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August 7, 2026

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

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

Dear Members of the Public Company Accounting Oversight Board:

Thank you for the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or Board) *Request for Public Comment on PCAOB Standard Setting*. We appreciate the Board's continued focus on standard setting and our responses herein draw on the experience of the AICPA Auditing Standards Board (ASB) in setting standards.

Overall, we support the PCAOB developing a conceptual framework to describe the PCAOB's overall approach and standard setting process, and to help determine priorities. The ASB's experience and transparent process would provide useful insights for the PCAOB as it considers its standard-setting process going forward. Our comments herein build directly on our letter, dated May 15, 2026,[1] to the Board on its strategic priorities.

We would welcome the opportunity to meet with the Board and the PCAOB staff to discuss any aspects of our response, as well as the ASB's standard setting process and current projects that may be of interest to the PCAOB as it continues to consider how to align and collaborate with other standard setters.

I. Standard Setting and Research Activities

<u>Questions 1 and 2 — Approach and Prioritization</u>

As a general matter, we encourage the Board to approach standard setting through the lens of the model described in our responses in section II below. When both an International Auditing and Assurance Standards Board (IAASB) International Auditing Standard (ISA) and the corresponding AU-C section in Generally Accepted Auditing Standards (GAAS) have been revised, we recommend the Board begin with that converged baseline[2] and add to or modify requirements only as necessary for the U.S. issuer environment, rather than developing a

[1] Letter from the AICPA to the PCAOB dated May 15, 2026, responding to Question 5 of the Board's Request for Public Comment, *PCAOB Strategic Priorities*, PCAOB Release No. 2026-001 (March 31, 2026).

[2] The ASB has a strategic objective to converge, as appropriate, with the ISAs, while remaining firmly grounded in the public interest and the U.S. legal and regulatory environment. As a result, GAAS differs from the ISAs only when the ASB believes compelling reasons exist for the differences.

bespoke PCAOB standard. This would promote clarity, reduce complexity, and lower compliance costs while preserving the Board's regulatory authority.[3]

In addition, for those topics for which current projects are ongoing either at the IAASB or at the ASB, we recommend the PCAOB more actively engage in and monitor those projects. Doing so would create opportunities for the PCAOB to learn from the work of other standard setters and allow it to leverage such learnings in determining the additional requirements that may be appropriate for the U.S. issuer environment.

As to prioritization, we recommend the Board prioritize areas where 1) an ISA and GAAS have been revised recently or are currently in process of being revised or 2) a specific practice concern has been identified based on data and research. Of the topics in the table provided in the Release, fraud and noncompliance with laws and regulations (NOCLAR) may be the highest priority. Because many of the public interest issues identified in the PCAOB's prior NOCLAR project relate to fraud, conducting the projects in parallel may be most effective (remaining separate but proceeding concurrently). These projects should consider the IAASB's and ASB's related projects while making appropriate adjustments for the U.S. legal and capital markets environment.

For areas related to technology, including artificial intelligence (AI) and digital assets, both the ASB and IAASB have projects in process. In addition, the Committee of Sponsoring Organizations of the Treadway Commission (COSO),[4] Financial Executives International (FEI),[5] and the UK Financial Reporting Council (FRC)[6] have published works on AI. With respect to both AI and digital assets, we believe guidance is appropriate at this time rather than standard setting. We encourage the PCAOB to collaborate in these areas and leverage the knowledge, research, and guidance that has been developed or is in process. In particular, we would welcome PCAOB participation in related AICPA task forces in order to leverage various experts in the profession who have been focused on these topics for several years.

We do not believe standard-setting projects are warranted in the following areas:

- Critical audit matters (CAMs): We do not believe changes to the CAMs framework are necessary. Research conducted by the Center for Audit Quality, including its 2024 survey of institutional investors, indicates that institutional investors generally find CAMs useful and informative, with 92% of surveyed investors reporting that CAMs are useful.[7] Any

[3] In some cases, GAAS is not converged with the ISAs, and the PCAOB should consider these differences. For example, after research and deliberation, the ASB determined not to adopt the ISA for *Audits of Financial Statements of Less Complex Entities.* A detailed list of differences between GAAS and the ISAs are described in AU-C Appendix B to GAAS, *Substantive Differences Between the International Standards on Auditing and Generally Accepted Auditing Standards*, in AICPA *Professional Standards*. The differences often relate to the fact that a particular requirement in the ISAs is applicable to listed entities. As a result, AU-C Appendix B would provide a helpful roadmap to the PCAOB for considering jurisdictional tailoring.
[4] See COSO's Achieving Effective Internal Control Over Generative AI.
[5] See FEI's AI Framework: Internal Control Over Financial Reporting Whitepaper.
[6] See UK FRC guidance on Generative and Agentic AI Guidance: Risks, mitigations and illustrative examples.
[7] See CAQ *Critical Audit Matters Survey* (July 2024).

action in this area should start with the completion of a post-implementation review for CAMs.[8]

- Audit quality indicators (AQIs): We do not believe a standard on AQIs is warranted. AQIs generally are most useful when discussed between auditors and audit committees in context and as part of a broader evaluation of the auditor and audit quality.

Regarding auditor independence, we respectfully encourage the PCAOB to consider modernizing its interim independence standards to better reflect subsequent developments in SEC and AICPA requirements. Such an effort could help firms, audit committees, and regulators direct resources toward substantive threats to independence, integrity, and objectivity, while reducing the need to reconcile independence requirements that may reflect differences arising from the interim ethics and independence standards established in 2003.

Question 3 — Matters Best Suited to Staff Guidance

We believe many application questions are best addressed by issuing staff guidance rather than by issuing new or revised standards. Such staff guidance may include illustrative examples, implementation FAQs, and "how-to" support. Staff guidance is particularly well suited to addressing

- how existing requirements apply to new circumstances, such as technology-enabled and AI-assisted procedures.
- scalability and how requirements can be applied proportionately to the size, nature, and complexity of an engagement.
- transition support when standards are amended, including crosswalks and comparisons of the type described in our responses to Questions 18 and 21.

To identify common questions or areas of diversity in practice that may lend themselves to additional research or the promulgation of guidance, or both, the PCAOB's consultation process and inspection process would be valuable sources of information for the PCAOB's Office of the Chief Auditor.

Question 4 — Modernization of the Interim Standards

We recommend the PCAOB Office of the Chief Auditor collaborate with academics to undertake research to determine if and how the interim standards should be modernized. We believe this research could be done relatively quickly and could present options to help the PCAOB determine the way forward. Specific research could determine if one of the following might be viable options:

[8] PCAOB *Interim Analysis Report: Further Evidence on the Initial Impact of Critical Audit Matter Requirements* (2022). "Future analyses will further evaluate the benefits and costs of the CAM requirements, including any unintended consequences, to understand the overall effect of the requirements on users of financial statements, auditors, and public companies."

Option 1—Revise interim auditing standards on an individual basis as a need arises to address a quality or practice concern.

Option 2 — Revise the interim auditing standards when a revised ISA and corresponding revised AU-C section already exist (that is, ISAs and GAAS have been revised since the PCAOB adopted the current interim standard).

Option 3 — Revise the interim auditing standards when 1) a revised ISA and corresponding revised AU-C section already exist (that is, ISAs and GAAS have been revised since the PCAOB adopted the current interim standard) <u>and</u> 2) the topic is of recurring significance to audit quality based on feedback from the PCAOB inspections process or other research.

The ASB has used research mechanisms to help inform standard-setting decision making, particularly in the areas of audits of less complex entities, fraud, technology, and going concern. Such research has facilitated the gathering of critical information using appropriate methods to avoid bias and obtaining statistically rigorous feedback.

<u>Question 5 — Length of Comment Periods</u>

We share the concern that the duration of comment periods, at times, has been too short to permit stakeholders to fully analyze and meaningfully respond to proposals. In our experience as a standard setter, a comment period of at least 90 days generally is appropriate for a substantive proposal, with longer periods (i.e., 120 days or more) warranted for proposals that are lengthy, complex, interrelated with other projects, or would relate to significant changes to current requirements or practice. Factors the Board should weigh include the length and complexity of the proposal, the number of concurrent proposals outstanding, the time of year proposals are issued, and whether the proposal builds on an existing international or domestic standard that stakeholders have already had occasion to consider. Adequate comment periods improve the quality of the feedback received and, ultimately, the quality of the resulting standard.

<u>Question 6 — Effective Dates and Implementation Time</u>

When setting effective dates, the Board should provide sufficient time for firms to update audit methodologies and technological resources, develop implementation tools, and train staff, recognizing that implementation timelines vary with the nature and complexity of a standard. In our experience, firms typically need at least 18-24 months following issuance of a final standard to provide time for training, methodology and policy changes, and technology redesign. Depending on the complexity of the changes in the standard, the implementation timeline could be shorter or longer.

We recommend the Board consistently seek input on potential effective dates when it issues an exposure draft. The Board also should consider staggered effective dates and, when appropriate, permit early adoption. The Board also should coordinate effective dates across interrelated projects so that firms are not required to implement overlapping changes simultaneously. Consistent with our response to Question 21, a sufficient implementation timeline is particularly important for smaller firms who may rely on third-party methodology providers.

Question 7 — Economic Analysis and Effects on Smaller Firms

We support robust academic research and economic analysis conducted both before and after standards take effect. The ASB has found surveys, interviews, synthesis of the academic literature, and controlled language experiments (for example, when considering changes to the auditor's report) to be useful means of gathering data to inform standard setting. While the PCAOB receives feedback through various mechanisms, including through its Advisory Groups and comment letters, we encourage the Board to employ additional rigorous research methodologies like those used by the ASB.

When prioritizing projects, the Board should balance the benefits to audit quality against costs and potential unintended consequences, including disproportionate effects on smaller firms. In exposure drafts, the PCAOB should solicit feedback on costs, benefits, and scalability, and consider that input when revising standards. Post-implementation reviews are also valuable for confirming that standards deliver their intended benefits at a reasonable cost.

Questions 8 and 9 — Technology, Including AI

At this stage, we believe the matters identified by the Board with respect to AI would be better addressed initially through staff guidance rather than through standard setting.[9] The existing principles in PCAOB standards regarding risk assessment, audit evidence, and supervision accommodate AI-related developments; we believe the more pressing need is application guidance that illustrates how those principles apply to AI-assisted audit procedures.

This is an area particularly well suited to collaboration. As noted in our response to Question 19, the ASB, AICPA staff, and the AICPA Assurance Services Executive Committee are developing guidance on the use of AI and its implications for the audit, and we would welcome the opportunity to coordinate with the Board to provide clear, consistent guidance in this rapidly evolving area. The IAASB is also focused on this area with the planned development of several guides.

Question 10 — Fitness of Current Standards for an AI Environment

We are not aware of PCAOB standards that are fundamentally unfit for purpose in an AI environment. To the extent challenges arise, they tend to concern application rather than the adequacy of the underlying requirements; for example, how the concepts of sufficient appropriate audit evidence, documentation, and supervision apply when audit procedures are performed with AI-enabled tools.

[9] The matters the Board has identified with respect to AI include the following: the effect of a company's use of AI on the risk of material misstatement; auditing internal controls; what constitutes sufficient appropriate audit evidence; documentation; supervision; the governance of AI-enabled tools.

These views are grounded in the research the ASB has conducted. Most recently, the ASB surveyed audit professionals between Q4 2025 and Q1 2026 about their use of certain emerging information technology (IT). When asked to briefly explain how auditing standards could be changed to encourage the use of IT, one of the top themes that emerged was to develop practical examples and implementation guidance. In addition, respondents were more supportive of the development of nonauthoritative guidance related to the use of IT on audits than authoritative guidance. This research reinforces our view that, in general, targeted staff guidance is better suited to address a rapidly evolving environment rather than prescriptive, technology-specific requirements. These findings were discussed with the ASB in May 2026 and have also been shared with the IAASB. We would welcome the opportunity to discuss this research with the Board and the PCAOB staff.

Question 11 — Digital Assets

The matters identified surrounding digital assets (i.e., access, ownership, control, and existence when assets are held by a third party) are questions of how existing audit requirements apply to a particular asset class and, therefore, is well suited to staff guidance and illustrative examples.

The AICPA has published a widely-used Practice Aid, *Accounting for and Auditing of Digital Assets*, that provides nonauthoritative guidance on how to account for and audit digital assets.[10] This work could provide a useful starting point for any additional auditing guidance from the PCAOB. We welcome the opportunity to collaborate with the PCAOB in this area. The existing AICPA Digital Assets task force, which has years of experience on this topic, could be leveraged by the PCAOB to further this objective.

II. Approach to Standard Setting

Question 12 — Whether to Develop a Conceptual Framework

We support the development and adoption of a conceptual framework to guide the approach to PCAOB standard setting. A well-designed framework would promote transparency, consistency across standards, and efficient use of resources. In addition, a framework also would articulate a structured, principles-based approach to standard setting. Lastly, a framework also would provide a stable reference point for the converged-baseline model discussed in our response to Question 17 and for principled, transparent decisions about why certain projects are undertaken and when differences from other standard setters are warranted.

Given the importance of a conceptual framework to the PCAOB's future standard-setting activities, we believe any proposed conceptual framework should be exposed for public comment and refined through an open and transparent process before being finalized, adopted, and made publicly available. Such a framework should consider the entire life cycle of standard and guidance development (that is, from project identification and prioritization,

[10] See *Accounting for and Auditing of Digital Assets Practice Aid* (PDF) | Resources | AICPA & CIMA. The practice aid reflects multistakeholder views including auditors, preparers, and those in industry.

through development and exposure, to adoption and post-implementation review) and should create a feedback mechanism between standard setting and the inspections process. Such a framework may include the following considerations:

- Identification of the urgency and root cause of a particular issue to be addressed in a project
- Collection of data and research to inform the project
- Transparency and due process, including multi-stakeholder outreach and public meetings to discuss technical issues
- Leveraging the work of other standard setters and collaborating with other standard setters
- Using advisory groups and task forces to help inform technical aspects of standards
- Considerations related to pursuing staff guidance rather than standard setting
- Implementation and application support
- Post implementation reviews.

Question 13 — Qualitative Characteristics of Effective Standards

We suggest a framework that emphasizes a principles-based approach to standard-setting that focuses on enhancing audit quality and protecting the public interest. Additional qualitative characteristics that the framework should include are that standards should be

- clear and understandable
- operable and capable of consistent application
- scalable, so that requirements can be applied proportionately to the size, nature, and complexity of an engagement
- risk focused
- inspectable and enforceable.

We also believe it is crucial that the Board's framework recognizes alignment and interoperability with the standards of other standard setters as a characteristic that serves the public interest, subject to appropriate jurisdictional tailoring.

Question 14 — Integrating the Framework with the Standard-Setting Process

A conceptual framework should be integrated as a discipline applied throughout the standard-setting lifecycle rather than as a document consulted only at the outset. Drawing on the ASB's experience, we would highlight the value of a transparent, deliberative process that includes

- research and outreach
- deliberation in public meetings
- exposure for public comment with adequate comment periods (see our response to Question 5)
- consideration of all feedback, and clear documentation of the basis for the Board's conclusions, including the rationale for any differences from other standard setters.

Building the framework's qualitative characteristics explicitly into project proposals and exposure documents would help stakeholders understand how the Board has applied the framework in each project and enhance the transparency of the Board's standard setting.

Question 15 — Economic Criteria Within the Framework

The framework should include criteria or factors to evaluate the benefits to audit quality of making certain changes to the auditing standards relative to the costs of implementation and potential unintended consequences. We also support the application of the criteria or factors both before and after a standard takes effect.

Consistent with our response to Question 7, we recommend the economic criteria expressly include the effect of a proposed standard on smaller firms, including scalability and the interaction of a proposed standard with existing requirements and with the standards of other standard setters. Embedding these factors in the framework would promote consistency and objectivity in the Board's economic analysis and would support evidence-based standard setting that is proportionate to identified audit quality concerns.

Question 16 — Whether the Framework Should Address Alignment

We believe a conceptual framework should expressly address alignment of PCAOB standards with those of other standard setters. As reflected in our responses to Questions 17 through 21, a framework that articulates how the Board considers alignment (that is, anchoring to a converged GAAS baseline, aligning in substance with the ISAs, tailoring for genuine jurisdictional needs, and transparently documenting any remaining differences through an AU-C Appendix B[11] type resource) would bring clarity and structure to alignment decisions, reduce inconsistency, and enhance quality. Addressing alignment in the framework also would make clear that appropriate jurisdictional tailoring on a shared baseline is a feature of a coherent system of standards, not a departure from it. This is consistent with our response to Question 20.

Question 17 — Priority Topics for Alignment

Whether Alignment with IAASB Standards Should Be Given Higher Priority

In prioritizing topics for alignment, we encourage the Board to begin with the overall model for alignment. As several respondents to the Board's strategic priorities observed, a "GAAS-as-

[11] AU-C Appendix B to GAAS in AICPA *Professional Standards* documents substantive differences between GAAS and the ISAs.

baseline plus PCAOB plus/minus" model[12] as appropriate for the issuer environment, would promote clarity, reduce complexity, and lower compliance costs while preserving the PCAOB's U.S. regulatory authority.

Because GAAS is substantively converged with the ISAs, anchoring PCAOB standards to GAAS would achieve alignment in substance with the ISAs, while keeping PCAOB standards grounded in the U.S. legal and regulatory environment. In the United States, audit engagements for non-issuers are performed in accordance with GAAS and, when applicable, Generally Accepted Government Auditing Standards (GAGAS) promulgated by the U.S. Government Accountability Office (GAO), both of which are aligned with the ISAs.[13] Accordingly, on the question of whether alignment with the IAASB should be prioritized over alignment with other standard setters, we believe the more effective path is to anchor PCAOB standards to the converged GAAS baseline, thereby aligning in substance with the ISAs.

Using a "GAAS-as-baseline plus PCAOB plus/minus" model has several benefits including the following:

- Facilitating understanding among management, bankers, investors, audit committees, and boards regarding what is required for a public company audit
- Reduce costs of compliance and complexity without sacrificing quality while allowing for differences driven by stakeholder needs in the United States
- Having the same "base" of standards for all audits in the United States would facilitate auditor education, training, and quality performance and facilitate transitions for audits of entities that are entering or exiting the U.S. public market.
- The PCAOB will likely want to preserve certain differences that exist between GAAS and the ISAs, such as the ability to make reference to other auditors.

Highest-Priority Topics for Alignment

We noted in our letter dated May 15, 2026, targeted analyses of recently revised international and ASB standards are likely to yield the most immediate benefits to audit quality. As such, we recommend that the PCAOB prioritize alignment in the following areas, each of which is either the subject of recent PCAOB deliberation or an area where meaningful divergence currently exists across PCAOB standards, the ISAs, and GAAS:

- **Fraud.** AS 2401, *Consideration of Fraud in a Financial Statement Audit*, is an interim standard. The IAASB has recently issued ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, and the ASB is contemplating similar revisions that are expected to result in a new standard in Fall 2026 to supersede AU-C section 240, *Consideration of Fraud in a Financial Statement Audit*. Aligning concepts and language across these three standards, particularly regarding the linkage between the fraud risk assessment and the auditor's overall risk assessment, and the treatment of technology-enabled misstatement risks, would meaningfully advance audit

[12] Under this model, ISA-based GAAS would serve as the baseline for PCAOB standards and the PCAOB would add to or modify that baseline.
[13] The ASB Operating Policies provide details regarding the ASB's consideration of the ISAs.

quality and reduce implementation friction for firms operating across issuer and nonissuer audits.

- **NOCLAR.** Alignment with AU-C section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*[14] and ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*, should be considered contemporaneously with potential amendments to AS 2405, *Illegal Acts by Clients*, so that interrelated requirements are considered together. Any proposed changes should consider the feedback the PCAOB received on its 2023 proposal in this area and should be re-exposed for additional public comment.
- **Risk assessment.** Comparing PCAOB risk assessment requirements with AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* and ISA 315 (Revised 2019), *Identifying and Assessing Risks of Material Misstatements*, would identify opportunities for alignment in concept and language that would improve understandability, consistent application, and potentially enhance risk identification and assessment.
- **Going concern.** Aligning AS 2415 with performance requirements in AU-C section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*[15], and the accounting concepts in FASB ASC section 205-40, is a logical candidate for a high priority topic. ASB independent research on going concern indicates, however, that modifying the auditor's report to include a going concern conclusion, which is included in ISA 570 (Revised 2024), may have serious unintended consequences.

<u>Question 18 — Prospective and Targeted Alignment; Coordinating the Standard-Setting Agenda</u>

As discussed in our response to Question 4, we recommend the PCAOB Office of the Chief Auditor collaborate with academics to undertake research to determine if the interim auditing standards should be modernized. We believe this research could be done relatively quickly and could seek specific feedback on options for addressing the modernization of the interim auditing standards.

Ultimately, a published explanation of differences from other standards, modeled on AU-C Appendix B to GAAS, is needed to document and explain the substantive differences between PCAOB, GAAS, and the ISAs. In our view, such a resource is essential to operationalizing alignment and to helping auditors, audit committees, investors, and other stakeholders understand where and why PCAOB requirements differ.

With respect to aligning the standard-setting agenda as opposed to aligning specific standards, we do not view these as mutually exclusive. Coordinating agendas, particularly with the IAASB

[14] The ASB is undertaking a project to consider changes adopted in ISA 250 (Revised).
[15] The ASB has a current project to consider modifying AU-C section 570 and is evaluating the changes included in ISA 570 (Revised 2024).

and ASB, provides early visibility into emerging issues and helps avoid unnecessary divergence before it arises and promotes quicker, coordinated responses.

Question 19 — Formal Means of Collaboration Among Standard Setters

We support the PCAOB establishing formal means to work collaboratively with other standard setters, including through jointly-developed research and projects. We believe the ASB's approach can serve as a foundation, and while we recognize that some collaboration currently takes place, we believe this collaboration can be enhanced.

In the past, the ASB and the IAASB have conducted joint research on potential changes to the auditor's report. The ASB also has conducted independent research, including on AU-C section 570, and AU-C section 240 that it has shared with the IAASB and with PCAOB staff. In instances when a joint project may not be appropriate, the PCAOB can formally leverage the research, outreach, and deliberations of other standard setters. For example, the PCAOB should consider the ASB's independent research on going concern (AU-C section 570) and fraud (AU-C section 240) in its own projects on AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern*, and AS 2401, *Consideration of Fraud in a Financial Statement Audit*.

Currently, the standard-setting staff of the PCAOB, GAO, and ASB meet on a biannual basis to share workplans and priorities, and more structured collaboration would further our common goals and respective responsibilities for safeguarding the public trust and supporting audit quality. As noted in our response to Questions 8 and 9, a current opportunity well suited to collaboration involves the use of AI and its implications for the audit, on which the ASB, AICPA staff, and the AICPA Assurance Services Executive Committee are developing guidance. The IAASB is also performing work in this area.

In addition, we encourage the Board to identify any statutory barriers or limitations in its own internal policies and processes that may impede collaboration and cooperation with other standard setters. This would allow for such impediments to be understood and, where possible, addressed and eliminated as formal means of collaboration are developed.

Finally, we would observe that, irrespective of any formal policies and practices that are adopted, successful collaboration with other standard setters will take time and commitment at all resource levels. It requires understanding the priorities and environment of others, sustained information sharing and communication, and the development of trusted working relationships. To that end, we also encourage the PCAOB to engage actively with the ASB and IAASB, and to increase its participation throughout the GAAS and ISA development cycle. Early and ongoing dialogue allows standards to be informed by U.S. regulatory perspectives and audit practice experience, which, in turn, can reduce the need for divergence later in the process.

Question 20 — Other Reasons for Potential Divergence

As we noted in our May 2026 response, the ISAs "serve a global public interest" and "do not necessarily reflect the specific capital market needs of a particular jurisdiction." Consistent with that observation, certain differences between PCAOB standards and IAASB standards will remain appropriate (such as, requirements related to expressing an opinion on internal control over financial reporting, other matters unique to the U.S. issuer environment, and requirements arising from U.S. federal securities laws and SEC regulations).

At the same time, it is important to characterize such differences correctly. In our view, a GAAS baseline, which is substantively converged with the ISAs, combined with PCAOB tailoring does not signal divergence. Rather, it recognizes a common baseline while accommodating appropriate jurisdictional needs. Understood in this manner, tailoring on a converged baseline is a feature of a coherent, aligned system of standards.

This framing reinforces the value of the Appendix B-type resource described above. Transparently documenting and explaining any differences that remain, including their nature (such as whether a difference is one of wording without an expected performance difference or a difference in requirements with an expected performance difference), would help stakeholders understand what is required for an issuer audit as compared with an audit of a nonissuer, and would distinguish genuine divergence from appropriate jurisdictional tailoring on a shared baseline.

Question 21 — Impact on Smaller Firms

In our view, alignment does not create unique challenges for smaller firms. Rather, it reduces burden. Alignment reduces unnecessary complexity, fragmentation, implementation, and execution risk, allowing firms of all sizes to focus resources on the matters most critical to audit quality. Smaller firms, in particular, benefit from consistency across the standards they apply.

We would also note that many of the challenges smaller firms face are best met through examples and "how-to" application support, which may not require a standard-setting response. While the Board's "Find an Analogous Standard" tool provides high-level information,[16] a more detailed, publicly available comparison of standards along the lines of AU-C Appendix B to GAAS, together with practical implementation guidance and illustrative examples, can provide an accessible onramp for smaller firms without adding to the body of requirements.

III. PCAOB Considerations Related to SEC Semiannual Reporting Proposal

Questions 22–24 Regarding AS 4105

With regard to AS 4105, *Reviews of Interim Financial Information*, if the SEC ultimately adopts changes to their interim reporting rules, the PCAOB should consider whether changes to AS 4105 may be necessary.

Any potential changes to PCAOB standards governing interim reviews as a result of changes in SEC rules should be carefully studied to ensure that the scope and limitations of such reviews are clearly understood and that any revisions do not increase the expectation gap or create

[16] See PCAOB, "Find an Analogous Standard," available at https://pcaobus.org/oversight/standards/auditing-standards/analogous-standards.

unintended consequences. The PCAOB also should study how auditors should communicate the scope and limitations of their involvement to avoid user confusion or unwarranted reliance.

To the extent the PCAOB ultimately undertakes a project to consider and adopt amendments to AS 4105, the ASB would monitor such project and consider whether corresponding changes to GAAS are appropriate in light of the PCAOB's final requirements, implementation experience, and stakeholder feedback.

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We appreciate the Board’s consideration of these perspectives, including the importance of a consistent, transparent standard-setting process, making changes to standards only when warranted, providing details on how PCAOB standards differ from other standards and why, and actively collaborating with other standard setters. We would be pleased to meet with you to share our views further as the PCAOB considers its standard setting process, priorities, and ways of collaborating.

Sincerely,

Jennifer Burns

Jennifer Burns
AICPA Chief Auditor

Halie Creps
Chair, AICPA Auditing Standards Board

cc:
Kurt Hohl, Chief Accountant, U.S. Securities and Exchange Commission
Michal Dusza, Deputy Chief Accountant, U.S. Securities and Exchange Commission