

September 14, 2022
PCAOB
Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

Email: comments@pcaobus.org

RE: PCAOB 2022-2026 Strategic Plan

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The committee has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below to the amendments proposed in the above-referenced strategic plan.

The PSC is generally supportive of the 2022-2026 strategic plan and offers suggestions pertaining to the specific goals of the plan. Additionally, when discussing guiding Organizational Priorities on page six of the document, under Adaptability, the PCAOB appears to be targeting certain emerging trends as longer-term problem areas (e.g., SPACs). The PSC believes that this might not be useful in a five-year strategic plan as new trends will appear as quickly as current trends are replaced by other issues.

Goal 1: Modernize Standards

While modernizing existing standards, the PSC suggests considering the following:

- The outsourcing of many audit functions along with the utilization of remote centralized audit locations and personnel (including offshore locations) within firms and the potential impact on overall audit quality.
- In conjunction with the SEC's current climate disclosure process, the PSC recommends updating existing attestation standards for Environmental, Social and Governance (ESG) related information.
- The PSC agrees that incorporating the impacts from rapid developments in data and technology should be a high priority objective.
- In regard to the quality control standards, the PSC requests that the PCAOB consider the responsibility of firm leadership to establish an environment of accountability, rather than target engagement teams for audit failures.
- Many of the frequently observed comments from PCAOB reviews are outside the current standards. For example, it appears that the PCAOB does not consistently endorse the concept of professional judgment when considering materiality, but it is the current standard. Again, modernizing the standards should improve perceived conflicts of interpretation of the standards.
- The PSC would like to encourage the PCAOB to indeed streamline existing standards rather than issue incremental standards and requirements to solve issues with the current standards.
- When issuing revised or new standards, the PSC requests that the PCAOB provide adequate time during the exposure process for feedback from stakeholders. Also, the PSC would like to request that the PCAOB be cognizant of deadlines within the profession in setting due dates for feedback on proposed standards.



Goal 2: Enhance Inspections

- The PSC agrees that the objective of improving the timeliness of inspection reports should be a high priority. Improving the timeliness of the reports would assist firms in determining the handling of common or similar issues, which would improve the consistency of financial reporting.
- Of particular concern to practitioners is the length of time it currently takes for the PCAOB to process responses to review comments. In some cases, the next audit cycle is underway prior to receiving the final report from the previous PCAOB review. The PSC suggests that the overall timelines could be shortened by forwarding responses to review comments from firms to a higher level within the PCAOB in a more expeditious manner, preferably by the end of the PCAOB field visit.
- The PSC agrees that delivering useful guidance to the audit profession can be achieved by continuing to highlight good practices implemented by firms.

Goal 3: Strengthen Enforcement

- The PSC requests clarification around the enforcement objective stated in the plan. What change in enforcement approach is the PCAOB indicating with the statement "...including violations that result from negligent conduct" on p.10? Is the PCAOB considering lowering the current standard or establishing simple negligence as opposed to gross negligence as a new threshold?
- The stated objective of imposing more significant penalties appears to be at odds with the overall strategy of improving audit quality. The PSC suggests that a more collaborative approach to improving audit quality may yield more productive results rather than fostering a litigious environment.

Goal 4: Improve Organizational Effectiveness

- The PSC is supportive of the stated objective to enhance stakeholder engagement, especially for financial statement preparers who often bear the burden of the additional requirements from new standards and regulations. The cost to preparers from new audit requirements should be a consideration when cost benefit analyses are performed for new regulations.

We appreciate the opportunity to provide feedback on the PCAOB strategic plan.

Sincerely,



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Chair, Professional Standards Committee
Texas Society of Certified Public Accountants