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

15 September 2022

## **Re: 2022-03, Draft 2022-2026 PCAOB Strategic Plan**

Dear Ms. Brown:

Ernst & Young LLP (EY) appreciates the opportunity to respond to the request for public comment from the Public Company Accounting Oversight Board (PCAOB or Board) on its Draft 2022-2026 PCAOB Strategic Plan (Draft Plan). We commend the Board for soliciting input from stakeholders in the financial reporting system through this request for public comment with the aim of enhancing transparency and further refining and strengthening the Draft Plan.

As such, we are pleased to provide below our perspectives for consideration as the Draft Plan is finalized.

### **General views on the Draft Plan**

We support the Board's Draft Plan, which reaffirms its statutory mission. We believe the vision articulated in the Draft Plan will help the Board achieve its mission of investor protection and promote higher levels of audit quality in the public interest. The Draft Plan outlines priorities, goals and objectives that are thoughtful and that we generally believe are well-suited to steer the Board over the next five years as the business and reporting environments continue to evolve and new challenges arise.

### **Modernization of standards**

We support the Board's commitment to modernize its audit, attestation, quality control, ethics and independence standards. Modernization is necessary to make sure that these standards remain fit for purpose and reflect both significant changes in how audits are performed and developments in the capital markets in which companies operate.

### ***Stakeholder engagement***

We welcome and appreciate the Board's objective to engage in robust dialogue with stakeholders. We encourage the Board to engage with stakeholders throughout the standard-setting process because doing so will provide the Board with diverse perspectives and viewpoints that go beyond those it receives in response to its notice-and-comment process. We believe this will enhance the responsiveness of the PCAOB's standard-setting activities to public interest matters and promote timely and effective assessment of costs, benefits and unintended consequences.

In addition, we applaud the Board's recent actions to:

- ▶ Establish two new advisory groups – the Investor Advisory Group (IAG) and the Standards and Emerging Issues Advisory Group (SEIAG)
- ▶ Appoint an Investor Advocate and a Stakeholder Relations Associate Director

We believe these actions will be key mechanisms for obtaining stakeholder input on matters related to standard setting. Consistent with our comment letter dated 28 February 2022,<sup>1</sup> we believe the SEIAG can help the Board address emerging and/or time-sensitive matters related to the performance of audits. We commend the Board for including flexibility in the SEIAG's Charter<sup>2</sup> to establish subcommittees and task forces that the Board can leverage (as necessary) to obtain stakeholder input in a timely manner.

In addition to helping the Board obtain investor views about standard-setting activities, we believe that an important area of work for the Investor Advocate will be to further educate investors about the broader audit environment and the nature of the audit process, including the importance of audit committee oversight of the independent auditor.

### ***Data and technology***

We support the Board's objective to evaluate developments in data and technology to determine whether there is a need for PCAOB guidance or changes to PCAOB standards, as auditors and financial statement preparers continue to expand their use of technology to improve the quality of audits and financial reporting, respectively. We encourage the Board to prioritize the modernization of its standards with respect to data and technology. Audit firms are each in different stages of development and deployment with respect to using data analytics, technologies and automated techniques. As such, we encourage the PCAOB to continue to seek input from its Data and Technology Task Force to make sure that the modernization of audit standards related to data and technology result in the adoption of standards that are scalable. We appreciate the approach in the Draft Plan of continuously assessing developments in the data and technology space to inform the nature and scope of existing projects on the standard-setting agenda.

### ***Post-implementation reviews***

We support the Board continuing use of post-implementation reviews as standards are released or revised. These reviews are a critical phase of the standard-setting lifecycle because they inform the Board of whether a standard is accomplishing its stated purpose while also allowing the Board to provide guidance to promote consistency in application of performance by auditors.

### **Delivering useful guidance to the profession**

We welcome the Board's proposed objective of continuing to deliver useful guidance to the audit profession. Our top priority is to serve the public interest by executing high-quality audits, and the Board can contribute and drive improvements in audit quality through timely and relevant guidance. For example, we support the Board's efforts to highlight "good practices" that firms could deploy to proactively prevent or detect engagement deficiencies in any report that summarizes its inspection findings.

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<sup>1</sup> [EY Comment Letter: Advisory Groups – Draft Governance Frameworks](#)

<sup>2</sup> [Section XIII of the SEIAG Charter \(Dated March 29, 2022\)](#)

In addition to the Board's focus when publishing staff Spotlight reports and other materials to provide audit committees with additional context and relevant information on inspections, the Board should continue its organizational priority of regular, direct dialogue with audit committee members, given the importance of effective audit committee oversight over the audit process.

### **Other stakeholder engagement**

We encourage the Board to include an objective in the Draft Plan to continue its collaboration with regulators and other standard-setting bodies both domestically as well as around the world, as their missions are complementary to that of the Board. As a trusted leader and effective independent audit regulator, the Board plays a critical role in advancing audit quality and promoting trust in the US market as well as across borders. We support the Board's leadership in the International Forum of Independent Audit Regulators (IFIAR) as well as connectivity with the International Auditing and Assurance Standards Board (IAASB), which help promote global consistency in standards and audit performance. This international collaboration also serves as a tool to help the Board stay abreast of emerging audit developments in markets where its registrants operate.

### **Closing**

We would be pleased to discuss our comments at your convenience. We welcome continued engagement and dialogue with the Board and its staff as the Draft Plan is implemented.

Very truly yours,



Copy to:

#### **PCAOB**

Erica Y. Williams, Chair  
Christina Ho, Board Member  
Duane M. DesParte, Board Member  
Kara M. Stein, Board Member  
Anthony C. Thompson, Board Member  
Barbara Vanich, Acting Chief Auditor

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