PICPA
Pennsylvania Institute of CPAs

Aug. 5, 2026

Phoebe W. Brown, Secretary
Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006-2803
Via email – comments@pcaobus.org

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

Dear Ms. Brown:

The Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to comment on the Public Company Accounting Oversight Board's Request for Public Comment on PCAOB Standard Setting.

The PICPA is a professional CPA association of approximately 16,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Our membership includes practitioners in public accounting, education, government, and industry.

General Comments

We believe the PCAOB has an opportunity to move beyond individual standard-setting projects and establish a modern framework that enables the profession to adapt to rapid technological change while maintaining high audit quality. A transparent, principles-based, internationally-informed, and evidence-driven approach will better position the PCAOB to respond to emerging risks, encourage innovation, reduce unnecessary regulatory burden, and preserve a competitive and resilient public company audit profession that continues to serve investors effectively.

Additional Comments

Please see the attached Appendix for our detailed comments to specific questions.

We appreciate the PCAOB's consideration of our comments and would welcome the opportunity to discuss them further.

Sincerely,

Allison M. Henry, CPA
Vice President – Professional & Technical Standards
PICPA

Attachment: Additional Comments

Appendix – Comments to Specific Questions

1. *Do you believe that the PCAOB should focus our standard-setting and research activities in areas discussed in the table? 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 that the PCAOB should prioritize?*

   The PICPA believes that the PCAOB should focus its standard-setting and research activities firstly on changes needed to the standards to enable firms to leverage technology tools to achieve the highest audit quality. We also agree with other commenters that alignment with the International Audit and Assurance Standards Board (IAASB) is an important priority. As the AICPA audit standards are harmonized with the IAASB and most small firms that perform work requiring PCAOB registration are also performing work under AICPA audit standards, further alignment with the IAASB would greatly enhance efficiency and audit quality

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? If yes, what specifically should the PCAOB focus on in each of these areas?*

   No comment.

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

   We do not believe that amendments to AS 3101 related to critical audit matters (CAMs) are warranted at this time. Instead, if the PCAOB determines that additional action is necessary, we believe staff guidance and further research would be a more appropriate and proportionate response than a standard-setting project. Specifically, the PCAOB should first evaluate the root causes of the perceived disconnect between the information that investors expect to receive and the CAMs currently being reported. That assessment should distinguish between issues arising from implementation of the existing standard, evolving economic conditions, and expectations that extend beyond the intended purpose of the auditor's report.

The decline in the average number of CAMs, by itself, does not necessarily indicate that the standard is failing to achieve its objective. Since the implementation of CAM reporting, the profession has navigated several significant accounting changes, including ASC 842, *Leases*, and ASC 326, *Financial Instruments – Credit Losses*, without widespread circumstances requiring additional CAMs. Similarly, the economic disruption following the COVID-19 pandemic resulted in significant judgments surrounding goodwill impairments, fair value measurements, and other valuation issues that gave rise to more CAMs. As economic conditions stabilized, those judgments have become less pervasive. It is reasonable that the number of CAMs has declined. Accordingly, the decrease in CAMs alone should not be viewed as evidence that the standard requires revision.

If the PCAOB believes additional guidance is appropriate, staff guidance should focus on improving consistent application of existing CAM requirements, including providing illustrative examples of circumstances that would and would not constitute a CAM, clarifying the application of the "especially challenging, subjective, or complex auditor judgment" criterion, and explaining how auditors should evaluate emerging or novel transactions within the existing framework. Such guidance could promote greater consistency without fundamentally changing the standard.

Finally, the PCAOB should carefully consider whether the gap between investor expectations and current CAM reporting reflects expectations that an audit was never intended to satisfy. The implementation of the CAM standard required significant investments by audit firms and issuers, including methodology changes, training, legal review, and expanded communications with audit committees. Before undertaking another costly standard-setting project, the PCAOB should determine whether investors are seeking information that auditors cannot appropriately provide. For example, investors may desire commentary on a company's business model sustainability, future viability, strategic risks, or other confidential management information. These matters fall outside the scope of an audit and, in many cases, would conflict with the auditor's role, professional ethics, and confidentiality obligations. If that is the source of the perceived communication gap, revising the CAM standard would not resolve the issue. Instead, additional stakeholder outreach and staff guidance would represent a more effective and measured approach.

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?*

   We support modernizing the remaining "interim" standards to the extent that the changes results in greater alignment with the international standards.

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?*

   We have previously expressed concerns regarding both comment period duration and the volume of significant proposals issued simultaneously with overlapping due dates. While the length of individual comment periods is important, the greater challenge is the cumulative burden created by multiple complex, interrelated projects moving forward at the same time. From 2023 – 2024 the PCAOB issued proposals on quality control standards, noncompliance with laws and regulations, contributory negligence, firm reporting and firm and engagement metrics, audit procedures involving technology-assisted analysis, and several other significant initiatives. Several of these proposals had broad implications for audit methodologies, firm operations, technology, quality management systems, and professional responsibilities, requiring substantial time and coordination to evaluate.

   The overlap among these projects made it difficult for stakeholders to assess the cumulative impact of the proposals. Many were interconnected, creating uncertainty about how one proposal might ultimately affect another. In some cases, stakeholders were effectively commenting on proposals that could be superseded or materially altered by the outcome of another concurrent project. This makes it challenging to provide thoughtful, practical feedback and creates unnecessary inefficiencies for practitioners, firms, and other stakeholders. Rather than fostering meaningful engagement, the pace of standard setting often results in stakeholders prioritizing responses based on limited resources instead of providing comprehensive feedback on all proposals. More deliberate sequencing of major projects would improve the quality of stakeholder input while reducing unnecessary burden.

We support the PCAOB's efforts to increase transparency in its standard-setting process and encourage the Board to engage stakeholders throughout the development of significant projects rather than primarily at the exposure draft stage. Periodic requests for input, public roundtables, field testing, pilot programs, and targeted practitioner outreach at key milestones would help identify implementation concerns earlier, improve the operability of proposals, and reduce the need for significant revisions after formal issuance. This iterative approach would also allow the PCAOB to better assess the practical implications of proposed requirements before asking stakeholders to evaluate a comprehensive exposure draft.

Accordingly, we do not believe there is a single comment period length that is appropriate for all projects. The appropriate length should be based on the scope, complexity, and potential operational impact of the proposal. Incremental amendments, technical corrections, or proposals intended primarily to align PCAOB standards with international standards or to address narrow practice issues may warrant comment periods of 45 to 60 days. In contrast, comprehensive proposals that significantly affect audit methodologies, firm governance, quality management systems, technology, or reporting requirements should generally get at least 90 to 120 days for comment, particularly when implementation requires consultation across multiple disciplines within firms. The PCAOB should also avoid overlapping comment periods for major projects whenever possible, allowing stakeholders sufficient time to evaluate each proposal on its own merits and provide more meaningful, well-informed feedback.

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?*

   As identified in the question, we agree that the PCAOB should establish implementation periods based on the complexity, operational impact, and degree of change required by a new standard rather than applying a uniform approach. In determining effective dates, the Board should consider the extent to which firms must revise audit methodologies, update technology platforms and practice aids, develop or acquire new tools, redesign quality management processes, train personnel, communicate changes to audit committees and clients, and coordinate implementation across global networks or affiliated firms. The PCAOB should also consider whether implementation depends on actions by third-party software vendors or other organizations outside a firm's control.

   Implementation periods should also take into consideration firm size. While larger firms often have dedicated methodology, quality management, and technology teams, smaller and midsize firms typically rely on a limited number of professionals who must balance implementation activities with client service responsibilities. As a result, implementation timelines that may be achievable for larger firms can create disproportionate burdens for smaller firms. Effective dates should therefore be scalable and provide adequate time for firms of all sizes to implement changes without adversely affecting audit quality. The PCAOB should consider a phased implementation approach for particularly significant standards.

   The timing of implementation relative to firms' annual audit cycles is equally important. In addition, when multiple significant standards are issued within a relatively short period, the PCAOB should consider the cumulative implementation burden and sequence effective dates to allow firms to successfully implement one major initiative before another becomes effective.

Additionally, early publication of implementation guidance, illustrative examples, staff FAQs, and other educational resources well in advance of the effective date would promote more consistent implementation and allow firms to focus their efforts on improving audit quality rather than resolving avoidable implementation questions. This approach would better achieve investor protection objectives while minimizing unnecessary costs and operational disruption.

In general, we believe that incremental amendments, technical clarifications, or standards that primarily codify existing practice can often be implemented within 6 to 12 months. By contrast, comprehensive standards that require substantial changes to audit methodologies, quality management systems, technology, documentation, governance, or firm operations generally require 18 to 24 months, particularly when firms must evaluate third-party technology solutions, revise practice aids, develop training programs, and validate implementation before the standard becomes effective. In some circumstances, particularly where implementation depends on external technology providers or related regulatory actions, additional time may be warranted.

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?*

The PCAOB should explicitly consider economic benefits, implementation costs, competitive effects, and potential unintended consequences when determining whether to undertake a standard-setting project and throughout the development of any proposal. Consistent with the Sarbanes-Oxley Act, the Board should ensure that the expected benefits of a proposal justify its costs and that the proposed requirements effectively address an identified need. This analysis should extend beyond individual firms to consider the broader impact on audit market participation, competition, audit quality, and investor choice, particularly given the continuing decline in the number of firms participating in the public company audit market.

The level of economic analysis should be commensurate with the scope and expected impact of the proposal. For incremental amendments, technical corrections, or projects primarily intended to align PCAOB standards with those of the IAASB or address discrete implementation issues, we do not believe an extensive quantitative economic analysis is necessary unless commenters identify significant implementation costs or unintended consequences. In these cases, a qualitative assessment supported by stakeholder outreach and implementation experience is generally sufficient.

By contrast, proposals that would fundamentally change audit responsibilities, firm governance, audit methodologies, technology, or quality management systems should be supported by a much more rigorous economic analysis. For example, proposals such as the 2023 Noncompliance with Laws and Regulations (NOCLAR) proposal would have imposed significant operational, legal, training, and technology costs on firms while fundamentally altering the auditor's role. Projects of this magnitude require robust analysis of implementation costs, expected benefits, effects on audit quality, competitive impacts, and the potential for unintended consequences.

We do not believe the PCAOB's economic analyses consistently provide stakeholders with meaningful information to evaluate these tradeoffs. In several recent rulemaking projects, the economic discussion relied heavily on anecdotal observations or broad qualitative statements rather than empirical data or a transparent evaluation of costs, alternatives, and expected outcomes. When a comprehensive economic analysis is warranted, it should be conducted with a level of rigor comparable to that expected of the SEC in its rulemaking process, including a clear assessment of reasonable alternatives, implementation costs, market effects, and anticipated benefits.

At the same time, we believe the PCAOB has an opportunity to improve both its standard-setting process and its economic analyses by adopting a more iterative and evidence-based approach to developing standards. Earlier stakeholder engagement, pilot testing, field testing, implementation studies, and outreach to firms of varying sizes, technology providers, methodology developers, and audit committees would generate practical information about implementation challenges and costs before a proposal is finalized. This information could provide a reliable basis for assessing the reasonableness of expected costs and benefits and, for many projects, could serve as an efficient alternative to a more formal economic study. As discussed at question #12, having a strong conceptual framework could help ensure that appropriate parameters are contemplated before a project is undertaken.

Finally, any economic analysis should explicitly evaluate the impact of proposed standards on smaller firms and potential new entrants to the public company audit market. Requirements that are manageable for the largest global networks can impose disproportionately greater costs on smaller firms with limited technical, legal, and technology resources. The PCAOB should therefore evaluate whether proposed standards create unnecessary barriers to entry, reduce competition, discourage firms from accepting or retaining public company audit clients, or otherwise diminish audit market capacity. Incorporating scalability and market participation into the Board's economic analysis will help ensure that future standards enhance audit quality while preserving a competitive and resilient audit profession.

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?*

AI audit tools and QC 1000, Quality Control considerations – We believe that staff guidance would be helpful on the topic of due diligence on AI audit tools to comply with QC 1000, Quality Control. Specifically, as auditors increasingly rely on software and technology developed by external providers, guidance is needed to address third-party technology platforms, cloud-based audit applications, externally developed AI models, auditing algorithms, evaluating data sets, and shared data environments. Such guidance should address governance, vendor oversight, cybersecurity considerations, data integrity, system changes, and documentation. It would help firms consistently manage these risks while continuing to encourage innovation.

Auditing a company's client's use of AI in financial reporting and internal controls – We believe staff implementation guidance would help address the key risks and recommended responses for addressing a companies' use of AI in financial reporting. Auditors need practical guidance on evaluating AI-generated information, assessing the risk of material misstatement, understanding relevant controls, and determining the extent to which AI outputs can be relied upon as audit evidence.

Applying emerging technologies on an audit – We believe that many firms have held back on implementing these tools on public company audits out of concern for what the inspectors will require during the inspection. Clearer staff guidance should be provided to ensure that firms understand the expectations from an inspection perspective. At the same time, while staff implementation guidance is helpful, it should not be elevated to the level of the standards during inspection. In the past, PCAOB inspectors have held firms accountable for compliance with staff guidance, which we do not believe is appropriate.

Further standard setting may be needed once gaps are identified during implementation of new technology tools. We have heard from firms implementing technology tools who have raised questions that standard setting is needed to clarify what constitutes audit evidence, what needs to be documented when data is verified 100% for certain criteria, who is noted as the preparer of AI-generated work, and appropriate supervision and governance of AI-enabled tools. Individual firm outreach via voluntary pilot testing could facilitate a greater understanding between what is expected and what is possible. We also question the recent decision to emphasis bank confirmations in lieu of data from APIs, which may provide quicker, higher-quality evidence than bank confirmations for certain audit assertions. We note that both the AICPA Audit Standards Board and the IAASB have ongoing projects to evaluate emerging technologies and believe that it would be helpful for the PCAOB to further participate and align with those standard-setting activities, as further discussed at question #19.

9. *In light of rapid advancements in data and technology, including AI, are there additional matters the PCAOB should consider addressing?*

No comment.

10. *Are there specific areas of the PCAOB's current standards that you believe are not fit for purpose in an AI environment? If so, what are those areas and what changes may be necessary to address the impact of AI on auditing?*

    See response to question #8.

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?*

    In the absence of clear standard-setting direction from the PCAOB, the AICPA's Digital Assets Working Group has developed a practice aid, Accounting for and Auditing of Digital Assets, that has been continuously updated based on the evolving regulatory environment, including changes made by FASB and SEC guidance. We believe that this guidance is adequate to address the important audit and accounting issues. However, as the PCAOB has not addressed this topic, there is an outstanding question as to whether the guidance is sufficient for use on a public company audit. We do not support guidance that diverges significantly from this practice aid, and do not believe that a standard-setting project is needed if this guidance is deemed fit for purpose on a PCAOB audit.

    A separate digital asset issue is related to the Federal Genius Act, which requires firms performing examinations of in-scope stablecoins are required to be registered with the PCAOB. We are currently lobbying in Pennsylvania to clarify that related legislation should clearly specify the professional standards governing these examinations. More specifically, they should require examinations to be performed in accordance with the AICPA's Statements on Standards for Attestation Engagements (SSAEs), specifically AT-C Section 205, *Assertion-Based Examination Engagements*, rather than PCAOB standards due to the fact that the

PCAOB standards have not changed since it initially adopted the AICPA's attestation standards in 2003. By contrast, the AICPA's standards have been refined and modernized through extensive due process and are now the most commonly used standards by practitioners performing attestation engagements. We recommend the PCAOB consider whether other standards should be updated in light of the changes in the assurance market due to the evolving digital asset ecosystem (e.g., SOC 1, SOC 2, and SOC 3 examinations are attestation engagements performed under the AICPA SSAEs).

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

We support the PCAOB's development of a conceptual framework for standard setting. Beyond improving transparency and consistency, the framework should establish clear principles that define the appropriate scope and objectives of the Board's standard-setting activities. A well-defined framework would provide reasonable boundaries around future projects, helping ensure that new standards remain focused on enhancing audit quality and investor protection within the scope of the auditor's role. By clearly articulating the objective of each project and the principles governing the Board's decision-making, the framework could also reduce the potential for standard setting to become influenced by broader policy objectives or stakeholder expectations that extend beyond the purpose of an independent financial statement audit.

The framework should also identify the core qualitative characteristics that every PCAOB standard should possess. At a minimum, standards should be internationally aligned where appropriate, clear, operable, scalable, technology-neutral, principles-based, and reviewable (inspectable). Standards should establish clear objectives while allowing auditors to exercise sound professional judgment in determining how best to achieve those objectives. They should be capable of consistent implementation by firms of all sizes, sufficiently flexible to accommodate evolving business practices and technologies, and written in a manner that allows for consistent inspection and enforcement. These characteristics would provide an objective benchmark against which proposed standards could be evaluated before issuance.

As part of the framework's emphasis on enforceability, the PCAOB should establish principles for the documentation and evaluation of professional judgment. Over time, the profession has experienced a shift toward checklist-oriented audits, driven in part by concerns that inspection and enforcement activities place greater emphasis on procedural compliance than on the reasonableness of an auditor's judgment. This dynamic can discourage critical thinking and professional skepticism — the very qualities that high-quality audits require. A professional judgment framework would provide a common foundation for audit teams and inspectors, promoting consistent evaluation of whether significant judgments were reasonable, well-supported, and aligned with the objectives of the standards, rather than simply whether every procedural step was documented.

Finally, the framework should require the PCAOB to clearly articulate the problem a proposed standard is intended to solve, the evidence supporting the need for regulatory action, and why standard setting — as opposed to staff guidance, implementation support, or enhanced inspection focus — is the appropriate response. Establishing these guardrails would help ensure that future projects remain appropriately scoped, evidence-based, and focused on matters that are reasonably within the responsibilities of the independent auditor. This disciplined approach would improve the quality of standards, provide greater predictability for stakeholders, and strengthen confidence in the PCAOB's standard-setting process.

<u>Here are our additional comments on the potential guiding principles:</u>

Investor Protection and Audit Quality

The primary objective of every standard should be to enhance audit quality and protect investors by improving the reliability of the auditor's work and report. New requirements should address clearly identified risks or deficiencies that are supported by evidence obtained through inspections, research, or stakeholder outreach. Projects should not be undertaken to expand the nature of an audit beyond the scope of the current reasonable assurance model. For example, the scope of an audit should not include providing a legal opinion, opining on the sustainability of the business model, predicting the future, ensuring against cyberattacks, communicating all possible instances of fraud, etc. While the scope of an audit may seem obvious to auditors, we note that recent proposals have attempted to fundamentally extend auditors' responsibilities when providing reasonable assurance. We therefore believe that the conceptual framework should be foundational and that deviations from that foundation should be clearly stated.

Principles-Based Standards

Standards should establish clear objectives and required outcomes while allowing auditors to exercise professional judgment in determining how best to achieve those objectives. Overly prescriptive requirements should be avoided unless necessary to address demonstrated audit failures or significant investor protection concerns. A principles-based approach promotes innovation, accommodates evolving business models and technologies, and results in standards that remain relevant over time.

Professional Judgment Framework

The framework should expressly recognize that professional judgment is fundamental to performing high-quality audits. Rather than attempting to eliminate judgment through increasingly prescriptive requirements, standards should:

- Establish clear objectives.
- Identify the factors auditors should consider when making significant judgments.
- Require appropriate documentation supporting those judgments.
- Recognize that multiple reasonable approaches may satisfy a standard.

The PCAOB should evaluate judgments based on whether they were reasonable given the facts and circumstances known at the time — not through hindsight or solely because inspectors might have reached a different conclusion.

Harmonization with International Standards

The framework should adopt a formal policy of "harmonize where possible, diverge only where necessary." The PCAOB should begin each project by evaluating existing IAASB standards and determining whether they adequately address the identified issue. Divergence should occur only when necessary to achieve the following:

- Satisfy U.S. securities laws.
- Address unique risks identified through PCAOB inspections or oversight.
- Respond to differences in the U.S. regulatory environment.

- Provide demonstrably greater investor protection.

Whenever the PCAOB departs from internationally accepted standards, it should clearly explain the reasons for the divergence and the expected benefits.

Scalability

Every standard should be capable of being effectively applied by firms of different sizes, structures, and practice models while achieving the same audit objectives. Firms should have flexibility to implement requirements in a manner proportionate to the nature, size, and complexity of their practice and engagements.

Technology Neutrality

Standards should focus on audit objectives rather than prescribing specific methodologies or technologies. Requirements should remain applicable regardless of whether auditors use traditional audit procedures, data analytics, artificial intelligence, automation, or future technologies not yet developed.

Practical Operability

Before issuing a standard, the PCAOB should evaluate whether it is:

- Understandable
- Capable of consistent implementation
- Inspectable
- Enforceable
- Operationally practical

Pilot testing, field testing, and outreach to firms, audit committees, technology providers, and methodology developers should be incorporated into the standard-setting process to identify implementation issues before standards become effective.

Cost-Benefit and Market Impact

The framework should require the PCAOB to evaluate:

- Expected investor benefits

- Implementation costs
- Competitive effects
- Unintended consequences
- Impacts on market participation

Particular attention should be given to whether proposed requirements create unnecessary barriers for smaller firms entering or remaining in the public company audit market. For significant projects, pilot testing would be beneficial to evaluating the actual cost of implementation from pilot testing.

Transparency

The framework should provide greater transparency regarding the following:

- Project prioritization
- Selection between guidance and standard setting
- Reasons for diverging from IAASB standards
- Consideration of stakeholder feedback
- Economic analyses supporting proposed requirements

Continuous Improvement

The PCAOB should periodically evaluate whether standards continue to achieve their intended objectives after implementation. This evaluation should include the following:

- Post-implementation reviews
- Inspection findings
- Stakeholder feedback
- Changes in technology
- International developments

Standards should be refined based on evidence rather than allowing unnecessary divergence or outdated requirements to persist.

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

See answer to question #12.

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

We believe the conceptual framework should serve as the foundation for evaluating every significant standard-setting project throughout its development. Rather than being a high-level statement of principles, the framework should function as a practical decision-making tool that guides the PCAOB in determining whether a project is necessary, appropriately scoped, and consistent with its statutory mission of protecting investors and enhancing audit quality.

The explanatory materials accompanying each proposal should explicitly describe how the Board applied the conceptual framework in developing the proposed standard. For example, the release should explain how the proposal addresses the identified audit quality issue, why standard setting is preferable to staff guidance or other regulatory actions, how the proposal satisfies the framework's qualitative characteristics – such as clarity, operability, scalability, technology neutrality, inspectability, and enforceability – and how the PCAOB considered economic impacts, international alignment, and stakeholder feedback. Requiring this analysis would improve transparency, provide stakeholders with a more meaningful basis for evaluating proposals, and promote greater consistency across future standard-setting projects.

In addition, the explanatory materials should identify where and why the proposed standard diverges from the IAASB or other internationally recognized standards. If divergence is necessary, the Board should clearly articulate the U.S. legal, regulatory, or investor protection considerations supporting that decision, as well as the expected benefits relative to the additional implementation costs. This would reinforce a policy of harmonizing standards where appropriate while ensuring that departures are deliberate, transparent, and evidence-based.

Finally, the conceptual framework should not only guide the Board's evaluation of proposed standards but also provide a benchmark for post-implementation review. Assessing whether a final standard achieved the objectives established in the framework would promote continuous improvement and help ensure that future standard-setting remains focused, effective, and responsive to the needs of investors and the profession.

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

Yes. The conceptual framework should include criteria to assess impact on practice, scalability, costs and benefits, etc. See comments to questions #7 and #12.

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

Yes. See comments at question #12.

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?*

In addition to the PCAOB's standards, most smaller PCAOB-registered firms in the United States apply the standards promulgated by the AICPA's Auditing Standards Board (ASB). The ASB's Operating Policies include "a strategic objective to converge, when appropriate, with the auditing, attestation, and quality management standards of the IAASB." So, the AICPA ASB looks first to the IAASB standards.[1] As AICPA standards are mostly aligned with IAASB standards, further alignment of the PCAOB's standards with the IAASB would help minimize differences with those of the AICPA. As the ASB also evaluates the IAASB standards through U.S. legal, regulatory, and practice lenses, it may be appropriate for the PCAOB to consider minimizing differences with the ASB as well. Ultimately, maintaining a list of the differences

[1] American Institute of Certified Public Accountants, Auditing Standards Board, Operating Policies - asb-operating-policies.pdf

between PCAOB and ASB standards would greatly help smaller firms provide audit services in the public company audit space. We agree that explaining the rationale for any proposed differences would be helpful during the public comment process.

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)?*

We support efforts to further align existing standards with those of the IAASB. Further alignment would reduce the incremental cost of compliance and lower barriers to entry for firms having to learn a separate set of standards to serve clients requiring PCAOB registration. It would also modernize existing standards that are significantly out of date (e.g., the SSAE's as discussed in our response to question #11).

We also support aligning the PCAOB's standard-setting agenda with those of the IAASB.

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

We believe the PCAOB should establish formal mechanisms to collaborate with other standard setters, particularly the IAASB, throughout the standard-setting process. This will enable the PCAOB to remain current. This collaboration should include early coordination on emerging issues, sharing research and implementation experience, participation in advisory groups, and, where appropriate, joint outreach and field testing. While we recognize that differences will remain that address the U.S. legal and regulatory environment and the PCAOB's statutory mandate to protect investors, these differences should be intentional, evidence-based, and limited to areas where they provide a clear public interest benefit.

For the most part, the IAASB's standards have evolved continuously over the past two decades, while many PCAOB standards remain unchanged since their original adoption as interim standards. Rather than independently developing substantially similar standards, the PCAOB should adopt a policy of "harmonize where possible, diverge only where necessary." Leveraging the IAASB's extensive due process, research, stakeholder outreach, and implementation experience would allow the PCAOB to devote more of its resources to addressing uniquely U.S. issues, emerging risks, and inspection findings rather than recreating standards that have already been rigorously developed and tested internationally.

Greater harmonization would also produce meaningful benefits for firms and investors. Many firms – particularly global networks and firms that audit both public and private entities – must maintain separate methodologies, guidance, training programs, and quality management processes to comply with unnecessarily divergent standards. Aligning standards where appropriate would improve consistency in audit execution, reduce implementation costs, facilitate staff training, and lower barriers to entry for firms considering entering the PCAOB audit market. This is particularly important for smaller and midsize firms, which often have limited technical resources and face disproportionately higher costs in maintaining separate methodologies. We believe greater alignment with internationally recognized standards could meaningfully reduce barriers to entry for smaller firms that are considering expanding into the public company audit market. Rather than investing significant time and resources to learn and implement a substantially different set of PCAOB requirements, firms could build upon methodologies and expertise already developed under IAASB standards, making participation in the issuer audit market more practical and economically feasible.

In addition, greater alignment would benefit third-party practice aid providers, audit methodology developers, and technology platforms. Software developers and methodology providers currently must devote significant resources to accommodating differences that often do not enhance audit quality. Greater consistency among standards would encourage more efficient development of audit technologies, AI-enabled tools, digital workpapers, and training resources, allowing innovation to occur more rapidly while reducing implementation costs across the profession.

Finally, formal collaboration among standard setters would help promote greater global consistency in audit quality while allowing the PCAOB to remain responsive to U.S.-specific risks. A coordinated approach would reduce unnecessary regulatory fragmentation, improve the operability and scalability of standards, and ultimately strengthen investor protection by allowing firms to focus their resources on performing higher-quality audits rather than navigating avoidable differences in professional requirements.

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?*

No comment.

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

See comments at question #19.

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?*

No comment.

23. *If narrow, conforming amendments related to the negative assurance provisions of AS 6101 were to be considered, should we, for example, permit the auditor to provide such negative assurance as of a date subsequent to the end of the most recent audited or reviewed period and prior to the next date that the issuer is required to file periodic financial statements? Would establishing a permissible period for providing negative assurance that is based on the issuer's next required financial statement reporting date, rather than the existing 135-day*

threshold, give rise to unintended consequences? Is a longer period during which negative assurance is permitted appropriate for a semi-annual filer vs. a quarterly filer? Should there be different limitations on the period during which negative assurance is available depending on whether the next period is subject to an audit or a review? What alternative approaches, if any, should the PCAOB consider?

No comment.

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

No comment.

This concludes our remarks on the proposed standards. Please contact Allison Henry for elaboration on any points made herein.