



September 10, 2018

Public Company Accounting Oversight Board
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Via Email to comments@pcaobus.org

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

Dear Board members:

Grant Thornton LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or Board) Draft Strategic Plan for 2018-2022. We commend the Board for issuing the draft plan for public comment and for the outreach efforts undertaken with many stakeholders during the plan's development. We respectfully submit our comments for the Board's consideration.

Goal one

Inspections

We support the objective of the inspection process described in the draft plan, and we believe that what makes that process most effective is providing timely and relevant feedback to the inspected firms and relevant stakeholders, including audit committees. One primary way the PCAOB can advance that objective is to provide more descriptive and balanced information about audit firm inspections. Currently, inspection reports tend to focus on information regarding engagement inspection findings, and that information lacks a level of detail that would allow the reader to gauge the severity of the findings or determine how such findings might affect other audits performed by the firm. We encourage the PCAOB to consider a spectrum in the reporting mechanism to "grade" the severity of the issues identified, so that the public reading the inspection reports can better judge the overall quality of the audit. We further encourage the Board to develop a system whereby stakeholders have access to more informative inspection results beyond the current percentage of inspected engagements with findings, including recognition of areas where firms have improved.

Further, we recognize the Board recently made changes to the inspections program to supplement its risk-based selection approach with random selections. We believe adding a level of unpredictability could make the inspection activities more relevant to stakeholders. We also recommend the Board continue to evaluate the possible benefits of shifting the inspection focus toward each firm's system of quality control and potentially reducing the number of

individual engagements selected for detailed inspection, depending on the outcome of the quality control observations and findings.

Enforcement

We support the PCAOB's mission to deter improper conduct by addressing violations of PCAOB standards and rules and believe an important element of the Board's draft plan should be to continually evaluate the efficiency and effectiveness of the enforcement process.

Standard-setting

We believe an integral component to the success of this goal's second objective is the Board's interactions with audit firms. By continuing to foster dialogue with audit firms outside the inspections process, the Board can better evaluate which areas of its standards and rules are either working well or creating difficulties in executing audits, and then respond appropriately by issuing guidance or amendments to the standards. We also recommend that the Board focus on the timeliness of developing appropriate standard-setting or guidance, as the capital markets do benefit from accounting and auditing standard-setting processes that are comprehensive, collaborative, and timely.

Finally, we believe that more frequent staff practice alerts would enhance overall audit quality. We suggest that such alerts and guidance go beyond reminding auditors to comply with the standards, to include insights into how the specified requirements are interpreted by the PCAOB and how execution of such requirements should look, including where such guidance can specifically focus on certain industries, when warranted. We believe that firms, and therefore audit quality, would immediately benefit from the PCAOB adopting such an approach, similar to the studies issued by the United Kingdom's Financial Reporting Council.

Goal two

In consideration of the "traditional" audit as it exists today, there is opportunity for the PCAOB to be at the forefront of guiding auditors through emerging practice issues that arise from technological changes. We believe that the Board could capitalize on this opportunity by collaborating with other standard-setters, both internationally and domestically, that are also evaluating the impact technology has on audits and how the standards can foster innovation without losing the integrity of the audit. We believe the collaborative efforts of standard-setters, when the timing of such projects is aligned, would result in outcomes that can significantly benefit global audit quality.

In looking to the future state of the profession, we believe that the Board needs to look beyond the information presented in the historical financial statements in order for the second goal to be successful. Otherwise, little progress will be made in adequately addressing the information needs of stakeholders in making investment decisions. We ask the Board to consider embarking on methods that could yield innovative reporting by companies. While we recognize reporting rules are set by the Securities and Exchange Commission (SEC), the PCAOB could provide an avenue for auditors to provide assurance on more information, laying the foundation for the SEC to allow or prescribe different information and reporting formats that are better aligned with user needs. An enhanced effort to adopt continuous or real-time reporting could be quite

beneficial to the capital markets, particularly if there are underlying standards that enable auditors to attest to such information.

Goal three

Consistent with our comments above, we believe there is an opportunity for the PCAOB to be proactive in issuing guidance to improve audit execution. In particular, auditors and other stakeholders would benefit from implementation guidance on new standards, and we believe the Board could issue such guidance in a manner that doesn't create a "safe harbor" from inspections. More robust, timely guidance would have a great impact on preventing audit issues contemplated by the PCAOB's first goal. In instances where guidance is not enough, the Board could enhance existing standards by issuing amendments. By taking a more proactive, focused approach to identifying and addressing common issues, the Board could have an immediate positive effect on audit execution and audit quality. Further, we believe improved clarity and transparency into post-implementation reviews would also contribute to the Board's success in achieving this goal. As with more proactive guidance, lessons learned or observed through post-implementation review could help firms improve overall audit quality.

Goal four

As audit firms strive for continuous improvement, we are encouraged that the Board has a similar goal. We believe that innovating processes or ways of thinking is important in enhancing the Board's efficiency and effectiveness.

Accordingly, we agree that optimizing the Board's information technology focus and investments in resources and outreach can strengthen the PCAOB's capabilities. We further believe this goal will be advanced by taking steps to ensure that PCAOB professionals have a deep and current understanding of the auditing profession, especially as audit firm strategies and related methodologies undergo changes driven by technological and process innovations. Although we recognize the critical need for the PCAOB's independence from audit firms, in the spirit of innovation, we suggest that the Board consider a rotation program for the Office of the Chief Auditor, similar to fellowship programs undertaken by the SEC, the Center for Audit Quality, and the Financial Accounting Standards Board. Not only could the Board benefit from the insights of individuals with current practice experience, but those individuals would in turn benefit their firms with the knowledge and experience they take back after they complete the fellowship.

We continue to support the stated vision of the Board. As described above, we also believe the PCAOB's impact could extend beyond the financial statement audit. Accordingly, as the Board continues its collaboration with the SEC, we believe there is an opportunity for the PCAOB to expand its focus to include assurance over the integrity of financial and nonfinancial data and information released into the capital markets. We encourage the Board to continue its outreach efforts with stakeholder groups, such as the Standing Advisory Group, the Center for Audit Quality, and other standard-setters, as appropriate, to further explore this topic. We would be

pleased to discuss our comments with you. If you have any questions, please contact Bert Fox, National Managing Partner of Professional Standards, at 312-602-9080 or Bert.Fox@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP