guidance on crypto currencies, we see this topic as a lower priority than AI.

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?[35]

The MIAG generally supports the development and adoption of a conceptual framework for PCAOB standard setting. The potential advantage of establishing such a framework is to reinforce that the primary focus of standard setting should be on the needs of investors and the public interest.

Ensuring that standards are focused on investor protection, by driving audit quality and strong audit outcomes must be the core goal of the framework. This should include grounding the framework in the needs of users, focusing on what investors are seeking from audits, including independence, clarity, reliability, and transparency.

From an investors' viewpoint, the conceptual framework should also include how the PCAOB will consider the materiality of issues, and any impacts on audit quality. The cost effectiveness question should also be considered within this framework from the viewpoint of investors.

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[33] Letter from Members of IAG to Phoebe W. Brown, Secretary, PCAOB, ***Reference: PCAOB No. 2026-001, Request for Public Comment – PCAOB Strategic Priorities*** at 10.
[34] PCAOB Release No. 2026-005 at 11-12 (emphasis added).
[35] *Id*. at 13 (emphasis added).

Question 13 – What qualitative characteristics should be considered when developing PCAOB standards that could be included in a new framework? [36]

As indicated in response to Question 12, the MIAG generally believes that important qualitative characteristics that should be considered when developing PCAOB standards include independence, clarity, reliability, and transparency.[37]

We also generally believe that a new framework should require the Board to identify the problem to be addressed and the evidence supporting regulatory action; determine whether the problem arises from the standard itself or from implementation, firm methodology, supervision, inspection, or enforcement; and select the most appropriate response, which may include research, staff guidance, standard setting, inspection-related action, or enforcement.

The Board should consider evidence from inspections, enforcement matters, restatements, academic research, and post-implementation reviews. A new framework should also address investor protection, audit quality, decision usefulness, materiality, economic consequences, international alignment, implementation readiness, and measurable criteria for evaluating whether the completed action achieved its intended objective.

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?[38]

The MIAG generally believes a conceptual framework should include criteria for factors for evaluating the benefits and costs of standards and as indicated in response to Question 12, those benefits and costs should be evaluated from the perspective of investors.

Question 16 – Should a conceptual framework address alignment of PCAOB standards with those of other standard setters?[39]

The MIAG includes global investors. As global investors, those members generally believe that the PCAOB should attempt to align with global auditing standards. We support codifying alignment into the PCAOB principles; however, it should be clearly stated that alignment should only occur when from the perspective of investors, it would improve audit quality and the decision usefulness of the information provided to investors. In addition, alignment should not be pursued to the extent the alignment activities significantly reduce the timeliness of PCAOB standard setting.

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[36] *Id.* (emphasis added).
[37] *See, e.g.,* Letter from Members of IAG to Office of the Secretary, PCAOB, ***Reference: PCAOB Rulemaking Docket Matter No. 057, Supplemental Request for Comment: Proposed Amendments to QC 1000, A Firm's System of Quality Control, And Related Rule and Forms*** at 7 (commenting that the PCAOB economic analysis failed to consider "[t]he potential economic impacts of the proposed amendments on . . . investor confidence; and [on] . . . the costs to investors and the public of audit failures that could result from a more flexible system of quality control because of the proposed amendments.").
[38] PCAOB Release No. 2026-005 at 13 (emphasis added & footnote omitted).
[39] *Id.* at 14 (emphasis added).

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?[40]

The MIAG generally believes that the International Auditing and Assurance Standards Board (IAASB) and the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) should both be considered when modernizing PCAOB standards. Alignment, however, should not necessarily require identical wording. Rather, the Board should avoid unnecessary differences where comparable requirements would improve audit quality, facilitate implementation, and provide decision-useful information to investors. Any divergence should be intentional, transparent, and supported by the needs of investors and the PCAOB's statutory mandate.

In addition, the MIAG generally believes the topics that should be the highest priority for alignment are those where investors believe adoption of the IAASB or AICPA standard would improve audit quality and the decision usefulness of the information provided to investors.

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)?[41]

The MIAG generally supports both prospective and retrospective alignment of standard setting projects subject to the conditions described in response to Questions 16 and 17.

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?[42]

The MIAG believes it may be necessary to consider several differences between PCAOB standards and those of other standard setters that may result in potential divergence. Those differences may include:

- Recognition of the role of audit quality to investor confidence and the global capital markets;
- Sufficiency of resources supporting the standard-setting process;
- Independence of the standard-setting board and staff;
- Investor focus and representation on the standard-setting board and staff;
- Thorough public due process that includes solicitation and careful consideration of investor views;
- Structure and process that provides adequate protection of the technical decisions and judgments of the standard setter; and
- Enforcement mechanisms.[43]

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[40] *Id.* at 15 (emphasis added).
[41] *Id.* (emphasis added).
[42] *Id.* (emphasis added).
[43] *See* Policies on Other Issues, Independence of Accounting and Auditing Standard Setters, Council of Institutional Investors (updated Mar. 1, 2017), https://www.cii.org/policies_other_issues#indep_acct_audit_standards; *cf.* Paul S. Atkins, Chairman, SEC, Keynote Address at AFME's Annual Financial Services Policy Dinner (Feb. 4, 2026), https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-afme-020426 ("Both the IASB and the IAASB face funding pressures, as well as structural challenges that threaten their independence, stability, and capacity to sustain high-quality globally consistent standards").

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?[44]

The MIAG notes that many investors have expressed concerns that optional semiannual reporting could reduce the timeliness and transparency of information available to the market.[45] We also note that any MIAG views on "AS 6101: Letters for Underwriters and Certain Other Requesting Parties"[46] should not be interpreted as supporting the SEC's May 5, 2026, proposed rule[47] that "would give public companies the option of filing semiannual reports in lieu of quarterly reports to meet their interim reporting obligations under the federal securities laws."[48] If the SEC should adopt amendments to rules affecting the age of financial statements, the PCAOB should promptly evaluate whether corresponding amendments to AS 6101 are necessary to preserve the relevance and reliability of negative assurance provided in capital-market transactions.

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Thank you for considering the comments of the MIAG, who represent the primary customers of audited financial reports. If you, any members of the Board, or your staff have questions or seek further elaboration of our views, please contact Amy McGarrity at mailto:amcgarrity@copera.org.

Sincerely,

Members of the Investor Advisory Group

Members of the Investor Advisory Group

[44] PCAOB Release No. 2026-005 at 16 (emphasis added).
[45] *See, e.g.,* SEC Semi-Annual Reporting Proposal Tracker (S7-2026-15) (last visited July 31, 2026), *available at* https://tzachizach.github.io/sec-semi-annual-proposal-tracker/ ("99.5%" of commentators, including most "investment professionals" opposed the Securities and Exchange Commission's May 5, 2026 proposal to permit semiannual annual reporting for certain companies citing "investor protection/transparency" as the most common concern).
[46] *See* AS 6101: Letters for Underwriters and Certain Other Requesting Parties, PCAOB (last visited July 11, 2026), https://pcaobus.org/oversight/standards/auditing-standards/details/AS6101.
[47] *See* Semiannual Reporting, Securities Act Release No. 11414, Exchange Act Release No. 105368, Trust Indenture Act Release No. 2563, Investment Company Act Release No. 36140, 91 Fed. Reg. 24,968 (proposed May 5, 2026), https://www.federalregister.gov/documents/2026/05/07/2026-09095/semiannual-reporting.
[48] PCAOB Release No. 2026-005 at 16.