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September 24, 2025

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

RE: File Number PCAOB-2025-01

SEC Release No. 34-103803; Public Company 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 Ms. Countryman:

We appreciate the opportunity to comment on the Public Company Accounting Oversight Board (PCAOB)'s notice of filing and proposed rule change to postpone the effective date of QC 1000, *A Firm's System of Quality Control* (QC 1000), and related amendments.

We strongly support the PCAOB's proposal to delay the QC 1000 effective date adopted on May 13, 2024, as identified in the PCAOB's May 24, 2024 Form 19b-4, from December 15, 2025, to December 15, 2026. We believe this one-year extension will promote a more consistent, effective implementation of QC 1000 across the profession and, in turn, enhance audit quality.

As a member firm operating within a global network, the ability to design, implement, and operate a consistent and comprehensive system of quality control across jurisdictions is essential to achieving the highest level of audit quality and global consistency expected by stakeholders. This additional year will allow firms to pilot their QC 1000 systems without requiring early adoption, address practical implementation challenges, and refine policies and processes before the standard becomes effective. This is particularly critical for Global Network Firms that must coordinate changes across multiple jurisdictions and network member firms.

The extension period also provides an opportunity for the PCAOB to issue authoritative written guidance and consider targeted amendments and clarifications to QC 1000. In the sections below, we outline areas where we believe written guidance would promote consistent interpretation of the standard, as well as targeted amendments and clarifications that we believe would enhance its operational scalability.

Written Implementation Guidance

Authoritative written guidance is essential for establishing a consistent understanding of QC 1000 before the standard becomes effective. While the PCAOB's staff guidance document, workshops, videos, and knowledge checks have been helpful in reinforcing the principles of the standard, they reiterate information included in the adopting release and do not provide the level of specificity and detail needed to make critical implementation decisions. Issuing guidance, including FAQs and practical examples, would provide firms with a clear reference for applying QC 1000 requirements and promote consistent interpretation across firms. This guidance should also be made broadly available to all firms and not limited to particular subsets.[1]

[1] News Release dated July 2, 2025: PCAOB To Host Virtual Workshops To Assist Smaller Audit Firms With Implementation of New Quality Control Standard | PCAOB

Additionally, the PCAOB provides publicly available guidance on the inspection process,[2] including how quality control systems are reviewed. This information is essential for firms to prepare for and to facilitate the PCAOB inspection process. We encourage the PCAOB to update this guidance in a timely manner to reflect how the inspections program will operate under QC 1000, to provide firms sufficient time to prepare for a revised inspection program. Additionally, we encourage the PCAOB to consider whether, and to what extent, a firm's effective system of quality control should be considered when determining the nature and extent of engagement inspections performed by the PCAOB.

We have identified certain specific areas of the standard in which guidance would be particularly helpful:

Evaluation Framework

We believe certain aspects of the evaluation framework would benefit from additional guidance. One area is paragraph .68d, which requires firms to evaluate whether similar engagement deficiencies exist across other engagements. This raises practical application considerations that would benefit from additional guidance. Identifying whether similar engagement deficiencies exist will be complex and highly subjective, and what a firm considers adequate could later be interpreted by PCAOB inspection staff as insufficient. Authoritative guidance providing a framework or illustrative examples for evaluating similar engagement deficiencies beyond the foundational examples included in the release text of the standard would help firms consistently apply the standard and reduce unnecessary operational burdens.

Other Participants

We also believe firms would benefit from additional guidance on the use of *other participants* in their QC system's design, implementation, and operation. While the underlying principle of the standard is clear, practical challenges arise when applying the rules to individuals or entities within a firm's network. Unlike companies that can rely on external assurance reports (i.e. System and Organization Control 1 (SOC 1) reports), firms do not have a comparable mechanism to rely upon for *other participants*. Accordingly, firms would benefit from guidance clarifying the extent of evidence required to evaluate the competence, objectivity, authority, and time of *other participants*, particularly those within a firm's network. Guidance also would be helpful in addressing layered relationships, such as when an *other participant* itself relies on an *other participant* to perform procedures. Providing practical examples in these areas would promote consistent application of the standard across the industry.

Targeted Amendments and Clarifications

Implementation challenges we anticipated and previously highlighted in our comment letter[3] to the PCAOB have become more pronounced as we continue preparing for implementation. Therefore, alongside authoritative written guidance, we believe targeted amendments and clarifications to the standard could further enhance the consistency and scalability of QC 1000. These include areas where the requirements, as currently written, may create unnecessary complexity, impose operational burdens that do not meaningfully advance audit quality, or diverge from global standards in ways that complicate consistent application across jurisdictions without an associated commensurate benefit.

[2] Inspection Procedures | PCAOB

[3] Refer to KPMG's comment letter to the PCAOB's Release No. 2022-006, *A Firm's System of Quality Control and Other Proposed Amendments to PCAOB Standards, Rules, and Forms*.

1. Roles and Responsibilities

We recognize the importance of accountability and support the assignment of responsibility to individuals for the operational roles identified in paragraph .12 of QC 1000. However, we believe the standard should provide firms with flexibility to allocate the roles described in paragraph .12 in a manner that aligns with the firm's operational structure, while preserving a clear line of responsibility. Combining responsibilities for ethics and independence and monitoring and remediation creates substantial operational challenges for member firms within a global network that must coordinate across multiple jurisdictions. For example, in some firms, monitoring and remediation responsibilities are intentionally separated to reinforce the objectivity of the monitoring function. Requiring these roles to be combined may introduce challenges for firms subject to multiple regulators and potentially affect a firm's ability to align with its primary regulator's expectations. We believe that permitting these roles to be shared or divided across qualified individuals would allow firms to place responsibility with those who have the appropriate authority and capacities to perform their duties effectively, while also improving scalability and operational efficiency without compromising effective oversight.

Further, paragraph .12 requires the assignment of relevant roles and responsibilities to "firm personnel". We support the importance of having individuals in these roles who (a) are accountable for the related responsibilities, (b) possess the appropriate experience, knowledge, influence, and authority within the firm, (c) have sufficient time to fulfill their responsibilities, and (d) maintain direct lines of communication to the individual assigned ultimate responsibility for the QC system. However, limiting these responsibilities only to "firm personnel" may unintentionally restrict firms' ability to assign the most qualified individuals. For some smaller member firms within a global network, the most qualified individuals fulfilling these roles may not always be "firm personnel" but rather personnel from another member firm within the network operating under appropriately governed responsibilities that preserve accountability consistent with the standard's expectations. Accordingly, we recommend removing the explicit restriction to "firm personnel" in paragraph .12 and instead relying on the underlying attributes necessary for these roles. This will provide firms with differing legal and operational structures the flexibility to implement a globally consistent QC system and assign the most appropriate person to the role.

2. Documentation Requirements

QC 1000 requires firms to prepare documentation in sufficient detail to allow an experienced auditor to understand the design, implementation, and operation of the firm's system of quality control, including quality objectives, risks, responses, monitoring activities, remedial actions, and the rationale for conclusions reached in evaluating the system (paragraph .83). Other QC standards[4] apply the experienced auditor concept in the context of a firm's evaluation, which focuses on providing sufficient documentation to support evaluation by those with ultimate responsibility and accountability for the QC system. QC 1000 extends the experienced auditor concept beyond the evaluation to the operation of the entire QC system. Additionally, QC 1000 establishes a seven-year retention requirement for all documentation of its QC system (paragraph .86). These requirements present implementation challenges for firms of all sizes. The volume of documentation that firms will need to retain to implement these requirements far exceeds that of other QC standards, drives substantial updates to systems, and increasing costs without a corresponding benefit to audit quality or investor protection.

We respectfully request the PCAOB consider clarifying or amending the standard to provide consistency in applying the experienced auditor threshold with the approach reflected in other QC

[4] Other QC standards refer to the International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (ISQM 1), adopted by the International Auditing and Assurance Standards Board (IAASB), and the Statement on Quality Management Standards No. 1, *A Firm's System of Quality Management* (SQMS 1) adopted by the American Institute of Certified Public Accountants (AICPA).

standards, and flexibility in applying documentation retention requirements. This could include allowing firms to scale the level of detail based on the complexity of the system or the nature of specific quality control activities and offering a practical approach to documentation retention that balances regulatory objectives with operational feasibility (e.g. allowing firms to maintain sufficient documentation to support its evaluation). Such an amendment would help enable documentation requirements that are practical and achievable while maintaining the objectives of QC 1000.

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We appreciate the SEC's consideration of our comments and observations and look forward to continuing our dialogue with the PCAOB regarding QC 1000 implementation. We would be pleased to discuss our comments at your earliest convenience.

Sincerely,

KPMG LLP

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