

September 24, 2025
By electronic submission

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: SECURITIES AND EXCHANGE COMMISSION [Release No. 34-103803; File No. PCAOB-2025-01] Public Company Accounting Oversight Board; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Postponing the Effective Date of Amendments to Board Standards, Rules, and Forms Adopted on May 13, 2024

Dear Office of the Secretary:

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of US public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by US public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, US public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of US public company auditors and audits to dynamic market conditions. This letter represents the observations of the CAQ based upon feedback and discussions with certain of our member firms, but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

The CAQ appreciates the opportunity to share our views on the delay of the effective date of the Public Company Accounting Oversight Board's (PCAOB or the Board) QC 1000, *A Firm's System of Quality Control*, and other new and amended PCAOB standards, rules, and forms (collectively, QC 1000).

We strongly support deferring the effective date of QC 1000 from December 15, 2025, to December 15, 2026, for the reasons outlined in our letter to the PCAOB dated July 23, 2025 (July 2025 letter).¹ A firm's system of quality control is foundational to audit quality and an effective quality control system is important to strengthening auditing practices and continuously improving audit quality. It is critically important that PCAOB registered firms of all sizes have adequate time to prepare for and implement QC 1000. Firms are working diligently and making significant progress on the implementation of QC 1000, but, as described in our July 2025 letter, for some firms, implementation challenges resulting from significant differences between QC 1000 and the International Auditing and Assurance Standards Board's (IAASB) International Standard on Quality Management 1 (ISQM 1) are necessitating more time and resources to implement than may have been originally contemplated by the PCAOB and SEC. Deferring the effective date of QC 1000 will enable firms to address the majority of these implementation challenges

¹ Refer to the Appendix for the CAQ's July 2025 [letter](#) to the PCAOB requesting deferral of the effective date of QC 1000.



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and successfully comply with QC 1000 by the effective date. It is in the best interest of investors for firms to have an additional year that is needed for implementation.

Further, in connection with the deferral of the effective date, we encourage the SEC and PCAOB to gather information on the topics discussed in our July 2025 letter which represent implementation challenges for certain firms to determine whether targeted amendments would be appropriate to enhance the scalability of the standard and address unintended consequences.

We would be pleased to discuss our comments or answer questions regarding the views expressed in this letter. Please address questions to Erin Cromwell (ecromwell@thecaq.org), Dennis McGowan (dmcgowan@thecaq.org) or Vanessa Teitelbaum (vteitelbaum@thecaq.org).

Sincerely,

A handwritten signature in black ink that reads "Dennis J. McGowan".

Dennis J. McGowan, CPA
Vice President, Professional Practice
Center for Audit Quality

cc:

SEC

Paul S. Atkins, Chair
Caroline A. Crenshaw, Commissioner
Hester M. Peirce, Commissioner
Mark T. Uyeda, Commissioner
Kurt Hohl, Chief Accountant
Anita Douitt, Acting Deputy Chief Accountant

PCAOB

George Botic, Acting Chair
Christina Ho, Board member
Kara M. Stein, Board member
Anthony C. Thompson, Board member
Barbara Vanich, Chief Auditor

July 23, 2025
By electronic submission

George Botic
Acting Chair
Public Company Accounting Oversight Board
1666 K Street NW, Suite 300
Washington, DC 20006-2803

Re: PCAOB Standard A Firm's System of Quality Control and Other Amendments to PCAOB Standards, Rules, and Forms (SEC Release No. 34-100968)

Dear Acting Chair Botic:

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of US public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by US public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, US public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of US public company auditors and audits to dynamic market conditions. This letter represents the observations of the CAQ based upon feedback and discussions with certain of our member firms, but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

As we have consistently stated, we believe that a firm's system of quality control (QC system) is foundational to audit quality and that an effective quality control system is important to strengthening auditing practices and continuously improving audit quality. That is why it is critically important to audit quality that Public Company Accounting Oversight Board (PCAOB) registered firms of all sizes have adequate time to prepare for and implement the PCAOB's standard *A Firm's System of Quality Control and Other Amendments to PCAOB Standards, Rules, and Forms* (QC 1000).

We have engaged with our member firms to support implementation efforts of various quality control standards. Through this engagement, we have witnessed the investments that firms have made to comply with multiple quality control standards over the course of several years, including the International Auditing and Assurance Standards Board's (IAASB) International Standard on Quality Management 1 (ISQM 1) (approved by the IAASB in September 2020, effective as of December 15, 2022) and the American Institute of Certified Public Accountants' (AICPA) Statement on Quality Management Standards 1 (SQMS 1) (approved by the AICPA in May 2022, effective as of December 15, 2025). QC 1000 was approved by the PCAOB in May 2024, the Securities and Exchange Commission (SEC) in September 2024, and has a current effective date of December 15, 2025.



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Member firms subject to QC 1000 have been working diligently to comply with the new requirements. This has included working to develop and implement firm-wide systems and processes to meet requirements that are substantially different than those of ISQM 1. Despite these significant efforts, a number of our member firms remain concerned about their ability to confidently comply with QC 1000 by the effective date. We also continue to see that certain concerns raised by firms and the CAQ during the standard-setting process have manifested as real implementation challenges for several of our member firms. We respectfully request the PCAOB to act to:

- (1) defer the effective date of QC 1000 for at least one year (December 15, 2026) and allow a phased implementation approach for firms who audit fewer than 100 issuers,
- (2) issue written implementation guidance specific to the questions raised by the CAQ and our member firms to the PCAOB, and
- (3) gather input on whether targeted amendments to QC 1000 would enhance the scalability of the standard and address unintended consequences.

1. Defer the effective date of QC 1000 for one year and allow a phased approach to implementation for firms that audit fewer than 100 issuers.

QC 1000 is arguably the most significant and pervasive standard in recent PCAOB history; however, it has a markedly expedited implementation period (as noted above, only 15 months from the date of SEC approval to the effective date), particularly as compared to the other standard setting bodies whose quality control standards were effective 27 months (IAASB) and 44 months (AICPA) from the date of their adoption. This short implementation period for QC 1000 is premised on firms having implemented ISQM 1.

However, there are major differences and new requirements in QC 1000 necessitating more time and resources to implement the requirements than may have been contemplated by the PCAOB and SEC. Implementation has been such a significant effort because differences between QC 1000 and ISQM 1 are resulting in unintended consequences and necessitating substantial changes to a firm's existing system of quality control—some of which we identified in our prior comment letters to the PCAOB and SEC and others of which have arisen since such time. These changes require a firm to design, implement, and operate updated policies and processes in a short timeframe, and necessitate a thoughtful approach to communications, training, and change management across an entire firm, including network member firms in many cases.

Examples of significant differences between QC 1000 and ISQM 1 include:

a) External Quality Control Function (EQCF)

In its adoption of QC 1000, the PCAOB introduced a new role, the EQCF, required for firms that issue audit reports with respect to more than 100 issuers (paragraph .28). The CAQ raised several questions and concerns about this new requirement in our comment letter to the SEC on the final standard, and while we acknowledge the PCAOB's effort to provide more clarity on the EQCF



requirement through its comment letter to the SEC¹ and other resources on the PCAOB website, challenges related to implementing this requirement remain. The PCAOB has suggested that firms can “integrate the EQCF into their current practices without the need for significant restructuring or additional resources, thereby minimizing the financial and operational burden of compliance.”² However, this role differs from firms’ existing advisory boards (if they have one) and has necessitated the hiring of new individuals, which takes time and resources as we raised in our prior letter to the SEC.³

Some firms, especially mid-sized firms just above the 100-issuer threshold, are still in the process of recruiting and interviewing potential candidates for the EQCF role. The challenges that these firms face in recruiting a qualified candidate for the EQCF role, if they can recruit at all, are different and more pronounced than for the largest firms. Specifically, some firms are experiencing that the pool of qualified individuals who are interested, not conflicted, and not prohibited by other arrangements to serve as an EQCF is fairly small. Therefore, some mid-sized firms have not yet been able to even identify potential candidates for the role.

b) Automated independence system

QC 1000 paragraph .34a requires firms that issue audit reports with respect to more than 100 issuers to have an automated independence system. Some mid-sized firms do not currently have an automated independence system and are going through the process of selecting, procuring, and implementing an automated system. This process takes time and is a change in practice that necessitates extensive resources, communication, employee training, and onboarding to the new system. In our prior comment letter to the PCAOB on the QC 1000 proposal, we raised concerns about the threshold for the automated independence system, specifically that for mid-size firms that do not already have these systems in place, it would require a significant investment.⁴ The PCAOB stated in the Adopting Release that nine out of 14 annually inspected firms (at the time of the Adopting Release) already have an automated system in place, but gives minimal consideration the impact of the investment on the mid-size firms that do not already have such a system in place.⁵ Additional time to implement the automated independence system is needed for some mid-sized firms.

c) Documentation requirements

QC 1000 requires that documentation must be in sufficient detail to enable an experienced auditor to understand the design, implementation, and operation of the system of quality control, including the quality objectives, quality risks, quality responses, monitoring activities, remedial actions, and basis for the conclusions reached in the evaluation of the system of quality control (paragraph .83). This experienced auditor threshold is a difference from ISQM 1, which requires documentation of the design, implementation, and operation of responses that is sufficient to support the evaluation of the system by those assigned ultimate responsibility and accountability,

¹ [PCAOB Comment Letter to SEC Regarding QC 1000](#)

² See [PCAOB Comment Letter to SEC Regarding QC 1000](#), page 16.

³ See [CAQ Comment Letter](#) to the SEC.

⁴ See [CAQ Comment Letter](#).

⁵ See [PCAOB Release 2024-005](#), page 357.



allowing firms to tailor the volume of documentation to be retained based on the complexity of the firm's QC system.

Further, QC 1000 establishes a seven-year retention requirement for all documentation (paragraph .86). These differences require firms to maintain significantly more documentation than what is required under ISQM 1 and necessitate new policies, processes, and for some firms, systems related to retaining documentation. These changes take time, additional resources and, in some cases, may require coordination with vendors and technology providers as well as training individuals with roles in the QC system that are not familiar with the experienced auditor threshold to ensure documentation retention requirements will be met. This concern was raised in our prior comment letter to the PCAOB on the QC 1000 proposal where we expressed concerns about the breadth of documentation that would need to be retained by firms.⁶ In response to feedback, the PCAOB stated in the Adopting Release that it continues to believe that the experienced auditor threshold is scalable and therefore, not overly burdensome for firms.⁷

d) Prescribed evaluation date

QC 1000 prescribes an evaluation date of September 30th, which limits the scalability of the standard and poses substantial operational challenges for some firms. Several firms have used an evaluation date other than September 30th under ISQM 1 but now are required to adjust the timing of quality control processes, such as evaluation and reporting processes, to support an evaluation as of September 30th. This has downstream effects throughout the organization of these firms, increasing the costs and time to comply with QC 1000 without commensurate benefits.

We previously raised these concerns about the prescribed evaluation date in our comment letter to the PCAOB on the QC 1000 proposal. Now as firms implement QC 1000, we are seeing that the prescribed evaluation is particularly challenging for international firms registered with the PCAOB that have intentionally selected an ISQM 1 evaluation date that aligns with their transparency reporting requirements and therefore, it may be especially challenging or impractical to change their ISQM 1 evaluation date without also changing their firm's fiscal year end date.⁸ As a result, those firms may need to have two different evaluation dates. The PCAOB Adopting Release said that firms "would be free to change their evaluation date under other QC standards so that the evaluation dates coincide" thereby minimizing the costs having multiple evaluation dates without acknowledging the required transparency reporting timeline.⁹ Moving the QC system evaluation date takes time and, in many cases, requires coordination across a global network of firms, including with various other regulatory bodies.

e) Evaluation framework

QC 1000 introduces a different framework for evaluating the firm's system of quality control compared with ISQM 1. For example, QC 1000 introduces additional, prescriptive requirements,

⁶ See [CAQ Comment Letter](#).

⁷ See [PCAOB Release 2024-005](#), page 286.

⁸ See Article 13 of [Regulation \(EU\) No 537/2014 of the European Parliament and of the Council](#): "A statutory auditor that carries out the statutory audit of a public interest entity shall make public an annual transparency report at the latest four months after the end of each financial year."

⁹ See [PCAOB Release No. 2024-005](#), page 246.



including (1) new requirements to look to other in-process and completed engagements when matters are identified as a part of the monitoring and remediation processes (paragraph .68d), (2) differing evaluation conclusions and a different threshold for assessing effectiveness of remedial actions (paragraph .77), as well as (3) a new evaluation of “major QC deficiencies.” Addressing each of these significant differences may require the design and implementation of updated policies and processes. As described further in section 3c below, we strongly recommend aligning the evaluation framework under QC 1000 with ISQM 1. Should differences remain between the evaluation frameworks, some firms are seeking additional time to fully implement the different evaluation framework under QC 1000 and perform a “dry run” of the evaluation.

Firms are working diligently and making significant progress on the implementation of QC 1000, but deferring the effective date of QC 1000 by one year and using a phased approach for firms who audit fewer than 100 issuers would allow more time for firms to:

- (1) implement the incremental requirements of QC 1000 that exceed those of ISQM 1;
- (2) further engage with the SEC and/or PCAOB related to implementation questions; and
- (3) perform a dry run of QC 1000 processes (particularly the new processes added to comply with QC 1000) and the annual evaluation prior to the standard becoming effective.

Further, a phased approach to implementation would provide smaller firms that audit fewer than 100 issuers an additional year (i.e., an effective date of December 15, 2027).¹⁰

2. Issue written implementation guidance.

Deferring the effective date would enable the PCAOB to issue written implementation guidance responsive to the questions that have been raised related to QC 1000. While we appreciate the PCAOB’s efforts to date to provide implementation resources, including videos, knowledge checks, and in-person workshops, these resources have largely been “re-packaging” of the PCAOB’s adopting release. Additional written interpretive guidance such as Frequently Asked Questions (FAQs) and responses with practical examples is needed. Such written guidance would assist the profession with interpretative questions and level-set as to expectations regarding the application of certain requirements prior to QC 1000 becoming effective. Written guidance that is published in a format that is authoritative and can be easily referred back to in the future is needed to support profession-wide effective and consistent implementation of QC 1000.¹¹

As we have requested previously of both the SEC and PCAOB, there is also a need for a more formal, well-publicized consultation protocol with the PCAOB to address firm-specific questions. While some firms have

¹⁰ This approach would be similar to the effective date for AS 1000, for which the PCAOB provided firms that audit fewer than 100 issuers with an additional year to implement the 14-day documentation completion requirement. As explained in the [AS 1000 Release](#), extending the effective date of the documentation completion requirement was responsive to stakeholder feedback that smaller firms need more time to prepare for implementation. The same is true for QC 1000 – smaller firms need additional time to prepare for implementation.

¹¹ PCAOB [AS 1000.15](#) clarified that PCAOB “auditing interpretations” should be taken into account when complying with PCAOB standards (therefore, making auditing interpretations authoritative).



engaged the PCAOB with questions on various matters, a process that is well known – similar to how issuers consult with the SEC on particularly challenging or judgmental accounting and reporting matters – and that, when appropriate, results in written feedback noting the PCAOB’s conclusions is important to give firms confidence in the guidance they receive. Questions and responses could also be assessed to determine whether they are likely to be applicable to other registered firms and, when appropriate, disclosed on an anonymized basis in the form of written FAQs. This would further promote consistent application of the requirements and provide greater transparency for all stakeholders.

Since the SEC’s approval, firms have been raising thoughtful questions about certain QC 1000 requirements (both individually and through participation in CAQ meetings) to the PCAOB Staff, which would be a good starting point for providing written implementation guidance. While some of these questions have been answered orally through discussions with the PCAOB Staff, we think that it is important that answers are provided in writing and broadly accessible. As an example, firms and the CAQ have previously discussed questions with the PCAOB Staff regarding documentation retention expectations and communications with other participants. Publishing answers in writing to the specific questions raised would enable all firms as well as PCAOB inspections staff to have access to the same useful information on interpretations and expectations.

3. Gather input on whether targeted amendments to QC 1000 would enhance the scalability of the standard and address unintended consequences.

As noted several times above, as firms are implementing QC 1000, certain concerns raised during the standard-setting process have manifested as reality. In connection with a deferral of the effective date, we encourage the PCAOB (and SEC) to engage with stakeholders, including audit practitioners of firms of all sizes, and gather input on the practical challenges and unintended consequences that have arisen – some of which were foreseen and others of which were not – in applying requirements of QC 1000 and consider more cost-effective alternatives to these requirements that would still achieve the objective of the standard.

Examples of areas where the PCAOB should gather input on targeted amendments include:

a) Design-only requirement

QC 1000 requires all firms registered with the PCAOB, even if they have not and do not plan to perform engagements pursuant to PCAOB standards, to design a system of quality control in accordance with QC 1000. The design-only requirement is a challenge for certain smaller firms, including those that are part of a global network, who are registered with the PCAOB but do not perform any engagements in accordance with PCAOB standards. In our prior comment letter to the PCAOB on the QC 1000 proposal, we raised concerns about the burden of the design-only requirement on smaller firms registered with the PCAOB.¹² The PCAOB stated in the Adopting Release that “if ... a firm does not lead and does not plan to lead engagements or play a substantial role in engagements pursuant to PCAOB standards, then we believe that the firm should assess whether the costs of complying with the design requirement are commensurate with their perceived benefit of being registered with the PCAOB.”¹³ These concerns are manifesting as we

¹² See [CAQ Comment Letter](#).

¹³ See [PCAOB Release No. 2024-005](#), page 61.



have heard from certain of our member firms that this requirement has led some firms in their global network to begin the process of deregistering with the PCAOB.¹⁴ While nearly every firm has implemented or is in the process of implementing ISQM 1, the differing requirements of QC 1000 as compared to ISQM 1 create a significant amount of work for these firms to comply with the design-only requirement, leading to a substantial cost without a commensurate benefit.

At a minimum, if the design-only requirement remains, we strongly encourage a phased-in approach to this requirement, which would provide firms with additional time (i.e., one year after the effective date) to comply with the design-only requirement.

b) 100-issuer threshold for EQCF, automated independence system, and in-process engagement monitoring, or at a minimum phase-in the requirement

As we summarize above, for mid-sized firms just above the 100-issuer threshold that audit only a small percentage of the US public company market share, certain incremental requirements such as EQCF, automated independence system, and in-process engagement monitoring are disproportionately burdensome and limit the standard's scalability.

As described above, the costs and time to recruit and hire individuals to perform the EQCF role are more pronounced for some firms that audit just above 100 issuers. Similarly, while the largest firms have been required to have an automated independence system in accordance with existing SEC rules,¹⁵ several mid-sized firms that audit between 100 and 500 issuers did not have such systems in place and are now spending time and resources to select, procure, and implement a new automated independence system. Finally, some mid-sized firms have not formalized in-process monitoring programs and are spending significant time and resources to establish a program.

Implementing all of these incremental requirements in the short implementation period is a challenge for many firms. We encourage reconsidering a higher threshold for these requirements, such as 500 issuers. In our prior letter to the PCAOB on the QC 1000 proposal, we also raised concerns about the 100-issuer threshold and emphasized that the number of issuer audit reports issued during a given year is not necessarily indicative of the size, structure, and complexity of firms. We encouraged the PCAOB to conduct outreach with firms who would be impacted by these requirements and consider if an increased threshold may be appropriate. The PCAOB stated in the Adopting Release that they continue to believe that the 100 issuer threshold is appropriate and "that larger PCAOB audit practices that audit a greater number of issuers are more likely to have the resources to be able to effectively comply with the incremental requirements at a level

¹⁴ We are not able to readily see on the PCAOB's website the number of firm de-registrations, including both US and global network firms, over an applicable period of time. We encourage the PCAOB and SEC to evaluate how de-registrations have increased as a result of these changes and consider enhancing transparency.

¹⁵ Regulation S-X Rule 2-01(d)(4)(ii) states:

For an accounting firm that annually provides audit, review, or attest services to more than 500 companies with a class of securities registered with the Commission under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. 78l), a quality control system will not provide such reasonable assurance unless it has at least the following features: ... (ii) With respect to partners and managerial employees, an automated system to identify their investments in securities that might impair the accountant's independence; ...



commensurate to the risk.”¹⁶ Additionally, the PCAOB stated that “firms are familiar with the proposed threshold of issued audit reports for more than 100 issuers, because it is used to determine which firms are subject to annual PCAOB inspection.”¹⁷ However, we continue to believe that additional consideration should be given to the differing size, complexity, and available resources of firms that audit just over 100 issuers.

At a minimum, if the 100-issuer threshold remains, we strongly encourage a phased-in approach to these requirements, which would provide firms that audit between 100 and 500 issuers with additional time (i.e., one year beyond the deferred effective date) to comply with the requirements.

c) Evaluation date and framework

As discussed above, QC 1000 introduces a prescribed evaluation date as well as a different framework for evaluating the firm’s system of quality control compared with ISQM 1. We understand those provisions were particularly relevant when the PCAOB was initially contemplating public reporting of a firm’s conclusions. However, given that reporting on the QC 1000 evaluation per the final standard is non-public, we do not believe that there continues to be a need for these differences.

With respect to the evaluation date, the PCAOB currently inspects firms with different evaluation dates under ISQM 1 and has been able to adjust its inspection process to address those differences in timing and firm processes, which we would expect to continue to be a reasonable approach for the PCAOB’s inspection of QC systems under QC 1000. In the Adopting Release, the PCAOB indicates that the benefit of the prescribed evaluation date is to provide more current information for the PCAOB when it selects firms and engagements for inspections.¹⁸ We question whether this benefit is commensurate with the costs.

With respect to the evaluation framework, the different evaluation conclusions and threshold for evaluating the effectiveness of remedial actions under QC 1000¹⁹ may lead a firm to conclude that the QC system under ISQM 1 provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved (i.e., is effective)²⁰ but the QC system under

¹⁶ See [PCAOB Release No. 2024-005](#), page 67.

¹⁷ *Ibid.*

¹⁸ See [PCAOB Release No. 2024-005](#), page 371.

¹⁹ In accordance with QC 1000 paragraph .77a, the firm must evaluate the effectiveness of its QC system and conclude whether it is effective with “no unremediated QC deficiencies.” Paragraph .77 notes that an unremediated QC deficiency “is one for which remedial actions that completely address the QC deficiency have not been fully implemented, tested, and found effective.” The requirement to test remedial actions differs from ISQM 1 which recognizes that remedial actions may take time to operate and provides a framework for a firm to consider whether remedial actions *taken up to the time* of the evaluation are effective when a remedial action still may need some time to operate.

²⁰ In accordance with ISQM 1 paragraph 54, a firm must conclude one of the following:

a. The system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved;



QC 1000 is something other than “effective with no unremediated QC deficiencies.”²¹ In our prior comment letter to the PCAOB on the QC 1000 proposal, we expressed concern that these differing conclusions could cause confusion for stakeholders.²² Although the PCAOB acknowledged in the Adopting Release that firms may reach two different conclusions on the effectiveness of a firm’s QC system under QC 1000 and ISQM 1, the PCAOB concluded that such situations would not be problematic or cause confusion for stakeholders because neither QC 1000 nor ISQM 1 require public disclosure of the firm’s conclusion, but failed to consider the impact of transparency reporting requirements.²³ While Form QC is not public, many PCAOB-registered firms across the globe are subject to transparency reporting that requires the firm to report on the firm’s overall conclusion of the effectiveness of the firm’s QC system and, in some cases, provide details about issues and remedial actions when the conclusion is something other than “effective.”

In the scenario where a firm has different conclusions under QC 1000 and ISQM 1, a firm would have to further evaluate how to proceed with their transparency reporting to avoid potential unintended consequences, including whether it could be perceived as misleading or confusing to only disclose one conclusion under one standard (when a different conclusion under another standard exists) and whether disclosing the QC 1000 conclusion would result in disclosing details about the firm’s QC system that would likely include information that the Sarbanes-Oxley Act intended to be nonpublic. These are significant unintended consequences for firms and there doesn’t appear to be a benefit to the different evaluation framework used in QC 1000. In addition to the unintended consequences, firms will incur additional costs to perform two separate evaluations, with no commensurate benefit to audit quality or investor protection. Aligning the evaluation framework in QC 1000 to that in ISQM 1 would be beneficial for firms and enhance the ongoing efficiency of performing evaluations of the system of quality control.

d) Roles and responsibilities

QC 1000 paragraph .12 specifies certain roles and responsibilities that must be assigned to a single individual in the firm. Each specified role cannot be split or shared by multiple individuals. Some of these roles, such as *operational responsibility for the firm’s compliance with ethics and independence requirements* (paragraph .12b), combine responsibility for discrete areas within a firm that otherwise are often overseen by two individuals given the differing skills and experience required to effectively oversee each area. Requiring that only one individual hold the ethics and independence role requires some firms to change their operational structure to align roles with

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- b. Except for matters related to identified deficiencies that have a severe but not pervasive effect on the design, implementation and operation of the system of quality management, the system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved; or
 - c. The system of quality management does not provide the firm with reasonable assurance that the objectives of the system of quality management are being achieved.

²¹ In accordance with QC 1000 paragraph .77, a firm must conclude that its QC system:

- a. Is effective with no unremediated QC deficiencies; or
- b. Is effective except for one or more unremediated QC deficiencies that are not major QC deficiencies; or
- c. Is not effective (one or more major QC deficiencies exists).

²² See [CAQ Comment Letter](#).

²³ See [PCAOB Release No. 2024-005](#), pages 243-244.



those required by paragraph .12, which poses unnecessary operational challenges and disruptions for firms without a commensurate benefit. In our prior comment letter to the PCAOB on the QC 1000 proposal, we raised this same concern.²⁴ In response, the PCAOB stated that firms can have multiple individuals or multiple layers of individuals supporting these roles, but did not acknowledge that such an approach still requires changes to a firm's operational structure.²⁵ As firms have started implementing QC 1000, the operational challenges discussed in that letter have manifested. We instead propose that the paragraph be revised to allow flexibility (e.g., for the role to be shared by two individuals if necessary or for role to be split into separate roles).

Further, some international firms registered with the PCAOB utilize resources from outside their registered firm, but within the global firm's network with appropriate contractual arrangements in place, to perform certain of the functions specified in paragraph .12, such as the monitoring and remediation and ethics and independence roles. Some international firms that have smaller PCAOB audit practices have found that using others from outside the registered firm to perform these roles has had a positive impact on audit quality as it brings the right competent and experienced individuals with relevant subject matter expertise to the firm. As a result of the requirement that individuals serving in the paragraph .12 roles meet the definition of "firm personnel," some firms would need to exercise additional unnecessary effort to identify appropriate resources within each network member firm, including organizational changes, education, and training. In addition, firms may need to identify new arrangements with network personnel to assist in these roles in order that they can meet the definition of "firm personnel" as required by QC 1000.

We look forward to engaging with the PCAOB and SEC on the concerns raised above, as well as additional areas of concern that may arise as firms continue to prepare to implement a standard as robust as QC 1000. Ongoing dialogue with the PCAOB and SEC around practical challenges and unintended consequences of the requirements in QC 1000 will be critical to a successful implementation and enable the PCAOB and SEC to address concerns in a proactive manner that will ultimately best support audit quality.

²⁴ See [CAQ Comment Letter](#).

²⁵ See [PCAOB Release 2024-005](#), page 83.



We would be pleased to discuss our comments or answer questions regarding the views expressed in this letter. Please address questions to Erin Cromwell (ecromwell@thecaq.org), Dennis McGowan (dmcgowan@thecaq.org) or Vanessa Teitelbaum (vteitelbaum@thecaq.org).

Sincerely,

A handwritten signature in black ink that reads "Dennis J. McGowan".

Dennis J. McGowan, CPA
Vice President, Professional Practice
Center for Audit Quality

cc:

PCAOB

Christina Ho, Board member
Kara M. Stein, Board member
Anthony C. Thompson, Board member
Barbara Vanich, Chief Auditor

SEC

Paul S. Atkins, Chair
Caroline A. Crenshaw, Commissioner
Hester M. Peirce, Commissioner
Mark T. Uyeda, Commissioner
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