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Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Release No. 2018-001, PCAOB Strategic Plan 2018-2022 – Draft for Comment

Dear Madam Secretary:

KPMG LLP is pleased to provide our feedback on the Public Company Accounting Oversight Board's (the "PCAOB" or the "Board") Strategic Plan 2018-2022 – Draft for Comment (the "Draft Strategic Plan"). We commend the Board for its efforts at increasing transparency through proactive stakeholder engagement. We agree with the Board's conclusions that improving audit quality through regular reassessment of approach to oversight, anticipating and responding appropriately to disruptive technological change, and improving the Board's engagement and communication with stakeholders are appropriate factors to direct the strategic planning efforts. This letter identifies matters for consideration as the Board deliberates how to best achieve its objectives.

Goal One: Objective One – Conduct inspection activities to facilitate more timely and relevant feedback to our stakeholders, and Goal Three: Objective One – Improve the timeliness, usefulness, and clarity of PCAOB information

PCAOB inspection reports provide the marketplace with important information about the quality of audit services and provide firms with valuable insights to improve audit quality. Users of inspection reports could benefit from more frequent and timely communications about the state of audit quality, insights into the inspection process, inspection trends, and areas where improvements or deterioration in auditor performance has occurred. The Board is in a unique position of having a broad perspective to identify themes or changes in auditor performance that could benefit stakeholders. We therefore encourage the Board to also consider providing more frequent information about the Board's views on best practices and other insights gathered through its inspection process.

The Draft Strategic Plan specifies the Board's intent to "help registered firms to better prevent and remediate deficiencies and other weaknesses in their audits and audit practices." This prevention and remediation objective is supported with inspection focus on audit firms' systems of quality control. In support of that objective, we encourage the Board to communicate the criteria it will use to evaluate a firm's system of quality control to provide the benefit of the Board's thinking as firms maintain and monitor their systems of quality control. Differences between the Board's expectations or criteria and audit firms' systems of quality control observed through inspections might provide the Board with valuable insights about where further standard-setting or research may be necessary.

Inspection insights provide opportunities for standard-setting focus in other areas. As discussed further below, this is particularly important considering the dynamic environment

with rapidly changing technologies that auditors operate within. We encourage the Board to continue the collaborative approach used in developing the Draft Strategic Plan, engaging firms in discussions about practical implementation challenges faced by the profession that could benefit from standard-setting or guidance.

We believe mechanisms to evaluate and resolve technical auditing matters and interpretations of auditing standards can contribute to the promotion of audit quality. We encourage the Board to consider how it may share relevant information gathered through oversight activities more broadly with auditors. We have always appreciated the PCAOB's willingness to meet and actively engage on our specific interpretive questions on auditing standards. Such interaction could be expanded by sharing views and perspectives into how interpretations of standards are being addressed by proposed audit methodology changes.

Goal One: Objective Four – Determine, develop, and communicate indicators of audit quality

We support this objective and we encourage the Board to actively engage the profession, audit committees, and others who conduct research on audit quality as it strives to identify “factors that correlate with the quality of audit services.” Sharing information about audit quality indicators (“AQIs”) in such a collaborative manner will benefit stakeholders as they learn how AQIs are best used as leading indicators of audit quality.

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

We agree with the Board's goal that its “oversight activities must anticipate and respond to innovations and their corresponding risks and opportunities” and the stated objective to ensure that “oversight activities do not impede innovations that support informative, accurate, and independent audit reports.” The Draft Strategic Plan properly acknowledges that advancements in technology are affecting the timing, nature, preparation, and use of financial information and that auditors are rapidly expanding their use of technology to plan and perform audits.

Emerging technologies can present fundamental questions about what constitutes audit evidence and how evidence derived from innovative audit techniques should be evaluated, documented, and maintained. In that regard, a current AICPA Auditing Standards Board project on audit evidence is considering a framework for determining what constitutes audit evidence, which the International Auditing and Assurance Standards Board is observing. This project could also be relevant to the Board as it considers disruptive technologies and potential implications on auditing standards. We encourage the Board to work closely with these other auditing standard setters on this and future standard-setting activities.

Goal Three: Objective Two – Cultivate effective and dynamic dialogue with stakeholders

Continued engagement with other stakeholders such as other regulators and standard setters can help the Board inform its own actions while also providing opportunities for the Board to influence both domestic and international regulatory bodies to achieve a more coordinated approach to planned regulatory enhancements designed to meet stakeholders' needs. We also believe that public companies and the higher education community could be among the

stakeholders that would benefit from active engagement with the Board to receive insight that the Board is uniquely positioned to provide.

Standards setters

We encourage the PCAOB to maintain a robust dialogue with other standard setters during the standard setting process to obtain their insights about certain aspects of draft standards and rules. Furthermore, recognizing that the PCAOB uses a notice and comment period in its standard setting process, consideration could be given to adopting the occasional practice of other standard setters of inviting comment letter respondents to in-person forums to give the Board and its staff the opportunity to pose interactive questions about response letters.

Engagement with other audit standard setters could be used as a means to efficiently and effectively leverage their efforts for the development of implementation guidance. As an example, PCAOB staff could participate on expert panels which develop and update implementation guidance, such as the AICPA's Accounting and Auditing Guides, and the PCAOB staff could influence that guidance by sharing its practice insights from inspections programs, as well as their authoritative interpretations of the PCAOB's auditing standards.

Public companies

The issuer community strives to continuously adapt the design of its systems of internal control over financial reporting to a dynamic business environment. It does so, in part, with information provided through collaborative forums sponsored by organizations such as the Financial Executives International and industry associations. Opportunities exist for the issuer community to enhance and expand these efforts to identify and define best practices and to share insights into the interpretation and application of the COSO framework. Outreach from and engagement with the PCAOB could be particularly impactful given the breadth of the PCAOB's experience and depth of its subject matter expertise on these topics.

Higher education

Enhancing audit quality through engagement with stakeholders includes engagement with professors, researchers, and students. The PCAOB could expand upon and leverage its current engagement activities, including the scholarship programs and work with the Auditing Section of the American Accounting Association, by providing commentary upon and input into academic curriculums. We believe this presents an opportunity for engagement which could enhance the knowledge, skills and readiness of entry-level auditors. A compelling opportunity exists, particularly in light of 150 credit-hour licensure requirements, to enhance and rebalance undergraduate accounting curriculums. Despite the institution of 150 credit-hour requirements and the desire of a significant portion of students to enter the auditing profession, financial statement auditing coursework is underweighted in accounting curriculums. Additionally, it is imperative that curriculums foster the latest knowledge and skills necessary to prepare new auditors entering the profession. The PCAOB could offer insights and perspectives to enhance auditing curriculum in areas requiring improvement in the profession and emerging areas. Exploring new and enhanced ways to interact with higher education will help ensure that the PCAOB is positively influencing a new generation of auditors.

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Academic fellowships have been used successfully by standard setters and regulators as a means of engagement. Similar academic fellowships at the PCAOB could be a useful means of deriving a deep level of engagement with professors who have been focused upon auditing research on topics relevant to the Board, such as disruptive technological change. The experiences with the PCAOB that such fellows brought back the classroom would likewise strengthen accounting and auditing education.

We welcome the opportunity to be part of a continued dialogue for the benefit of the auditing profession and the interests of investors. If you have any questions regarding our comments included in this letter, please do not hesitate to contact Frank Casal (212-909-5440 or fcasal@kpmg.com) or Jackie Daylor (212-909-5785 or jkdaylor@kpmg.com).

Very truly yours,

KPMG LLP

cc:

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