



Members of the Investor Advisory Group

June 28, 2024

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549–1090

PCAOB–2024–01, Notice of Filing of Proposed Rules on General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards, and PCAOB–2024–02, Notice of Filing of Proposed Rules on a Firm’s System of Quality Control and Related Amendments to PCAOB Standards.

Dear Secretary Countryman:

The Members of the Investor Advisory Group (MIAG)¹ appreciate the opportunity to comment on the “Notice of Filing of Proposed Rules on General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards”² and the “Notice of Filing of Proposed Rules on a Firm’s System of Quality Control and Related Amendments to PCAOB Standards”³ (collectively, the Amendments). We support the Securities and Exchange Commission (SEC) approving the Amendments.

Attached to this letter are two MIAG comment letters submitted in 2023 to the Public Company Accounting Oversight Board (PCAOB or Board) relating to the Amendments.⁴ We believe the PCAOB, while not adopting

¹ This letter represents the views of Investor Advisory Group (IAG) and does not necessarily represent the views of all its individual members, or the organizations by which they are employed. IAG views are developed by the members of the group independent of the views of the Public Company Accounting Oversight Board (PCAOB) and its staff. For more information about the IAG, including a listing of the current members, their bios, and the IAG charter, see <https://pcaobus.org/about/advisory-groups/investor-advisory-group>.

² Notice of Filing of Proposed Rules on General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards, Exchange Act Release No. 100,276, 89 Fed. Reg. 49,730 (June 10, 2024), <https://www.federalregister.gov/documents/2024/06/11/2024-12691/public-company-accounting-oversight-board-notice-of-filing-of-proposed-rules-on-general>.

³ Notice of Filing of Proposed Rules on a Firm’s System of Quality Control and Related Amendments to PCAOB Standards, Exchange Act Release No. 100,277, 89 Fed. Reg. 49,588 (June 10, 2024), <https://www.federalregister.gov/documents/2024/06/11/2024-12692/public-company-accounting-oversight-board-notice-of-filing-of-proposed-rules-on-a-firms-system-of>.

⁴ See Letter from the Members of the Investor Advisory Group to Office of the Secretary, PCAOB 1 (May 16, 2023), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-049/3_miag.pdf?sfvrsn=d18fac00_4 (“We commend the Board for undertaking this project to bring the interim auditing standards into the twenty-first century, and approve the combination of the four single standards into one comprehensive standard.”); Letter from the Members of the Investor Advisory Group to Office of

all of the comments contained in those letters,⁵ issued final standards⁶ which we believe significantly improve upon the previous PCAOB interim standards. Those interim standards had not been updated in many instances for decades, and had been written by the American Institute of Certified Public Accountants Auditing Standards Board⁷ long before the U.S. Congress created the PCAOB in the Sarbanes-Oxley Act of 2002 (SOX).⁸ We believe the Amendments, if approved by the SEC, would provide enhanced protections for investors, consistent with the mandate set forth in SOX.⁹

We also encourage the PCAOB to consider undertaking a post-implementation review of the Amendments.¹⁰ The purpose of such a review would be to assess whether the Amendments have met their stated objectives and resulted in higher quality audits enhancing protections for investors.

the Secretary, PCAOB 1 (Jan. 13, 2023), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket046/4_iag.pdf?sfvrsn=1941e7c0_4 (“We applaud the PCAOB for its process in developing the Proposal [and] [i]n our comment letter on the PCAOB’s Strategic Plan (PCAOB No. 2022-003, Request for Public Comment – PCAOB Draft Plan 2022-2026), we recommended the replacement of interim auditing standards with modern ones of the PCAOB’s own design [and] [t]he Quality Control standard proposal is a critical step in achieving this goal”).

⁵ IAG recommendations in response to the “Proposed Auditing Standard – General Responsibilities of the Auditor in Conducting an Audit and Proposed Amendments to PCAOB Standards” that were *not* adopted by the PCAOB include: (1) replacing the word “client” with “company under audit.” See Letter from the Members of the Investor Advisory Group to Office of the Secretary, PCAOB at 2; (2) inserting language from opinion of the United States Supreme Court in *United States v. Arthur Young & Co. Id.*; (3) inserting language from SEC Rule 12b-20 into the body or text of the standard. *Id.* at 4; (4) deleting the term “especially” from the “Determination of Critical Audit Matters.” *Id.* at 6; (5) revising paragraph .08(c) of AS 1000 to include a focus on users of financial information, including investors. *Id.* IAG recommendations in response to the “A Firm’s System of Quality Control and Other Amendments to PCAOB Standards, Rules, and Forms” that were *not* adopted by the PCAOB include: (1) adding as an objective of a quality control system satisfying investor needs. See Letter from the Members of the Investor Advisory Group to Office of the Secretary, PCAOB at 4; (2) revising to require quantified audit quality indicators. *Id.* at 2; (3) revising bright-line threshold to be based on market capitalization of firms audited. *Id.* at 6.

⁶ See General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards, PCAOB Release No. 2024-004 (May 13, 2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket-049/2024-004-as1000.pdf?sfvrsn=3ba6358a_2; A Firm’s System of Quality Control and Other Amendments to PCAOB Standards, Rules, and Forms, PCAOB Release No. 2024-005 (May 13, 2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket046/2024-005-qc1000.pdf?sfvrsn=355bf24_2/.

⁷ See PCAOB Release No. 2024-004 at 4 (“The new standard replaces a group of standards originally developed by the American Institute of Certified Public Accountants . . . and adopted on an interim basis by the PCAOB in 2003.”); PCAOB Release No. 2024-005 at 6 (“Our current QC standards were developed decades ago and issued by the American Institute of Certified Public Accountants . . . before the PCAOB was established.”).

⁸ See Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, § 101(a), 116 Stat. 745, 750 (2002), available at https://www.dol.gov/sites/dolgov/files/oalj/PUBLIC/WHISTLEBLOWER/REFERENCES/STATUTES/SARBANES_OXLEY_ACT_OF_2002.PDF (“ESTABLISHMENT OF BOARD.—There is established the Public Company Accounting Oversight Board, to oversee the audit of public companies that are subject to the securities laws, and related matters, in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports for companies the securities of which are sold to, and held by and for, public investors.”).

⁹ *Id.*

¹⁰ See, e.g., Letter from Members of the Investor Advisory Group to Office of the Secretary, PCAOB 20 (May 29, 2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/rulemaking/docket_041/4_iag.pdf?sfvrsn=2680ecfd_2 (recommending “establishing a process of periodic reviews . . . to allow for potential improvements.”).

Thank you for considering the comments of the MIAG, who represent the primary customers of audited financial reports. If you, or any staff or Commissioners of the SEC, have questions or seek further elaboration of our views, please contact Amy McGarrity at amcgarrity@copera.org.

Sincerely,

Members of the Investor Advisory Group

Members of the Investor Advisory Group

Attachments

Letter from the Members of the Investor Advisory Group to Office of the Secretary, PCAOB (May 16, 2023).

Letter from the Members of the Investor Advisory Group to Office of the Secretary, PCAOB (Jan. 13, 2023).