



Shape the future
with confidence

Ernst & Young LLP
One Manhattan West
New York, NY 10001-8604

Tel: +1 212 773 3000
ey.com

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

15 May 2026

Re: PCAOB No. 2026-001, Request for Public Comment PCAOB Strategic Priorities

Dear Ms. Brown:

Ernst & Young LLP appreciates the opportunity to respond to the PCAOB No. 2026-001 request for public comment from the Public Company Accounting Oversight Board (PCAOB or Board) regarding the Board's strategic priorities as it develops its 2026-2030 Strategic Plan. We support the PCAOB's commitment to early and transparent stakeholder engagement and recognize the importance of this effort in shaping a strategic agenda that promotes high-quality, informative and independent audits. We offer our perspectives with the objective of strengthening the transparency, consistency and effectiveness of the PCAOB's mission critical programs.

Overall, we recommend that the PCAOB focus on three key areas: modernization of its inspection program (including inspection reporting), improving transparency in standard-setting initiatives, and reducing regulatory redundancies through improved coordination with the Securities and Exchange Commission (SEC).

We encourage the PCAOB to critically challenge the inspection program to identify opportunities to enhance and modernize the approach. While the existing program has driven significant improvements in audit quality since the PCAOB's inception, we believe periodically reassessing the program holistically, particularly in an evolving technological environment, is essential to maintain a highly effective program. Clearly articulating the objectives of the inspection program and the best way to achieve those objectives is an important first step.

We believe the Board's objectives (once finalized) could be achieved by first evaluating the sufficiency of a firm's system of quality control (SQC) with a focus on firm monitoring activities. This should include a transparent model for performing quality control-focused inspection activities. We also believe that engagement-level inspections should continue to be part of the inspection program based on the results of the evaluation of a firm's SQC. For engagement-level inspections, we also believe a formal engagement deficiency framework should be made publicly available to promote consistent application.

We also encourage the PCAOB to promote greater transparency in its standard-setting initiatives. The Board should establish a continuous stakeholder engagement process to inform the standard-setting agenda and consider international frameworks when embarking on standard-setting projects. Because technological advances can impact all aspects of our operations as well as those of registrants, we

advise the PCAOB to proceed with caution in setting standards in this area. We believe providing interpretive guidance may allow the PCAOB to provide more timely support to auditors given the rapid pace of change.

Finally, we encourage the PCAOB to improve regulatory efficiency by evaluating intersecting activities with the SEC. This could include aligning enforcement processes, collaborating with the SEC to eliminate overlapping independence requirements, and developing an enforcement manual, all of which would reduce unnecessary complexity and costs.

These recommendations could strengthen stakeholder confidence in the PCAOB's oversight, continue to drive improvements in audit quality overall, make the Board's outputs to audit committees and other stakeholders more useful, and enable a regulatory framework that remains adaptable to a rapidly evolving technology environment. As always, we welcome continued engagement with the Board's staff as the PCAOB develops the Board's strategic priorities.

OUR PERSPECTIVES

1. What should the PCAOB focus on as its strategic priorities in registration, inspections, and enforcement over the next two to five years to further its statutory mission?

Registration

With respect to the PCAOB's annual and periodic reporting forms and data requests, we encourage the Board to review the type of information and method of reporting in required disclosures, particularly those associated with annual and other data requests, including those on Forms 2 and 3, and consider whether they are appropriately calibrated to support effective oversight. Registered firms devote significant time and resources to collecting, validating and submitting information in the specific formats prescribed by PCAOB reporting forms.

Maintaining systems to generate information in the specific format required in these requests is onerous, and it is not clear whether the Board or the public actually uses this information. We encourage the Board to challenge the nature and extent of these requests and evaluate whether the benefits of collecting and providing the information justify the associated costs.

We propose the PCAOB consider the following when reflecting on its priorities in this area:

- ▶ The usefulness of required disclosures to the likely users of the information, including the extent to which the information is relied upon for oversight purposes
- ▶ Opportunities to adjust reporting requirements to align better with the needs of likely users and determine whether the benefits of such disclosure outweigh the costs incurred by firms
- ▶ The appropriateness of requiring precise figures instead of reasonable estimates or ranges, where precision does not materially enhance utility
- ▶ The inclusion of free text boxes where firms can give additional context and explain the information submitted

- ▶ Updates to the forms and related technology to improve the data entry process (such as removal of certain character limitations)
- ▶ Acknowledgement that subsequent discovery of immaterial, good faith errors by registered firms do not necessarily warrant amending prior submissions
- ▶ Opportunities to use technology to better deliver the data and disclosure

In our view, prioritizing this type of review would help make registered firm reporting more focused, effective and aligned with the Board's oversight objectives.

Inspections

The PCAOB should prioritize implementing protocols to drive meaningful and durable enhancements to an inspection process that is fundamental to achieving the Board's statutory objectives.¹ A modern inspection program should include clear objectives starting with an evaluation of the sufficiency of a firm's quality control system that informs targeted inspections of selected individual engagements.

Durable and continuous improvements in audit quality

The Board should apply its inspection objectives consistently across all phases, including planning, execution, reporting and remediation. During this time of technological advancement, it is especially critical that Board's inspection program move beyond a compliance-oriented approach and function as a regulatory tool to drive durable and continuous improvements in audit quality. See further discussion in our response to question 7.

Focus on significance and consistency

As discussed further in response to question 3, we encourage the PCAOB to include in the public Part I of inspection reports only significant findings where the auditor's opinion was not supported. In our experience, however, inconsistent inspections of audit engagements year over year or among individual inspectors can occur due to differing judgments on the sufficiency of audit evidence or the extent of audit procedures performed. We therefore encourage the Board to implement a standardized framework for evaluating areas significant to the audit and determining significant findings where the auditor's opinion was not supported to drive consistency in the process and across the firms.

Timely and transparent resolution of inspection differences

We appreciate that the PCAOB is designing a formal consultation process to provide timely guidance on complex auditing issues and promotes consistent interpretation of standards within the standard-setting functions rather than by inspection or enforcement activities.² We also believe that consultation may be necessary for inspection activities when evaluating complex matters related to the firm's SQC, matters associated with engagement-level inspections or matters where there are inspector-firm disagreements. We encourage the PCAOB to implement consultation processes that can facilitate timely resolution on inspection-related matters concurrent with the related inspection activity.

¹ Section 104(a) of The Sarbanes-Oxley Act of 2002.

² See *Chairman Logothetis Statement on PCAOB Strategic Priorities*, 31 March 2026.

Reevaluating inspection data requests and timing of inspection activities

Inspection execution also involves substantial data requests across all activities of a firm, resulting in considerable costs to the firm to maintain and retain this information, often solely to comply with the PCAOB request rather than to serve business management needs. Historically, we have not received questions on the majority of what is provided to the PCAOB. We respectfully request that the Board evaluate the data requested and consider potential opportunities to leverage technology to streamline data requests and collection.

We also believe that performing engagement inspections during the traditional January through March filing season is detrimental to audit quality. Additionally, inspecting during the fiscal fourth quarter of off-calendar year engagements is detrimental to audit quality. We respectfully request that the PCAOB consider the timing of an inspection and consider the impact on audit quality for the in-process audit.

Enforcement

We encourage the Board to explore ways to enhance transparency, consistency and procedural protections within the Division of Enforcement and Investigations (DEI). In our view, the DEI program would benefit from a clear articulation of the Board's enforcement priorities. Additionally, the Board could establish clearer procedures for firms and individuals subject to investigation, promote consistent application of investigative practices and support efficient case management. Given overlapping jurisdiction, it could also facilitate greater alignment, where appropriate, with processes and procedures used by the SEC's Division of Enforcement (SEC Enforcement).

Specifically, we believe the Board should consider publishing an enforcement manual addressing the following topics, among others:

- ▶ *Enforcement priorities* – We recommend that the Board set forth that PCAOB enforcement will focus on matters featuring (1) intentional or reckless misconduct, in violation of clearly established standards of conduct, as opposed to those involving disputed interpretations of standards or questions of professional judgment, and (2) identifiable harm to audit clients and their stakeholders. We also support the inclusion of a planned approach for DEI coordination with SEC Enforcement to help mitigate duplicative investigations.
- ▶ *Supervisory review and internal escalation protocols* – The Board should consider defining clear protocols for supervisory review at key stages of investigations, including regular docket reviews addressing both active and inactive matters, and circumstances in which supervisory approval is expected for certain investigative steps and decisions.
- ▶ *Engagement and cooperation* – The Board could encourage timely remediation and self-reporting by committing it will decline taking enforcement action when registered firms (1) voluntarily self-reported the misconduct, (2) fully cooperated with DEI, (3) timely and appropriately remediated any misconduct, and (4) have no aggravating circumstances, as listed in the enforcement manual, that relate to the nature and seriousness of the misconduct. We also recommend adding mechanisms for firms and individuals under investigation to engage with DEI staff and supervisors, as well as a statement on the PCAOB's approach to remedies, and options for penalty offsets or other incentives for timely remediation.

- ▶ *Timeliness* – We encourage the Board to address how enforcement resources are prioritized, focusing on more recent conduct, expectations regarding statutes of limitations and tolling agreements, reasonable parameters around the length of witness interviews or testimony, and documenting a policy requiring DEI staff to notify individuals or firms at the earliest appropriate time of the staff’s decision not to recommend charges.

2. What changes should the PCAOB make to its inspections program including, but not limited to, changes in light of its new quality control standard (QC 1000)?

Support the design of a quality control-focused framework

We recommend the PCAOB consider an overall inspection program that uses the evaluation of the sufficiency of a firm’s SQC, including the firm’s monitoring activities within the SQC as a starting point. For firms with a robust and well-designed SQC, documentation related to risk assessments, quality objectives, quality responses and monitoring results can provide the PCAOB with valuable insight into the design and operating effectiveness of the SQC that would be difficult for the PCAOB to replicate through its own activities based on engagement-level inspections or inspecting certain SQC processes in isolation. Leveraging this information may limit potentially duplicative costs associated with assessing a firm’s SQC while providing important context regarding how the firm identifies, responds to and remediates quality risks.

The evaluation of a firm’s SQC may allow the PCAOB to meet many of the objectives of the overall inspection program, thereby alleviating the need to rely as heavily on the inspection of selected audit engagements. That is, it seems possible that, after the implementation of QC 1000, the primary objectives of inspecting selected engagements would be to:

1. Verify that engagement teams successfully executed audit methodologies and procedures developed in accordance with a firm’s SQC
2. Corroborate the evidence obtained from the PCAOB’s evaluation of the firm’s SQC

Seek stakeholder perspectives on the design of a QC-focused inspection program

Evaluating the sufficiency of SQC in accordance with QC 1000 represents a fundamental shift for both the PCAOB and inspected firms. Based on our discussions with members of the PCAOB’s Office of the Chief Auditor and Division of Registration and Inspections (DRI) staff, we understand an evaluation of the sufficiency of SQC is not comparable to the evaluation of the sufficiency of internal controls over financial reporting (ICFR) in an integrated audit. As such, we recommend that the PCAOB seek public input on the design of the evaluation framework for a firm’s SQC. The PCAOB could support an effective transition by providing firms with observations and recommendations based on its preliminary understanding and evaluation of their SQC, in an environment meant to identify learnings and improvements for both parties. Firms could refine their SQC, and the PCAOB could identify lessons learned and inform future enhancements to the evaluation methodology while promoting audit quality through a more effective QC-focused inspection program. We further believe that periodically refreshing stakeholder perspectives would support the continuous improvement of the inspection program.

Make frameworks publicly available

We also propose that the PCAOB consider formalizing and publishing the SQC evaluation and engagement inspection framework, as well as associated protocols to promote more consistent and transparent processes and outcomes, reinforce alignment with quality control standards and bolster stakeholder confidence in the inspection program.

3. What inspection information would be most useful to stakeholders, and how could inspection reporting be enhanced under a quality control-focused inspection program?

A strategic opportunity to reframe regulatory reporting

We believe the Board could enhance consistency and transparency of reported information through ongoing engagement with users and by re-evaluating the structure, content and timing of inspection reports to better deliver decision-useful information to audit committees and other stakeholders.

Based on our experience and discussions with stakeholders and consistent with information shared at recent public meetings (i.e., Standards and Emerging Issues Advisory Group and Investor Advisory Group), it is often challenging for users of inspection reports to understand the significance of matters currently included in Part I.A of the inspection report or how to consider this information in evaluating audit quality at a given firm. We believe that contextualizing and providing a sense of the significance of findings included in Part I of the inspection report would improve consistency in external reporting and promote better stakeholder understanding.

Deficiency framework under QC 1000

Defining inspection deficiencies is a critical first step in modernizing inspection reporting, particularly in the context of QC 1000. Today, firm inspection reports include items that are categorized as Part I.A engagement-level deficiencies. These items are described as those that were of such significance that the PCAOB believes the firm at the time it issued its audit report(s) had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR. However, in our experience, and in line with our observation regarding consistency within inspections discussed above, we have noted instances where it is not clear that an audit opinion was not supported when additional relevant factors were considered.

We recommend that the PCAOB re-evaluate its deficiency framework to align its application with risk-based principles, include consideration of materiality, and the role of compensating and other procedures performed in addressing assessed risks of material misstatement (i.e., evaluate the totality of evidence obtained). We acknowledge that during the engagement inspection process, the PCAOB might identify instances of missing or incomplete audit work or procedures that may have been performed less effectively than they should have been. To the extent such items are not material to the totality of audit evidence supporting the audit opinion, the Board could consider such items as information to provide to the audit firm and possibly other stakeholders to promote audit quality. The PCAOB could leverage other mechanisms, such as PCAOB staff Spotlight publications, to report on trends or observations that might be of interest to the firms and stakeholders.

Additionally, in our experience, matters identified as Part II quality control criticisms traditionally have been inferred from the PCAOB's experience with individual engagement inspections and have not considered insights from the firm's other SQC activities. As a result, the matters identified in Part II often have not correlated to the results of the firm's root cause analysis. We believe the PCAOB's conclusions regarding the effectiveness of SQC should be anchored to the evaluation procedures that were designed and performed for the purpose of evaluating system-level effectiveness, rather than inferences drawn from engagement-specific outcomes or narrowly determined compliance matters.

We believe that establishing a clear framework for identifying quality control criticisms directly observed (rather than inferred) during SQC evaluation, along with an evaluation of the sufficiency of the firm's SQC in addressing identified risks and objectives, would meaningfully support firm efforts to effectively address the root causes of quality control deficiencies.

Clarifying and accelerating the evaluation and remediation of quality control criticisms

We recommend that the PCAOB provide explicit guidance defining what constitutes satisfactory remediation, aligned with the applicable quality control standards, along with clear expectations and timelines applicable to DRI for issuing remediation determinations in a manner that supports meaningful and timely decision-making for stakeholders. We also believe it is important that the PCAOB challenge how Form QC reporting, the PCAOB's evaluation of sufficiency of a firm's SQC and required PCAOB reporting under the Sarbanes-Oxley Act of 2002 (SOX) interact and reconcile.

Redesign of the current inspection report

Based on the above, in future reporting we believe the PCAOB should challenge the way identified engagement deficiencies are reported. One alternative approach would be to publish the framework for determining whether an inspection finding represents a "failure to support the audit opinion(s)" considering risk, materiality and totality of evidence obtained.

Another approach would be to provide overall summaries of the nature of deficiencies identified across the individual engagements selected for inspection. This would eliminate reporting on isolated instances. Such differentiation could reduce the risk of misinterpretation by report users. Additionally, providing more context on the nature and significance of inspection deficiencies identified would enhance report users' understanding and support more informed audit committee oversight and stakeholder decision-making.

We also recommend that the Board consider the following:

- ▶ SOX Section 104(g) specifies that PCAOB-written inspection reports should constitute findings of the Board. Therefore, we believe public sections of inspection reports should be limited to matters identified directly through PCAOB inspection procedures and exclude self-identified matters by firms through their own monitoring activities or resulting from restatements not attributable to inspection deficiencies. Findings that are self-identified by the firm demonstrate a functioning SQC.

- ▶ Firm-identified Part I.C independence exceptions should be excluded from inspection reports, especially when the auditor's objectivity and impartiality was not impaired. Separately, for independence matters identified through PCAOB inspection procedures, we encourage the PCAOB to work with the SEC to determine whether public disclosure is warranted in cases of systematic violations rather than overstating technical issues that have been remediated. This would provide a fairer representation of a firm's overall degree of compliance.

In addition, we recommend that the PCAOB discuss Part I.B deficiencies with firms for awareness and exclude from individual public inspection reports, as these matters do not represent instances where the firm failed to obtain sufficient appropriate audit evidence to support its opinion(s). The PCAOB should consider leveraging its staff Spotlight publications for reporting on such trends across the profession.

Timing of inspection report issuance

To complement our suggested enhancements to the inspection content, we believe that more effective timing and sequencing of report issuance would allow firms to implement improvements sooner, which would strengthen audit quality.

We encourage the PCAOB to consider issuing inspection reports more promptly following the completion of fieldwork and presenting deficiencies in a manner that readily facilitates auditor oversight discussions. This could be achieved by separating inspection reporting into two publications:

- ▶ A public Part I report, issued on a more timely basis and aligned with the completion of engagement inspections
- ▶ A non-public Part II report, aligned with the firm's QC 1000 "as of" date, which we believe should be flexible to align with the firm's operations. Separating the Part II report would allow firms to more effectively evaluate and address system-level deficiencies within their SQC on a more timely basis.

4. What standard-setting projects should the PCAOB pursue?

An opportunity to revisit and improve the standard-setting process

As the Board develops its 2026-2030 Strategic Plan, we encourage a thorough evaluation of the current standard-setting process, with a focus on enhancing stakeholder engagement, increasing transparency and aligning more closely with international standards where appropriate.

Stakeholder engagement

The opinions and priorities of stakeholders change for a variety of reasons, including market shifts and new technologies. Stakeholder feedback can vary depending on when the PCAOB asks for it and the manner in which it is requested. Therefore, we encourage the Board to regularly review both how it gathers input from stakeholders and the frequency of those requests when conducting standard-setting projects. Specifically, we support efforts by the PCAOB to foster dialogue between the Office of the Chief Auditor (OCA) staff and auditors, investors, audit committees, and other stakeholders throughout a standard-setting or rulemaking project.

Transparency

We also encourage the PCAOB to explore ways to make its standard-setting process more transparent. Historically, the PCAOB's standard-setting process has been opaque, and stakeholders rarely understand or appreciate the Board's position on standard-setting matters before rulemaking activities (e.g., a proposal) occur. We believe the Board should consider more transparent deliberations through public dialogue with OCA staff at open meetings or by leveraging the Standards and Emerging Issues Advisory Group (SEIAG) or other task forces where Board members and OCA staff can discuss objectives of standard-setting or rulemaking projects, as well as potential approaches and impact on the audit and financial reporting process.

Improving the transparency of the standard-setting process would allow for more thorough and thoughtful feedback from stakeholders. We also encourage the PCAOB to monitor other regulators like the Financial Accounting Standards Board (FASB) and International Auditing and Assurance Standards Board (IAASB) to consider whether their methods could help improve its own processes. For example, the PCAOB should consider whether a mechanism like the FASB's Emerging Issues Task Force could improve consistency in the interpretation of PCAOB standards.

Alignment with international standards

As discussed further in our response to question 5, we believe that before undergoing new standard-setting projects, the PCAOB should consider the IAASB standard-setting agenda to determine whether ongoing projects could meet shared objectives and be more collaborative, as appropriate, to drive greater consistency in auditing standards globally.

To the extent the PCAOB determines that differences in standard-setting are appropriate, these differences should be clearly described, including the basis for divergence in the context of the US capital markets. The Board could also consider the work performed by the American Institute of Certified Public Accountants (AICPA), which has made some considerations, albeit from a private company audit perspective, to modify international standards based on the US market.

We also encourage the PCAOB to consider information obtained by international or other standard setters in past deliberations on similar projects to determine whether modifications should be made to existing PCAOB standards. We believe that revisions to PCAOB standards should be made only in response to clearly identified issues rather than making updates simply because a standard has not been revised for a significant period of time.

Exercise caution before engaging in standard-setting due to developments in technology

Advancements in technology, such as artificial intelligence (AI), data analysis and quantum computing are or will influence how the profession performs audits, attestations and other procedures in the scope of PCAOB standards. We believe the PCAOB should be cautious about immediately engaging in standard-setting activities in response to these and future developments in technology.

We encourage the Board to continually evaluate how these changing technologies fit into the existing principles-based requirements in PCAOB standards (e.g., risk assessment and audit evidence standards) and consider whether additional interpretive guidance would allow practitioners to consistently apply the principles in current PCAOB standards in the rapidly changing technological landscape.

Over time, the PCAOB's consistent monitoring of these developments will also allow the Board to evaluate whether existing principles-based models within PCAOB standards continue to be fit for purpose and flexible enough considering how technology is being used by the profession, issuers, brokers and dealers.

Pursue simplicity and consistency in auditor independence regulations

The requirement to maintain auditor independence is foundational to the performance of quality audits, and maintaining auditor independence is the shared responsibility of auditors, management and the audit committee. While SOX provides the PCAOB with the authority to establish independence standards,³ the current regulatory structure is both inconsistent and duplicative.

The PCAOB maintains multiple independence rules that address the same activities as current SEC independence regulations (e.g., requirements related to unpaid fees⁴), resulting in unnecessary complexity and confusion. We believe the PCAOB should work with the SEC to eliminate overlapping regulations and consolidate a single set of independence regulations under one regulatory body.

Further, since the SEC has jurisdiction over all parties that share the responsibility for auditor independence (i.e., auditors, audit committees and management), we believe the SEC is the most appropriate regulatory body for promulgating and interpreting auditor independence standards.

The path forward for recent standard-setting projects

As the Board looks to set strategic priorities for 2026-2030, we believe it would be appropriate to consider aligning existing auditing standards with accounting standards where differences exist (e.g., going concern) and how (or whether) to proceed with recent standard-setting projects.⁵

Noncompliance with laws and regulations

We generally support the concept of modernizing the PCAOB's standards to clarify the responsibilities of auditors with respect to noncompliance with laws and regulations, including fraud, due to changes in the auditing environment since the PCAOB adopted the AICPA's standards in 2003. However, we believe the PCAOB's existing proposal would fundamentally alter the auditor's role.⁶ Instead, we believe the PCAOB should consider more closely aligning auditor requirements related to noncompliance with laws and regulations with international frameworks.

³ Section 101(c)(2) of The Sarbanes-Oxley Act of 2002.

⁴ PCAOB ET Section 191.52 stipulates that independence is considered to be impaired if any fees remain unpaid for any professional services provided more than one year prior to the date of the auditor's report. Conversely, SEC frequently asked question number 2 related to the general standard of independence (i.e., Rule 2-01(b) of Regulation S-X) states that there may be a question concerning the auditor's independence if fees are owed "for an extended period of time and become material in relation to the fee expected to be charged for a current audit."

⁵ See 5 May 2026 PCAOB News Release, *PCAOB Updates Standard-Setting, Rulemaking, and Research Projects As Strategic Planning Process Continues*.

⁶ See our **comment letter dated 7 August 2023** related to PCAOB Release No. 2023-003, *Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations And Other Related Amendments* (6 June 2023).

Substantive analytical procedures

As technology continues to influence auditing methods and the nature of audit evidence, it is crucial for the PCAOB to stay informed about emerging technologies. The PCAOB should encourage the adoption of new technologies, while providing observations and best practices for complying with the existing principles-based framework. If this project were to be included on the new standard-setting agenda, we encourage the Board to evaluate and participate in the work being performed by the IAASB as part of the *Audit Evidence and Risk Response – ISA 330, ISA 500, ISA 520* project.

As discussed in our response to question 5, we believe that the PCAOB should work closely with international standard setters to promote efficiency (e.g., avoiding duplicative research efforts) and more alignment between international and PCAOB standards.

Post-implementation reviews

The Board last published a completed post-implementation review (PIR) report in December 2018. While the Board has finished or planned an interim analysis for some completed standard-setting projects such as critical audit matters, auditing accounting estimates and the auditor's use of the work of specialists, we believe that completing timely and effective PIRs would allow the Board to both:

- ▶ Evaluate the consistency with which standards are interpreted and applied across the profession and in its own inspection program
- ▶ Assess whether standards are achieving the intended outcomes and whether the associated compliance costs are proportionate to the realized benefits

5. How can the PCAOB achieve greater alignment of its auditing standards with international auditing standards?

We believe that strengthening engagement with international standard setters will promote consistency in auditing standards and audit quality across the globe. Aligning standards is a continuous process that we believe would be best achieved through a prospective change in the PCAOB's approach to standard-setting projects that integrates engagement with international standard setters during the standard-setting process.

The PCAOB should stipulate that once an item is added to the standard-setting agenda, the Board should evaluate the relevant International Standards on Auditing (ISAs) and any relevant research or due diligence performed by the IAASB, AICPA or other standard setters. In conjunction with this approach, we recommend that the PCAOB consider increasing its deliberations and collaboration with international standard setters on research efforts.

Engaging with other standard setters should be a continuous and ongoing effort because the matters affecting financial reporting and audits are dynamic and evolving. We believe leveraging the knowledge from other standard setters would be an efficient approach to standard-setting and facilitate gradual, appropriate and sustainable alignment in international and US auditing and attestation standards. It would also facilitate the consideration of whether any differences are necessary due to the nature of the US capital markets and provide stakeholders with the PCAOB's basis for such differences.

6. In what ways should the PCAOB consider deploying technology, including AI, to help further its investor-protection mission?

The PCAOB has unique insights into how AI and other technology are being designed, implemented and governed by issuers and audit firms based on its oversight, inspection and standard-setting activities. This vantage point places the PCAOB in a strong position to help inform and promote best practices for the responsible use of AI in audits, including through non-authoritative guidance, observations from inspections and other educational materials.

By sharing common risk patterns, effective controls and examples observed across firms and engagements, the PCAOB could drive more consistent adoption of AI while avoiding the unintended consequences that may arise from fragmented or opaque practices. Thoughtful deployment of the PCAOB's own technology and analytics, paired with transparent communication to stakeholders, could further reinforce confidence that emerging technologies are being used in ways that enhance audit quality for investors.

7. How can the PCAOB enhance transparency with its stakeholders?

Communications on the state of audit quality

We believe the Board should continue to leverage its staff Spotlight publications or other communications (e.g., Board member or staff speeches) to share key observations on the broader state of audit quality. These communications could include any noted trends affecting audit quality that might currently be included at a firm level in Part I.B or Part I.C today. This would provide stakeholders with a better understanding of what the PCAOB is observing relative to audit quality beyond those inspection findings that represent a failure of a firm to support an audit opinion.

Standard-setting process

As noted in our response to question 4, we reaffirm our view that the PCAOB would benefit from a continuous and structured stakeholder consultation process to inform its standard-setting agenda that enhances transparency, aligns more closely with international standards where appropriate and simplifies complex regulations to bolster stakeholder confidence.

Inspections

As noted in our response to question 3, we believe that ongoing engagement with users of inspection information (including inspection reports) is essential for the Board to deliver decision-useful information to audit committees and other stakeholders. To that end, we support the formation of a task force focused on modernizing the inspections process and communication. As Chairman Logothetis noted in his remarks at the SEIAG meeting on 6 May 2026, such a task force should be composed of key stakeholders, including practitioners with strong inspections experience, knowledge of emerging technologies and expertise regarding QC 1000.⁷

* * * * *

⁷ See *Chairman Logothetis Delivers Remarks at Standards and Emerging Issues Advisory Group Meeting*, 6 May 2026.



We would be pleased to discuss our comments with the Board or its staff at your convenience.

Sincerely,

Ernst + Young LLP

Copy to:

SEC

Kurt Hohl, Chief Accountant

Michal Dusza, Deputy Chief Accountant

Emily Fitts, Deputy Chief Accountant