Deloitte.

Deloitte & Touche LLP
30 Rockefeller Plaza
New York, NY 10112
USA
https://www.deloitte.com

September 24, 2025

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549

Re: *File No. PCAOB-2025-001*: *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 (SEC Release 34-103083)*

Dear Ms. Countryman:

We appreciate the opportunity to comment on the Securities and Exchange Commission's (SEC) consideration of the postponement of the effective date of the Public Company Accounting Oversight Board's (PCAOB) standard *A Firm's System of Quality Control and Other Amendments to PCAOB Standards, Rules, and Forms* (QC 1000). We support the modernization of PCAOB standards, and we have regularly engaged with the PCAOB throughout its process to develop QC1000 and during the implementation period thus far. We also support the postponement of the effective date because we believe it will allow firms of all sizes sufficient time to implement the necessary changes to comply with the new standard in a thoughtful and holistic manner.

Sufficient time to address required changes to firms' systems of quality control (QC systems) is especially important for firms that are required to develop and operate systems that meet the requirements of QC 1000, as well the recently adopted quality control standards, the *International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Review of Financial Statements, or Other Assurance or Related Services Engagements* (ISQM 1) issued by the International Auditing and Assurance Standards Board, and jurisdictional equivalents, including the *Statement on Quality Management Standards No. 1, A Firm's System of Quality Management* (SQMS 1) issued by the American Institute of CPAs.

We look forward to continuing to engage with the SEC and PCAOB during the extended implementation period. We have shared below some thoughts on the challenges the profession is facing in implementation,[1] including reconciling difference between QC1000, ISQM1, and SQMS 1, which we believe the PCAOB should consider if it determines to provide further guidance and/or make changes to the QC 1000 during the extension period.

[1] The Center for Audit Quality also raised a number of implementation concerns in a July 23, 2025, letter to Acting PCAOB Chair, George Botic.

External Quality Control Function. The final QC 1000 requirement for an External Quality Control Function (EQCF) differed substantially from the proposed standard, which suggested that the current structures that the large firms already had in place to receive outside quality input could satisfy the PCAOB's aim in requiring an EQCF. However, the final standard included new prescriptive requirements related to the EQCF. We have determined that our existing external advisory council structure will not satisfy the requirements of the final QC 1000 standard. Given the current methods large firms have to obtain outside quality input (which include existing external quality councils, PCAOB inspections, and peer reviews), and that the PCAOB appeared to be satisfied with the existing methods large firms had in place prior to adopting the new standard, it is not clear there is a benefit to audit quality from the prescriptive EQCF requirements, versus continuing to allow flexibility in how firms receive outside input from non-regulators.

Differences from ISQM 1 and SQMS 1. There are significant differences between the requirements of QC 1000 and those of ISQM 1 and SQMS 1, such that changes to firms' systems and processes are needed even after substantial resources were already devoted to implement ISQM 1.[2] Although both ISQM 1 and QC 1000 are intended to be risk-based standards, QC 1000 mandates a large number of specific responses (i.e., required actions or controls), regardless of a firm's individual risk assessment. These requirements reduce the ability of firms to tailor their QC system based on risk and to modernize their systems over time. They also create differences from the QC systems firms designed pursuant to ISQM 1, which is more principles-based. In some cases, it is unclear how the differences and the increase in specific requirements will benefit audit quality such that the additional costs are justified. In addition, there are other requirements in QC 1000 where the intended benefit to audit quality is not clear, including, but not limited to:

- ***Evaluation Date***. The prescribed date in QC 1000 to evaluate firms' QC systems does not acknowledge that firms may have adopted different evaluation dates under ISQM 1 for operational and regulatory reasons. This prescriptive requirement in QC 1000 will cause implementation challenges and increased costs, including some firms being required to have multiple evaluation dates. This is because some elements of firms' QC systems require coordination across a global network of firms, some of which may be subject to long-established reporting requirements in other jurisdictions that are inconsistent with the QC 1000 prescribed date. This could be addressed by allowing firms to select a date that aligns with their operational cycle and existing regulatory reporting requirements.
- ***Evaluation Framework***. Differing evaluation frameworks and definitions between QC 1000 and ISQM 1 could result in firms reaching different conclusions about the effectiveness of their QC system under each standard. While the PCAOB dismissed the potential for resulting confusion when it adopted QC 1000 by noting that the QC 1000 conclusion is not required to be made public, many firms are subject to requirements in other jurisdictions to make public disclosure about the effectiveness of their QC systems. The PCAOB also noted that firms routinely manage the implementation of audit standards from multiple standard setters due to requirements for different engagements. However, the performance of an individual audit differs substantially from a firm managing conflicts between quality control standards that apply across the entirety of the firm and necessitates the evaluation of the same firm systems and process under different standards, with different definitions and criteria, and which may

[2] While the ISQM 1 and SQMS 1 are converged, because ISQM 1 is already effective, in the remainder of this letter, we have focused on differences between QC 1000 and ISQM 1.

not allow for comparable conclusions. The PCAOB's robust inspection authority allows it to conduct its own evaluation of firms' QC systems, and it is therefore not clear what benefit is derived by asking firms to confidentially report their own conclusions to the PCAOB under prescriptive criteria, such that it outweighs the cost and potential confusion to stakeholders of firms being required to make separate evaluations that may differ from each other.

- ***Documentation requirements***. QC 1000 has substantial specific and granular documentation requirements, including requiring firms to retain documentation for seven years in sufficient detail to enable an experienced auditor to understand the design, implementation, and operation of the system of quality control. As we have begun to migrate to the enhanced requirements under QC 1000, it is clear that these new requirements have the potential to substantially increase compliance costs as compared to ISQM 1, without any apparent corresponding benefit to audit quality. For example, the experienced auditor concept is borrowed from the documentation required to evidence the performance of audits; the concept does not seem to align with the goal of QC 1000, which is focused on the design, implementation, operation, and monitoring of firm-wide policies and procedures. The documentation approach in ISQM 1, which requires documentation sufficient to support the evaluation of the system by those assigned ultimate responsibility and accountability and allows firms to tailor the documentation and retention period based on the complexity of the firm's QC system, is more aligned with the stated framework of QC 1000 which is described as risk based and inherently scalable.

Combined Roles. The mandate for a single individual to serve as both ethics and independence leader forces the combination of responsibility for important discrete areas within a firm that otherwise are often overseen by two individuals with differing skills and experience. Requiring that only one individual hold both roles, regardless of firm size or structure, will cause operational challenges. The connection between this prescriptive administrative requirement and improved audit quality is not clear, whereas allowing firms to assign separate leaders for ethics and independence could allow for greater focus on the distinct goals of ethics and independence oversight in a way that better reflects the structures many firms have in place today.

* * * *

We appreciate the opportunity to provide our perspectives. We look forward to engaging with the PCAOB and SEC on the implementation of QC 1000. Ongoing dialogue between the profession and the PCAOB and SEC around these and other practical challenges and potential unintended consequences of the requirements in QC 1000 will be critical to successful implementation in a way that best supports audit quality.

We would be happy to discuss any of the points in our letter. If you have any questions or would like to discuss our views further, please contact Laura McCracken at (212) 653-5738 or Wyndham Smith at (469) 417-2209.

Sincerely,

Deloitte & Touche LLP

Deloitte & Touche LLP