



May 15, 2026

Mr. Demetrios (Jim) Logothetis
Chairman
Public Company Accounting Oversight Board (PCAOB)
1666 K Street, NW
Washington, DC 20006-2803

RE: IIA Comments in Response to PCAOB Request for Public Comment on Strategic Priorities—PCAOB No. 2026-001

Dear Chairman Logothetis and Members of the Board:

On behalf of The Institute of Internal Auditors (The IIA), the international professional and standard-setting organization with over 265,000 members, including over 75,000 in North America, I am pleased to submit these comments in response to the Public Company Accounting Oversight Board's (PCAOB or the Board) Request for Public Comment on Strategic Priorities, PCAOB No. 2026-001.

The IIA commends the Board for initiating this early and transparent stakeholder engagement process as the first step in developing the 2026–2030 Strategic Plan. This approach demonstrates a genuine commitment to broad participation from the full financial reporting and assurance ecosystem. The IIA believes the PCAOB functions most effectively when its strategic direction is informed by diverse perspectives, including those of internal auditors, who play a distinctive and indispensable role in supporting the assurance environment that underpins public company financial reporting.

The IIA has maintained an active and constructive relationship with the PCAOB over many years. In 2023, The IIA submitted a [formal comment letter](#) in response to the proposed auditing standard on the use of confirmation, expressing concern over language that could be construed as casting doubt on the integrity and competency of internal auditors.¹ The IIA was gratified that the final standard, issued September 28, 2023, addressed those concerns and affirmed that "internal auditors can and do play an important role providing direct assistance across many areas of the audit." The IIA remains committed to that spirit of open, productive engagement.

More recently, The IIA has released a [public policy position paper](#) titled "Modernizing the Sarbanes-Oxley Act," (the SOX Report) which outlines specific recommendations for modernizing the Sarbanes-Oxley Act of 2002 (SOX) to better reflect the role and value of the internal auditors.² The paper also makes clear that Congress and the PCAOB have an opportunity to integrate more fully internal audit into the SOX compliance framework to the benefit of investors, capital markets, and the public interest.

¹ Letter from Anthony J. Pugliese, President & CEO, Inst. of Internal Auditors, to Chair Williams and Members DesParte, Ho, Stein, and Thompson, Pub. Co. Accounting Oversight Bd., Re: IIA Comments Regarding PCAOB Rulemaking Docket Matter No. 028 (Feb. 3, 2023), available at https://www.theiia.org/globalassets/documents/about-us/promote-the-profession/response-to-regulators/ia-comment-letter_02.03.2023.pdf.

² Inst. of Internal Auditors, *Modernizing the Sarbanes-Oxley Act* (Mar. 17, 2026), available at <https://www.theiia.org/globalassets/site/about-us/advocacy/us-advocacy/modernizing-the-sarbanes-oxley-act.pdf>.

The IIA submits these comments across several of the seven questions posed by the Board, with the aim of providing practical, professional perspectives on the PCAOB's strategic direction for the years 2026 through 2030.

About The Institute of Internal Auditors

The IIA is an international professional and standard-setting organization headquartered in Lake Mary, Florida, with more than 265,000 members worldwide, including over 70,000 members across approximately 124 active chapters in North America. The IIA is recognized globally as the internal audit profession's leader in standards, certification, education, research, and technical guidance.

The IIA's 2024 Global Internal Audit Standards™ (the Standards), which took effect on January 9, 2025, guide the worldwide professional practice of internal auditing and serve as the basis for evaluating and elevating the quality of the internal audit function. Adherence to the Standards — including requirements for independence, objectivity, competence, and quality assurance — ensures that internal auditors consistently provide reliable, credible, and high-value assurance and advisory services.

The IIA confers the Certified Internal Auditor® (CIA®) credential—the only globally recognized professional certification for internal auditors—which signifies technical proficiency, commitment to integrity, and a thorough understanding of governance, risk management, and controls. The CIA designation has been earned by more than 220,000 individuals worldwide.

The purpose of internal audit is to enhance the value of an organization and strengthen its credibility with stakeholders. Internal auditors achieve this purpose by providing objective assurance, insight, and advisory services. A key distinguishing feature of a properly structured internal audit function is its independence from management: internal auditors functionally report to the organization's governing body, such as the board of directors or its audit committee. This structural independence is a hallmark of the profession and is essential to maintaining objectivity, trust, and credibility.

Question 1: Strategic Priorities in Registration, Inspections, and Enforcement

The IIA believes the PCAOB's 2026–2030 Strategic Plan should be anchored in its foundational statutory mission: protecting investors and furthering the public interest in the preparation of informative, accurate, and independent audit reports. Within that framework, The IIA offers the following strategic observations.

First, The IIA urges the Board to prioritize a clear and consistent regulatory posture governing the relationship between internal and external audit. While the PCAOB's existing Auditing Standard 2605, "Consideration of the Internal Audit Function" (AS 2605), establishes the basic framework for how external auditors evaluate and use internal audit work, the standard has not been meaningfully updated to reflect the modernization of the internal audit profession or its current standards. The IIA recommends that the 2026–2030 Strategic Plan include a specific commitment to clarifying and strengthening this framework.

Second, the PCAOB's Strategic Plan should reflect the importance of the broader assurance ecosystem. Management, second-line functions such as risk and compliance, and internal audit each play distinct and complementary roles within an organization in supporting the reliability of financial reporting and internal control over financial reporting (ICFR), with external audit providing independent assurance over the financial statements themselves. A strategic plan that recognizes

and reinforces the coordinated contributions across this ecosystem will advance investor protection more effectively than one focused solely on the external audit function in isolation.

Questions 2 and 3: Inspections Program and Reporting

The IIA supports the PCAOB's efforts to modernize and strengthen its inspections program in light of the new Quality Control standard (QC 1000). As the Board reassesses its inspection methodology, The IIA offers several observations drawn from the internal audit profession's extensive experience with quality assurance and improvement programs.

The IIA encourages the PCAOB to consider how its inspections framework can better account for the quality assurance infrastructure maintained by internal audit functions, particularly in the context of firms' reliance on internal audit work under AS 2605. When external auditors rely on internal audit work under AS 2605, that reliance is itself subject to PCAOB inspection. Anchoring AS 2605 to The IIA's Global Internal Audit Standards and Standard 8.4 would give inspection teams a consistent, profession-grounded basis for evaluating whether such reliance was appropriate, reducing variability across inspections and providing firms with greater predictability in how reliance decisions will be assessed.

The IIA's 2024 Global Internal Audit Standards require all internal audit functions to maintain an ongoing quality assurance and improvement program, including periodic internal assessments and an external quality assessment at least once every five years in conformity with Standard 8.4.³ This external quality assessment—which The IIA has [recommended](#) be incorporated by reference into AS 2605—can provide external auditors with an objective, standardized basis for evaluating the competence and objectivity of an internal audit function, thereby reducing subjectivity and increasing reliance efficiency.⁴

Specifically, The IIA recommends:

- Updating AS 2605 to explicitly reference The IIA's 2024 Global Internal Audit Standards as the governing standard for assessing the competence and objectivity of internal audit functions, replacing the current subjective evaluation criteria with an objective, profession-based benchmark.
- Amending AS 2605 to specify that an internal audit function's external quality assessment — conducted in conformity with IIA Standard 8.4—may be relied upon by external auditors when determining the extent to which internal audit work can inform the audit.
- Encouraging inspection teams to consider whether audit firms' assessments of internal audit functions are appropriately calibrated to The IIA's Standards, rather than applying ad hoc criteria that may vary across engagements.

With respect to inspection reporting, The IIA supports enhanced transparency in public inspection reports, provided that such transparency is framed in a manner that accurately reflects the distinct roles of internal and external auditors. Inspection reports should accurately attribute findings to the appropriate audit function, whether internal or external.

³ Inst. of Internal Auditors, *Global Internal Audit Standards*, Standard 8.4, at 57–59 (Jan. 9, 2024), available at https://www.theiia.org/globalassets/site/standards/editable-versions/globalinternalauditstandards_2024january9_editable.pdf.

⁴ Inst. of Internal Auditors, *PCAOB Auditing Standard 2605: IIA Perspective and Recommendations*, available at <https://www.theiia.org/globalassets/site/about-us/advocacy/us-advocacy/iaa-perspective-on-as-2605.pdf>.

Question 4: Standards-Setting Priorities

The IIA notes that the PCAOB recently published an updated standards-setting agenda in connection with its ongoing strategic planning process. The IIA respectfully urges the PCAOB to prioritize and include the following standards-setting projects in its 2026–2030 agenda, each of which has direct relevance to the internal audit profession and the broader assurance ecosystem.

Update of AS 2605 — Consideration of the Internal Audit Function. As mentioned above, AS 2605 was last meaningfully updated before the adoption of The IIA's 2024 Global Internal Audit Standards, which represent a comprehensive modernization of the profession's mandatory requirements. The IIA has [published](#) detailed recommendations for updating AS 2605, including proposed amendments that would: (1) measure internal audit competence and objectivity against conformance with The IIA's Global Internal Audit Standards; (2) require or acknowledge reliance on external quality assessments conducted under IIA Standard 8.4; (3) update criteria for assessing internal audit objectivity to reflect the direct functional reporting relationship between the chief audit executive and the board; and (4) include examples of relevant professional certifications—including the CIA—in the criteria for evaluating internal auditor competence. As mentioned above and detailed below, on March 2026, The IIA reiterated these recommendations on its SOX Report.

Standards Addressing Emerging Technologies and Artificial Intelligence. The IIA supports the PCAOB's interest in developing standards that address the use of artificial intelligence and other advanced technologies in the audit process. Internal audit functions are themselves increasingly incorporating AI, automation, data analytics, and continuous monitoring capabilities into their work. Standards that facilitate appropriate collaboration between external and internal auditors in technology-driven audit environments will enhance overall audit quality and efficiency. The IIA recommends that the PCAOB engage with The IIA as it develops AI-related standards, to ensure that the distinct but complementary roles of internal and external auditors are appropriately reflected.

SOX Section 404 and the Role of Internal Audit. As The IIA's SOX modernization paper details, internal audit has long played an essential supporting role in Section 404 compliance by providing independent, risk-based testing and validation of internal controls over financial reporting (ICFR). A 2025 KPMG study found that most surveyed respondents allocated over 60% of internal audit hours to SOX compliance, representing a significant resource for driving audit efficiency if properly recognized and coordinated. Despite this critical contribution, SOX does not explicitly reference internal audit, and the PCAOB's standards do not fully articulate the profession's role in Section 404 activities. The IIA urges the PCAOB to develop or clarify standards that formally acknowledge and support internal audit's contribution to ICFR assessment and management's assertions under Section 404, thereby reducing inconsistent application, duplication of effort and promoting efficiency in the compliance process.

Question 5: Alignment with International Auditing Standards

The IIA supports the PCAOB's interest in achieving greater alignment with international auditing standards, while preserving the rigor and investor-protective focus of U.S. public company audit standards. The IIA's own experience as a global standards-setter — with The IIA's Global Internal Audit Standards now operative in more than 170 countries and territories — reinforces the value of internationally harmonized professional standards in promoting consistency, quality, and mutual recognition across jurisdictions.

The IIA encourages the PCAOB to consider international alignment implications for AS 2605 as part of its 2026–2030 standards-setting agenda, including how other major auditing frameworks address the role of internal audit in external audit engagements.

Question 6: Deploying Technology, Including AI

The IIA strongly supports the PCAOB's commitment to leveraging technology to further its investor-protection mission. The IIA has been at the forefront of developing guidance on the use of AI in internal audit, including through its [Artificial Intelligence Auditing Framework](#), and emerging technology risk, and through its broader research and thought leadership on AI-enabled audit capabilities.

The PCAOB should engage with The IIA and other professional bodies as it develops AI-related guidance, to benefit from the internal audit profession's growing body of knowledge on AI risk, AI governance, and the appropriate use of AI in assurance contexts.

A 2026 joint [report](#) by The Internal Audit Foundation and Audit Board (now Optro) found that while internal audit leaders widely recognize AI-enabled fraud as a growing organizational risk, only four in ten believe their functions are adequately prepared to detect or respond to it.⁵ This readiness gap underscores the urgency of coordinated regulatory and professional action — and the importance of the PCAOB and The IIA working together to address it.

Question 7: Enhancing Transparency with Stakeholders

Again, The IIA applauds the PCAOB's decision to solicit public comment on its strategic priorities before commencing formal plan development. This early and transparent engagement process reflects best practices in governance and standards-setting—practices that The IIA has long embraced in developing its own Global Internal Audit Standards through an extensive global public comment process.

The IIA recommends that the PCAOB adopt the following specific transparency-enhancing measures as part of its 2026–2030 Strategic Plan:

- Consult with The IIA to include an ongoing representative from the internal audit profession in the PCAOB's Standards and Emerging Issues Advisory Group as a way of strengthening relationships, recognizing the internal audit profession as a distinct and essential participant in the financial reporting and assurance ecosystem alongside investors, external auditors, audit committee members, and preparers.
- Solicit input on proposed PCAOB standards that intersect with internal audit practice, including any proposed amendments to AS 2605 or standards addressing Section 404 activities.
- Enhance public inspection report disclosures to include information on how registered firms are assessing and leveraging internal audit functions, consistent with AS 2605 requirements.
- Consider convening a joint forum or working group with The IIA to explore opportunities for enhanced coordination between the PCAOB's oversight functions and The IIA's quality assurance and improvement standards.

⁵ Internal Audit Found. & AuditBoard, *Internal Audit and AI-Enabled Fraud* (2026), available at <https://www.theiia.org/globalassets/site/content/research/foundation/2026/internal-audit-and-ai-enabled-fraud/ia-and-ai-enabled-fraud-report-en.pdf>.

SOX Modernization and the Internal Audit Profession

The IIA's recently published SOX Report makes clear that, more than two decades after its enactment, SOX's compliance framework does not fully reflect the role, capabilities, and professional standards of the internal audit profession. While SOX does not explicitly define or reference internal audit, the PCAOB has acknowledged the profession's importance through standards like AS 2201 and AS 2605.

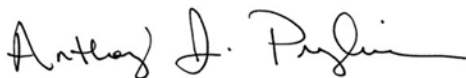
The IIA's principal recommendations for modernizing SOX, and enhancing the PCAOB's engagement with the internal audit profession include:

- Codifying the definitions of "internal auditing" and the "internal audit function" in relevant PCAOB standards, aligned with The IIA's Global Internal Audit Standards.
- Re-examining Sections 302 and 404 compliance requirements to more explicitly recognize and leverage internal audit's independent, risk-based assurance activities.
- Formally establishing internal and external auditors as partners in the assurance ecosystem, with clear standards for coordination and information-sharing that enhance, rather than duplicate, audit activities.
- Exploring opportunities for SOX compliance cost reduction through enhanced internal-external audit coordination, recognizing that internal audit's continuous, risk-based monitoring capabilities can reduce the need for duplicative external audit testing.
- Engaging more fully with the internal audit profession, ensuring that internal auditors have a seat at the regulatory table and that the PCAOB is educating stakeholders — including audit committees and investors — about the value that a well-structured, standards-compliant internal audit function brings to the assurance ecosystem.

The IIA is committed to an open, collaborative, and productive relationship with the PCAOB and stands ready to provide additional information, engage in dialogue, or participate in any advisory processes the Board may establish. For additional information or to discuss The IIA's comments further, please contact Ramón A. Correa, Director for U.S. Advocacy, at Ramon.Correa@TheIIA.org.

Thank you for your consideration of our comments and for your dedication to protecting investors and strengthening confidence in public company financial reporting.

Respectfully,



Anthony J. Pugliese, CIA, CPA, CGMA, CITP
President and Chief Executive Officer
The Institute of Internal Auditors

Summary of The IIA's Key Recommendations

- Prioritize the update of AS 2605 to align with The IIA's 2024 Global Internal Audit Standards and to establish internal audit's external quality assessment as a reliable basis for external auditor reliance.
- Consult with The IIA to include an ongoing representative from the internal audit profession in the PCAOB Standards and Emerging Issues Advisory Group to establish a more formalized, aligned relationship with The IIA to ensure the internal audit profession's perspective is consistently considered in PCAOB oversight and standards-setting.
- Develop standards-setting projects that recognize internal audit's contributions to Section 404 compliance and AI-related audit activities, including by addressing statutory ambiguity that contributes to inconsistent application across organizations.
- Pursue international standards alignment efforts that reflect the IAASB's recognition of internal audit functions operating in conformity with The IIA's Standards.
- Coordinate with The IIA and the broader internal audit profession on the appropriate use of AI and emerging technologies in audit, drawing on internal audit's growing body of practice and guidance in technology-enabled assurance.
- Adopt transparency-enhancing practices — including early public engagement and formal advisory channels—that reflect the PCAOB's commitment to a broad, inclusive financial reporting ecosystem.