September 10, 2018

By email: comments@pcaob.org

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

Re: No. 2018-001, PCAOB Draft Strategic Plan 2018-2022

Dear Office of the Secretary:

Crowe LLP appreciates the opportunity to provide input to the Public Company Accounting Oversight Board (PCAOB) on the draft Strategic Plan 2018-2022. We commend the Board’s collaborative and holistic approach of soliciting input and offering stakeholders the ability to comment on the Strategic Plan.

We strongly agree with the three key factors identified as most influential to the PCAOB’s success. First, while audit quality has substantially improved since the formation of the PCAOB, opportunity remains for further improvement. We share the PCAOB’s view on the need to continue to improve audit quality and we believe the PCAOB serves a key role in addressing this shared goal. Second, the rapid change in technology stands to significantly change how audits are performed and enhance audit effectiveness. Many audit firms are investing heavily in technology to improve auditing techniques and enhance audit quality. To that end, we certainly agree with the Board’s strategic focus to be more innovative in its oversight activities to address technology advances. Lastly, the draft indicates the Board’s outreach efforts yielded hundreds of responses, including investors, audit committee members and directors, which suggests a real opportunity for broader engagement with all stakeholders. We agree with broader stakeholder engagement as a strategic focus.

Overall, we agree with the strategic goals and objectives. We have been an annually inspected firm since the PCAOB’s first annual inspection of audits performed in 2004. It is primarily from that perspective we offer the following observations and considerations related to goals one through three in the draft Strategic Plan.

Goal One: Drive improvement in the quality of audit services through a combination of prevention, detection, deterrence, and remediation.

Prevention stands to serve a critical role to enhance audit quality and we strongly concur with this goal. Objective one states: “Our efforts will help registered firms to better prevent and remediate deficiencies and other weaknesses in their audits and audit practices.” However, this objective is presented in the context of the inspection regime. We suggest opportunities beyond the inspection process to help audit firms improve audit quality. Prevention could be based on stronger collaboration with the profession to share best practices, weaknesses identified or interpretations formulated by the PCAOB throughout the year so firms can proactively address such issues to prevent audit deficiencies. Auditors, and in turn stakeholders, would benefit from clearer guidance.

We agree with utilizing a post-implementation review process as stated in objective two. We have observed the benefits of post-implementation reviews and strongly support the process. The Strategic Plan refers specifically to using “post-implementation reviews of new and amended standards.” It is unclear whether existing standards would be subject to the same post-implementation review process.
We also recommend considering whether any existing standards could also benefit from a post-implementation review. For example, common deficiencies or themes in firm inspection reports could be an indicator of whether an existing standard is sufficient as written or could benefit from additional clarity or interpretation.

Objective four indicates that a vast amount of data is accumulated through oversight activities, and evaluating whether such data points can potentially provide information about audit quality seems to be a natural next step. The use of indicators of audit quality is an evolving area with various stakeholders offering a wide range of perspectives. How indicators are used by audit committees can vary significantly in how they discharge their responsibilities. In addition, the profession has been actively evaluating audit quality indicators and the pros and cons to development of such indicators. For example, due to the wide range in size of both public issuers and firms that audit issuers, it is important for indicators to be scalable. We believe there is value that can be leveraged by the Board as it further explores this area as part of the Strategic Plan.

Goal Two: Anticipate and respond to the changing environment, including emerging technologies and related risks and opportunities.

This goal is vital as the pace of technological change is progressing rapidly, and we envision significant changes in the audit approach. Because of the foundational role technology will have on the profession, having a viable, flexible framework to keep abreast of change is critical. We agree with the Board that this is a critical aspect of the Strategic Plan.

In objective two, the Board highlights the need to understand investor expectations. While we agree investors are a key stakeholder, we believe that expectations for all stakeholders should be rooted in the standards the Board promulgates. Expectations from one stakeholder group can become subjective or conflict with professional standards leaving auditors in an untenable position.

Goal Three: Enhance transparency and accessibility through proactive stakeholder engagement.

The outreach the Board has received from a variety of stakeholders suggests a real desire for further engagement. We understand the value from such outreach, which included input from investors, audit committee members and directors – all of whom are key stakeholders. Finding avenues for more engagement with stakeholders only stands to increase audit quality. To that end, we are very supportive of this goal.

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We welcome the Board’s fresh perspective, the extensive outreach performed and the offer to comment on the draft Strategic Plan. We look forward to further engagement with the PCAOB to continue enhancing audit quality.

If you have any questions, please contact Jim Powers, CEO, or Jim Dolinar, Managing Partner, National Office.

Sincerely,

Crowe LLP

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