



September 15, 2022

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

**RE: PCAOB Draft Strategic Plan 2022-2026**

Dear Madam Secretary:

We appreciate the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or the "Board") *Draft Strategic Plan 2022-2026* (the "draft strategic plan"). We commend the PCAOB's transparent and inclusive approach to developing its strategic plan. We applaud the PCAOB's efforts to involve and obtain input from a range of stakeholders. We support the four strategic goals identified in the draft strategic plan.

It is important that the strategic plan and the Board's agenda to support that plan are grounded in the PCAOB's dual mission – to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.

***Obtaining appropriate feedback from stakeholders, including auditors***

We were pleased to see the formation and inaugural meetings of the Investor Advisory Group (IAG) and the Standards and Emerging Issues Advisory Group (SEIAG) earlier this year. These mechanisms should help to promote more timely engagement on emerging issues and bring additional transparency to the Board's standard-setting process, which can help stakeholders understand the objectives of the various projects and their prioritization and related issues and challenges to be addressed.

We encourage the PCAOB to also seek or develop other opportunities for enhanced stakeholder engagement (with preparers, audit committees, auditors, and others) to understand emerging issues. Such engagement will help inform responsive actions that best serve the public interest, whether through additional standard-setting, implementation guidance, or other avenues of communication in the PCAOB's remit. Incorporating targeted outreach, consultation, transparent discussion, and feedback mechanisms throughout the life cycle of a project will benefit its final outcome. The expanded use of roundtables, as well as subcommittees and task forces of the IAG and SEIAG can help inform practical and scalable responses. In this regard, we note the Data and Technology Task Force has been a useful mechanism to inform the staff's spotlight publications and believe additional task forces could be helpful as the Board initiates new projects.

Under the same theme of stakeholder engagement, it is in the public interest for regulators and standard setters to collaborate in reaching solutions that can promote improvement to audit quality. We encourage the Board to continue taking leadership roles within the International Forum of Independent Audit Regulators (IFIAR), and to engage with IFIAR's members as well as the Auditing Standards Board (ASB) and International Auditing and Assurance Standards Board (IAASB) to share perspectives on matters affecting auditing standards and audit quality. Continued robust engagement with the SEC and FASB and recognition of different roles each play will also be important to developing comprehensive solutions to emerging issues facing preparers and auditors.



### ***The impact of technology on the audit***

The environment in which audits are conducted continues to evolve rapidly. In particular, the increasing use of technology by both management and auditors will put heightened pressure on the PCAOB to take timely action on emerging issues. Audits are becoming more data-driven and many firms like ours are developing and leveraging automated tools and techniques, which can benefit audit quality. These developments have been acknowledged by PCAOB staff in its Spotlight publications, which appropriately note that PCAOB auditing standards do not preclude audit firms' use of technology-based tools during an audit.

In our view, the Board and staff's efforts should focus on prioritizing consideration of how its standards take into account the use of such tools and where the standards could be modernized to enhance how they are applied in a more technology-enabled environment. It would be particularly helpful to continue dialogue with management, audit committees, and auditors to understand how they are using technology and where auditors may view specific approaches described in the PCAOB standards as an impediment to using technology in the audit.

While we support the research projects related to data and technology and audit evidence in principle, and note separate plans for a standard-setting project related to substantive analytical procedures, a more holistic approach is likely necessary to have a meaningful impact on audit quality. We encourage the Board to be bold in its considerations, although we recognize the need to acknowledge that more traditional techniques may continue to be employed depending on the facts and circumstances of the engagement and its auditor. In this regard, a balance will need to be struck between changes to the PCAOB's standards and the development of additional guidance to help auditors consistently apply those standards when using technology.

### ***Specific comments on the PCAOB's goals***

#### ***Modernize standards***

Standard-setting plays a fundamental role in serving the public interest in the preparation of informative, accurate, and independent audit reports. We agree with the PCAOB's view that its standard-setting agenda announced earlier this year is very ambitious. Consistent with feedback provided at the IAG and SEIAG meetings, it would be helpful for the Board and its staff to further engage with stakeholders to evaluate its priorities and the objectives and scope of the respective projects. This will help achieve the PCAOB's goal of adopting standards that meaningfully improve audit quality in the most impactful areas – those that either frequently result in inspection findings or where there is inconsistency in practice that needs to be resolved. Efforts by the IAASB and ASB to enhance their respective suites of standards can help inform the PCAOB's work (e.g., in relation to attestation standards).

In our view, the most important project to be progressed on the PCAOB's current agenda is the project related to enhancements to firms' systems of quality control. Effective quality control systems are crucial to supporting consistently quality audits and other engagements under PCAOB standards.

#### ***Enhance inspections***

The current approach to inspections has served the Board and its stakeholders well and we believe it has been an important contributing factor to the quality of audit services. In addition, the PCAOB staff's



Spotlight publications related to inspections provide useful insights into the Board’s focus areas and observations from recent inspection activities, while also providing best practices observed from audit firm activities.

With regard to firm-specific reports, we support the PCAOB’s intent to continue to enhance the timeliness and quality of the information it provides regarding its oversight activities. We also support the principle of increasing transparency in reporting inspection results consistent with statutory protections. The Board will need to carefully consider, however, how this can best be achieved, bearing in mind the timing and intended purpose of the inspection reports, which are intended to focus on audits, auditors, and audit quality. In considering incremental transparency, it is important to think about any potential unintended consequences, including to parties that are not regulated by the PCAOB.

*Strengthening enforcement and improving organizational effectiveness*

We understand the Board’s goal to increase the intensity of its enforcement program, and recognize that meaningful sanctions for those who violate the Board’s rules can deter wrongdoing. We encourage the PCAOB to strike an appropriate balance between utilizing enforcement resources where warranted and utilizing inspection resources in light of the Board’s inspection authority. Because responding to investigations can be time consuming, resource intensive, and costly, enforcement inquiries and investigations should be reserved for those facts and circumstances where addressing issues through the inspection process is unlikely to be sufficient.

In our view, the Division of Registration and Inspections is well-placed to help identify issues and in many cases to promote appropriate change, given the nature of the interactions between the inspections teams and the firms. In addition, there may be innovative ways for the inspections program to inform staff of areas where additional guidance or changes to standards could promote more consistent understanding or execution, especially in areas that are a common or persistent source of inspection findings across firms, as well as where effective approaches to a firm’s use of technology is being observed in practice.

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We appreciate the opportunity to provide input on the Board’s draft strategic plan and would be pleased to continue a dialogue with the Board and its staff. Please contact Brian Croteau at [brian.t.croteau@pwc.com](mailto:brian.t.croteau@pwc.com) regarding our submission.

Sincerely,

A handwritten signature in black ink that reads "Brian Croteau" followed by "LLP".

PricewaterhouseCoopers LLP