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September 24, 2025

Securities and Exchange Commission
Office of the Secretary
100 F Street, NE
Washington, DC 20549

Via Email to rule-comments@sec.gov

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:

Grant Thornton LLP appreciates the opportunity to provide feedback on the Public Company Accounting Oversight Board's (PCAOB or Board) effective date deferral of QC 1000, *A Firm's System of Quality Control*, and the amendments and forms related thereto (collectively, QC 1000).

In summary, we support the deferral of QC 1000's effective date, and we believe further action is warranted to address substantive concerns and implementation challenges that persist. The practical implications of QC 1000's incremental and prescriptive requirements in comparison to other quality management standards, including the unfavorable consequences related to the deregistration of firms, increased costs, and operational disruptions, underscore the critical need for additional guidance along with stakeholder engagement. We respectfully request that the Securities and Exchange Commission and the PCAOB prioritize the solicitation of further stakeholder input on the unresolved issues within QC 1000, including whether such issues could be addressed through targeted amendments to QC 1000, as well as development and issuance of detailed implementation guidance.

Support for deferral

We support the PCAOB's decision to defer the effective date of QC 1000 from December 15, 2025 to December 15, 2026. Additional time is both necessary and appropriate given the significant operational, interpretive, and resource challenges that have emerged thus far during the implementation process.

Implementation challenges and practical implications

In our previous comment letters,[1] we identified several potential concerns regarding the scope and complexity of QC 1000. Having now devoted substantial time and resources to implementation, we can confirm that those concerns have materialized with discernible impacts for our firm and the global network to which we belong.

Divergence from other quality management standards and global consistency

QC 1000 introduces numerous prescriptive requirements that deviate from the principles-based approach of International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements*, and Statement on Quality Management Standard (SQMS) 1, *A Firm's System of Quality Management*. The following are examples of incremental, prescriptive elements of QC 1000.

- QC 1000 requires the evaluation of a firm's system of quality control (QC System) as of September 30 with related reporting by November 30. Such dates present a key implementation challenge. This fixed timeline does not take into account a firm's fiscal year-end, the normal cadence of its QC System, or existing processes aligned with prevailing business practices and regulatory standards. For instance, the fixed dates do not coincide with a firm's established internal and external inspection cycles, including peer review (when applicable), which serve as a critical input to the overall evaluation of the QC System. This misalignment further complicates the coordination of such inspections and related communications and reporting, potentially reducing the effectiveness of the assessment processes and introducing inefficiencies that disrupt the integration of inspection results into broader quality control measures. Consequently, firms may need to conduct assessments and reporting outside their usual schedules, which can result in redundant, overlapping activities or concurrent compliance activities.
- Another significant difference stems from the QC 1000 requirement that the responsibilities for each of the four designated roles be consolidated and held by a single individual from within the firm. This approach does not consider the diverse organizational structures that many firms have developed over time, nor does it accommodate the possibility of role specialization or regional responsibilities within larger networks. Instead, the requirement obliges certain firms to undertake substantial organizational redesign or to modify existing roles, often at the expense of operational efficiency and institutional knowledge. Such restructuring introduces disruption and may not necessarily enhance quality control outcomes, particularly for firms whose established governance models already support robust oversight and accountability.
- The requirements associated with the External Quality Control Function (EQCF) have resulted in additional costs and complexities related to identifying an appropriate individual for the role. The introduction of the EQCF in the final adopting release marked a notable change from the original proposal but did not include

[1] Grant Thornton LLP's March 16, 2020 comment letter to the PCAOB on Concept Release, *Potential Approach to Revisions to PCAOB Quality Control Standards*; February 1, 2023 comment letter to the PCAOB on Rulemaking Docket Matter No. 046; and July 16, 2024 comment letter to the Securities and Exchange Commission on File Number PCAOB-2024-02

extensive contextual explanation for the related modifications. The lack of detailed rationale or guidance has increased uncertainty, making it challenging for firms to interpret the objectives or to align EQCF requirements with current processes. Furthermore, the advantages have not been explicitly clarified, despite the higher costs associated with this new requirement.

- The inconsistency in terminology concerning monitoring and remediation, including terms such as Engagement Deficiency, QC Observation, QC Deficiency, and Major QC Deficiency, across the various standards poses significant operational and communication challenges. Without consistent definitions, quality control policies and procedures may become unclear and inconsistent. The use of inconsistent terminology hinders accurate interpretation of results, challenges the identification of appropriate corrective actions, and impedes efficient and effective communication with stakeholders, including audit committees and regulators, thereby increasing compliance complexity and risk of noncompliance.

Practical implications: The inflexibility of the prescribed evaluation and reporting dates has resulted in additional administrative burdens and costs, as firms must divert attention from routine operations to meet requirements that are out of step with the firm's business rhythms. This misalignment poses significant challenges to the long-term viability of quality control and compliance initiatives, especially for organizations conducting business in multiple jurisdictions with differing reporting schedules.

Inconsistent terminology related to monitoring and remediation significantly increases administrative complexity for firms. When definitions, such as those identified above, vary across standards, firms must allocate additional resources to interpret and reconcile these discrepancies. It often becomes necessary to conduct multiple evaluations of a single issue to ensure compliance with the diverse standards.

Several member firms in our global network have chosen, or are considering, to deregister from the PCAOB rather than undertake implementation of the requirements set forth by QC 1000. Those that choose to remain registered are evaluating the option of restricting their involvement to roles that fall below the threshold of a substantial role, thereby avoiding the necessity to implement and operate under the standard. This trend will reduce the pool of competent, available global resources and could ultimately impact both engagement quality and competition in the marketplace.

Ambiguity and lack of clarity

Several provisions within QC 1000 lack clarity, such as those concerning documentation requirements, extent of technological resources, and the breadth of monitoring and remediation activities. The lack of explicit and detailed guidance has resulted in a variety of interpretations among the profession, creating a landscape of uncertainty and potential inconsistency in compliance efforts.

In navigating these challenges, consultation with the PCAOB's Office of the Chief Auditor has clarified that interpretations and specific guidance on certain implementation matters fall under the purview of the PCAOB's Division of Registration and Inspections. As such, firms seeking resolution on the ambiguities and operational impacts of QC 1000 are increasingly directed to this division for authoritative responses. This additional layer in the consultation process draws out further the timeline for

addressing critical questions, which compounds delays and perpetuates uncertainty regarding consistency and compliance expectations.

Consequently, firms are left navigating a complex environment where the boundaries of acceptable practice are unclear, increasing the risk of inadvertent noncompliance and making it difficult to establish standardized processes. Such ambiguity not only complicates operational decision-making but also undermines confidence in the ability to meet regulatory expectations in a reliable and efficient manner.

Practical implications: Our firm has allocated substantial resources to legal, regulatory, and operational analysis to ensure compliance with QC 1000 requirements. Nevertheless, persistent ambiguity regarding implementation guidance has resulted in project delays and increased costs, necessitating cautious decisions that, while mitigating potential adverse inspection outcomes, may not fully reflect the intended objectives of the PCAOB.

Operational and resource constraints

The prescriptive nature of QC 1000's requirements has created considerable resource constraints. The obligation to identify and appoint qualified individuals for new roles, complete documentation, and conduct cyclical inspections within compressed timeframes has placed significant strain on our personnel and systems.

Another area of concern is the imposition of a "design-only" requirement for all registered firms, irrespective of their size, structure, or risk profile. Mandating that every firm design a stand-ready QC System, without regard to operational realities or actual effectiveness, introduces a significant administrative and resource burden. This blanket requirement compels firms to allocate time and capital to designing elaborate policies and procedures that may not meaningfully enhance quality beyond the benefits firms have already realized from implementing ISQM 1. The absence of a demonstrated benefit further undermines the rationale for this approach, as firms are forced to comply with prescriptive standards that may offer little in the way of practical improvement, while consuming resources that could be better devoted to substantive quality activities.

Practical implications: Condensed reporting deadlines set for a specific date have drawn attention to resource limitations, and the costs associated with implementing and operating a system under QC 1000 are expected to exceed initial estimates. Another notable outcome is that several member firms within our global network have chosen, or are considering, to deregister from the PCAOB rather than pursue compliance with QC 1000's additional requirements, including the "design-only" requirement. As mentioned above, this trend may reduce the availability of global resources and could negatively impact engagement quality and market competition, as the number of participating firms decreases.

Documentation and retention burdens

QC 1000's documentation and retention requirements are broader and more onerous than those in ISQM 1 or SQMS 1. The expectation to retain all documentation related to the operation of the QC system for seven years will result in substantial data storage costs and operational complexity.

Practical implications: It is likely firms will need to invest in new information technology infrastructure to satisfy documentation retention requirements, and we anticipate ongoing costs that may be unsustainable for smaller firms. The lack of guidance regarding what constitutes sufficient documentation may lead to over-documentation and inefficiency.

Need for comprehensive implementation guidance

We believe it is imperative for there to be comprehensive, timely implementation guidance, comparable to the application guidance and implementation guides provided by the respective standard setters of ISQM 1 and SQMS 1. In the absence of such guidance, firms face significant uncertainty and inconsistency in interpreting and operationalizing the new requirements. We recommend that the PCAOB:

- Provide practical examples and clarifications for key requirements.
- Address specific areas of ambiguity identified in prior stakeholder comment letters.
- Publicly share questions from firms and the answers or clarifications provided to promote transparency, consistent interpretation, and reduce duplicative inquiries.

Solicitation of input on targeted amendments

As implementation efforts have progressed, it has become increasingly evident that certain requirements within the standard may benefit from further refinement to enhance scalability and to address operational complexities. We respectfully urge the PCAOB to actively solicit additional input from stakeholders regarding the potential for targeted amendments to QC 1000. By seeking comprehensive feedback on potential amendments, the Board can ensure that QC 1000 remains both effective and practicable for firms of varying sizes and structures, thereby mitigating unintended consequences that have already begun to manifest.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Jeff Hughes, National Managing Partner of Assurance Quality and Risk, at 404-475-0130 or Jeff.Hughes@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP