August 7, 2026

SENT ELECTRONICALLY

Via online submission: comments@pcaobus.org

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

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

Dear Members of the Board,

We appreciate the opportunity to provide input on the Public Company Accounting Oversight Board's ("PCAOB" or "Board") standard-setting and research agenda.

MNP is a Canadian-based professional services firm with a growing US Services and PCAOB audit practice. Our perspective is informed by our experience serving reporting issuers and other clients affected by PCAOB and SEC requirements, as well as by the practical implementation challenges faced by mid-sized firms and smaller public companies. We support high-quality, clear, and enforceable auditing standards that advance investor protection and promote confidence in capital markets. At the same time, we believe those standards are most effective when they are scalable, proportionate, and operationally clear, and developed through a transparent and consultative process. We believe this perspective is consistent with the PCAOB's objectives of advancing audit quality and investor protection, clarifying expectations, and ensuring that oversight and standard setting remain effective, efficient, and fit for purpose across firms and issuers of varying size and complexity.

We have organized our comments by theme.

A more transparent and practical standard setting process and implementation discipline
(Relevant to Questions 1, 3, 5, 6, and 7)

In our view, the most meaningful improvement would be greater clarity and discipline in how the Board determines whether issues are addressed through research, guidance, consultation, or formal standard setting, and how those decisions are implemented in practice. We also support the use of explicit, risk-based criteria for prioritizing projects, informed by stakeholder feedback and insights from inspections, enforcement, consultations, and other oversight activities, with clear explanation of how each project is expected to advance audit quality and investor protection.

In particular, we encourage the PCAOB to:

- Use staff guidance and consultation more actively for emerging or fast-evolving areas, particularly where practice is still developing and inspection expectations are not yet well established (e.g., technology-enabled audit procedures and AI use in audit execution);

- Clearly signal priority areas in advance, including clearer linkage between stated priorities and observed inspection themes (e.g., aligning published focus areas with common inspection findings), to support consistent and proactive implementation;
- Provide sufficient and well-timed comment periods, recognizing that shorter timelines (e.g., 30 days), particularly during peak reporting periods (e.g., year-end audit cycles), limit the ability of mid-sized firms to provide meaningful input; and
- Calibrate comment periods and effective dates to the complexity and operational impact of changes, including methodology updates, training, and system changes required by firms (e.g., updates to audit methodologies, documentation templates, training, and quality management processes).

From a practical perspective, compressed timelines and limited consultation can result in standards being implemented without sufficient operational input, increasing the risk of inconsistent application, differing interpretations across firms, and avoidable inspection findings.

We also encourage the PCAOB to more explicitly consider the broader implementation impact of its standard setting decisions, including cumulative burden across multiple initiatives. The cost of implementation extends beyond audit firms to issuers, particularly smaller public companies with limited finance resources, where new or revised requirements can require significant incremental effort and divert senior finance resources away from core business activities without a commensurate improvement in audit quality or investor protection outcomes, and in some cases may introduce inconsistency in application or inspection readiness outcomes where requirements or expectations are not sufficiently clear or operable in practice.

We further encourage the PCAOB to incorporate post-implementation review into significant standard-setting projects, including an assessment of whether requirements are being applied consistently, whether inspection expectations are sufficiently clear, and whether actual costs, benefits, and scalability effects are consistent with the Board’s expectations.

A more structured and transparent process, combined with greater emphasis on scalability, economic analysis, and implementation practicality, would help ensure that standards are both effective in achieving their objectives and workable in practice.

Technology and AI: guidance now, with a path toward standard setting
(Relevant to Questions 1, 3, 8, 9, and 10)

We support the PCAOB’s focus on data, technology, and AI as a critical and evolving area, and we agree that this is likely to require standard setting.

At present, both the profession and regulators are still developing a practical understanding of how these tools are being used in audit execution. A key challenge is the lack of clarity around expectations, particularly from an inspection perspective, where expectations may be assessed retrospectively rather than clearly articulated in advance, which can create uncertainty and hesitation in adoption.

In this context, we believe the most effective approach would be for the PCAOB to:

- Provide timely staff guidance and consultation in the near term to clarify expectations around governance, documentation, supervision, and use of technology-enabled audit procedures. Such guidance should be sufficiently clear to support consistent application and inspection, while retaining flexibility for firms and issuers to develop appropriate governance, supervision, and documentation practices as technology-enabled audit procedures evolve;
- Allow practice to continue to evolve using this period to observe how firms and issuers implement and control these tools in real audit and business environments, including how outputs are used as audit evidence; and
- Use those observations to inform more targeted, and durable standard setting over time.

While we support standard setting in this area, we do not believe the profession is yet at a stage where consistently applicable requirements can be clearly defined across all use cases, or where it is practical to identify which existing standards are not fit for purpose in an AI environment.

As the PCAOB develops data-driven and technology-enabled oversight capabilities, we encourage the Board to use those insights to identify emerging risks and common practice challenges, and to communicate expectations prospectively before they become the basis for inspection findings.

Overall, we encourage a phased approach, with guidance and consultation supporting near-term consistency and responsible adoption, and standard setting following as practice matures and expectations can be more clearly articulated.

Targeted modernization
(Relevant to Questions 1, 2, and 4)

We see merit in targeted modernization in areas such as fraud, CAMs, NOCLAR, and certain interim standards. However, we recommend that the focus be on clarification and calibration, rather than expanding the scope of auditor responsibilities.

We encourage the PCAOB to:

- Leverage existing IAASB and other standard setter work where appropriate, to avoid unnecessary divergence and duplication of effort while recognizing that global standards may not always fully reflect practical, implementation-focused considerations;
- Focus on areas where oversight evidence indicates inconsistent application, recurring inspection challenges, or systemic risks to audit quality, including how requirements are implemented within firms' systems of quality control, rather than reopening standards more broadly; and
- Prioritize standards that are difficult to apply in practice or do not reflect current audit environments (e.g., inventory and other areas where business practices and audit techniques have evolved significantly).

We would caution that broad changes in areas such as fraud or NOCLAR should be carefully calibrated and risk-based, focusing on areas where oversight evidence indicates the greatest potential to improve audit quality and investor protection, particularly where current requirements create uncertainty or inconsistency in practice. Expanding auditor responsibilities more broadly may introduce operational complexity without a clear corresponding benefit to audit quality, particularly for mid-sized firms.

This targeted, risk-based approach would help ensure that standard-setting efforts are directed to areas with the greatest potential to enhance audit quality and investor protection, while remaining operationally practical for firms and issuers of varying size and complexity.

Conceptual framework: useful if grounded in practical application
(Relevant to Questions 12, 13, 14, and 15)

We support exploring a conceptual framework, provided it is practical and decision oriented. The value of a framework would be in helping the PCAOB consistently evaluate:

- whether an issue should be addressed through guidance, consultation, or standard setting, and at what stage in the issue lifecycle;
- the costs, benefits, and scalability of proposed requirements; and
- the practical implications for audit execution and inspection.

We believe a framework would be most effective if it explicitly incorporates:

- economic analysis and implementation burden, including cumulative impact across multiple standards and initiatives;
- scalability for firms and issuers of different sizes; and

- operational clarity, including how requirements will be interpreted in practice and through inspection.

We believe these factors would help ensure that a framework produces standards that are effective, implementable, clear, scalable, cost-benefit informed, and capable of being applied and inspected consistently. Absent these elements, there is a risk that a conceptual framework becomes more theoretical than useful in guiding standard setting decisions

International alignment
(Relevant to Questions 16, 17, 18, 19, 20, and 21)

We strongly support greater alignment with IAASB standards where appropriate, particularly where differences do not clearly improve audit quality or inspection outcomes.

From a practical perspective, unnecessary PCAOB-specific divergence can result in:

- duplicated methodology and documentation;
- increased training requirements; and
- added complexity in audit execution and documentation without clear benefit.

At the same time, alignment should not be pursued in a way that:

- introduces complexity solely for the sake of alignment; or
- overrides more practical or scalable approaches.

We therefore support a balanced approach in which the PCAOB seeks to reduce unnecessary differences where alignment would promote audit quality, efficiency, and consistency, while retaining its independent standard-setting authority and maintaining differences necessary to reflect US legal requirements, investor protection priorities, or other regulatory developments.

Semiannual reporting: narrow conforming amendments
(Relevant to Questions 22, 23, and 24)

If the SEC proceeds with optional semiannual reporting, we support narrow conforming amendments to PCAOB standards with focused consideration of practical application, particularly the increased risk exposure to auditors in relation to negative assurance and comfort letter practices, where longer periods elapse between audited or reviewed financial information.

In this context, we encourage the PCAOB to:

- focus on addressing these specific timing and assurance issues, including the interaction with existing 135-day concepts and market practices;
- avoid reopening the broader interim review framework unless clearly necessary; and
- ensure that any amendments are principles-based and operationally workable, recognizing that it may not be possible to anticipate all scenarios.

A targeted approach would provide clarity while avoiding unnecessary disruption or complexity.

Conclusion

We appreciate the PCAOB's continued engagement with stakeholders as it evolves its standard setting and research agenda. We support the Board's direction and encourage a balanced approach that combines timely guidance with targeted standard setting, grounded in practical implementation, scalability, and clear audit-quality outcomes. In our view, maintaining this focus, including timely guidance, targeted standard setting, effective implementation support, post-implementation review, scalability, and clear audit-quality and investor-protection outcomes, will be critical to ensuring that future standards are both effective in protecting investors and workable in practice across firms and issuers of varying sizes and complexity.

Yours truly,

Kerry Clark

Kerry Clark, CPA, CA
Partner, Quality, US Services