



September 14, 2022

By email: comments@pcaobus.org

Ms. Phoebe W. Brown
Office of the Secretary
PCAOB
1666 K Street NW
Washington, DC 20006-2803

Re: No. 2022-003, PCAOB Draft Strategic Plan 2022-2026

Dear Ms. Brown:

Crowe LLP is pleased to submit these comments to the Public Company Accounting Oversight Board (PCAOB or the Board) on its draft Strategic Plan 2022-2026 (draft Strategic Plan). We commend the Board for offering stakeholders the ability to provide feedback on the draft Strategic Plan.

The PCAOB's draft Strategic Plan is grounded in its mission to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports. We are committed to the highest standards of audit quality in our work to support the integrity of the capital markets. The audit environment is evolving rapidly, and innovation is reshaping the audit. As these changes occur, we have a responsibility to maintain a continuous focus on audit quality. We value the chance to work with the PCAOB as we all work to enhance audit quality for the benefit of investors.

The PCAOB has identified four important goals and related objectives. From our perspective as an annually-inspected firm, we offer the following observations.

Goals one through three of the draft Strategic Plan each address one of the PCAOB's key public-facing programs. The draft Strategic Plan notes that the success of these programs depends on the PCAOB's other offices. We encourage the Board to also consider how the standard setting, inspections, and enforcement programs, and the objectives within each of the related goals, should also work together to support the PCAOB's achievement of its mission. It is important that these programs inform each other. For example, Goal 1, Modernize Standards, includes an objective related to engaging in robust dialogue with stakeholders. Input from stakeholders is critical during the standard-setting process; however, dialogue with stakeholders should also inform the nature and type of information the Board publishes about the inspection program. Similarly, guidance to the audit profession was listed as an objective of Goal 2, Enhance Inspections. We encourage the Board to consider how and when guidance should be issued related to standards, which may be informed by inspection activities, to support effective application of audit or quality control standards. Coordination between the programs identified in the first three goals can enhance audit quality and the relevance and usefulness of information the PCAOB releases.

Goal 1: Modernize Standards

In describing the first goal, the PCAOB notes that some standards that auditors currently apply were adopted by the PCAOB in 2003. While many of those standards have been amended through PCAOB rulemaking over the years, there may be opportunities to modernize aspects of these standards. We encourage the Board, however, to prioritize standard-setting projects where there is the greatest identified need, and it is clear how standard setting would meet that need. The PCAOB's project related to quality control has the opportunity to both drive improvements in audit quality across the profession and update a series of standards adopted in 2003. We highly recommend the Board prioritize this project.

Adopt Standards That Meaningfully Improve Audit Quality and Enhance Our Ability to Enforce the Standards and Inspect for Compliance

In this objective, the Board states that they will improve audit quality by adopting standards that are clear and scalable to account for differences in the complexities and sizes of audit firms. We support the Board considering the size and complexity of registered audit firms when evaluating potential changes to quality control and independence-related standards. We have concern, however, about how scalability related to characteristics of the audit firm could be achieved in audit or attestation standards. Audit and attestation standards should be risk-based and scalable to the issuers and broker-dealers being audited. Scalable requirements in audit or attestation standards based on characteristics of the audit firm could lead to misunderstanding about the scope or type of audit procedures performed to support the auditor's opinion. Standards should not mandate the use of certain technology, or technology-enabled audit procedures, to which smaller audit firms may not have access; however, we do not believe having differing requirements in audit and attestation standards to account for characteristics of audit firms will support audit quality.

Engage in Robust Dialogue with Stakeholders

The Board identifies an objective related to engagement with stakeholders during the standard-setting process. The primary means of engagement the PCAOB identifies are the notice-and-comment process and the advisory groups, both of which play an important role in the development of clear and effective standards.

We encourage the Board to continue the dialogue with stakeholders after new or revised standards are adopted. Engaging with auditors during the implementation phase of a new standard is critical for the effective implementation of that standard. This engagement can provide the PCAOB with timely information about challenges auditors are experiencing and allow the PCAOB to address them prior to the effective date. Through this engagement, the PCAOB can support effective implementation so that the full benefits of a new standard are achieved from the outset. For example, we commend the PCAOB for its approach to implementation of the critical audit matter requirements of AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. The outreach conducted by the PCAOB staff led to timely guidance to support the overall effective implementation. We also recommend the PCAOB continue the dialogue with relevant stakeholders after the implementation of new standards to assess whether the standards are meeting their intended benefits and if there are any unintended consequences.

Goal 2: Enhance Inspections

Increase Transparency in Reporting Inspection Results

We commend the steps the PCAOB has taken to improve the readability and usefulness of its firm-specific inspection reports and recognize that more could be done to further advance communication of relevant, timely information to stakeholders about inspections. When considering how to change its inspection reporting, it is critical that the PCAOB engage with investors, audit committees, issuers, academics, and other stakeholders to understand what information would be most useful, how that information would be used, what format would be most useful for the information, and what potential unintended consequences exist to disclosing that information. The PCAOB should also consider if, or how, the data it has collected over the course of its inspection program about audits and deficiencies within those audits might be useful to its stakeholders. Through engagement with all stakeholders, the PCAOB can evaluate the most effective means to achieve its objective related to transparency.

Place Greater Focus on Firms' Remediation Efforts

A strong system of quality control is vital to auditors issuing accurate, timely audit reports. Remediation of quality control criticisms is an important part of the overall inspection process because it helps audit firms improve and strengthen their quality control systems. The draft Strategic Plan notes, "we expect firms to be diligent in designing and implementing actions that address the identified criticisms in a timely manner." As the Board works towards this objective, we recommend the Board consider providing audit firms with more information about the quality control criticisms, similar to the information provided through the comment form process for deficiencies identified in individual audits. Providing audit firms with information about the PCAOB's conclusion that deficiencies identified in individual audits indicated a defect or potential defect in the firm's system of quality control will help audit firms understand the nature of identified quality control criticism and design and implement responsive actions.

The Board should also consider revisiting, and revising as necessary, the staff guidance on the remediation process, which is almost a decade old. Investors, audit firms, academics, and other stakeholders would benefit from clear guidance on the process the Board uses to make its determinations, including the factors it considers in making those determinations.

Goal 3: Strengthen Enforcement

We agree that a strong enforcement program deters violations of PCAOB standards and rules and promotes audit quality, thereby increasing investor protection. We believe the PCAOB should focus on those enforcement actions related to matters that pose the greatest risk to investors and where enforcement actions are most likely to improve audit quality for the benefit of investors.

Goal 4: Improve Organizational Effectiveness

Enhance Stakeholder Engagement

We agree with the PCAOB's objective on stakeholder engagement, and the important role that stakeholder engagement serves in helping the PCAOB achieve its mission. We encourage the Board, through the Investor Advocate and Associate Director for Stakeholder Relations, to consider avenues for stakeholders to engage with the PCAOB beyond the advisory groups and the notice-and-comment process. Creating more opportunities for stakeholders to interact with the PCAOB should increase their engagement and will support an ongoing dialogue to continue to improve audit quality.

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We appreciate the opportunity to provide our perspectives on the Board's draft Strategic Plan and would be pleased to discuss our comments with the Board or its staff. If you have any questions, please contact Mark Baer, CEO, or Matthew Schell, Managing Partner National Office.

Sincerely,

Crowe LLP

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