Public Company Accounting Oversight Board
Strategic Plan:

Improving the Quality of the Audit for the Protection and Benefit of Investors

2014 – 2018

NOVEMBER 26, 2014
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Chairman’s Message

Since November 2013, when the Board last updated its five-year strategic plan, we have made substantial progress on the objectives and initiatives described in our strategic plan. We have also continued to refine our strategies and review our approach to the developments and circumstances that affect our programs, operations, and resource needs.

Updates to the Plan

This new plan supports the Board's 2015 budget by setting the course for our work in 2015 and beyond. The plan includes updates from the November 2013 plan to reflect progress and evolution in the goals and objectives, as well as some presentation changes. In particular, we have updated the plan to (1) deepen the use of data, information technology and economic analysis in PCAOB programs and oversight activities and promote more fluid interaction among the PCAOB's programs in order to better leverage data and insights obtained through its programs; (2) further integrate economic analysis into the PCAOB's standard setting and other rulemaking, while making further improvements in our standard-setting program; (3) continue to expand the scope of information and analysis in the interim broker-dealer audit inspection program while working to establish the permanent program; (4) in our assessment of risks that could impact PCAOB oversight programs, continue monitoring the ongoing pressures facing the global economy and the fiscal restrictions that are impacting public entities; and (5) revise our objectives and strategies relating to human resources, finance and facilities, to reflect the vision of our new Chief Administrative Officer.

Near-Term Focus

While the updated plan lays out the PCAOB’s goals, objectives and strategies over the next five years, and we will continue to work to undertake those strategies to meet stated objectives and goals to achieve our mission, I view the following as priority projects for 2015 –

- further integration of economic analysis into the PCAOB's programs;
- further improvements in our standard-setting program; and
- significant progress toward completing the near-term priorities set out in our November 2012 Strategic Plan.

In November 2013, we formed a Center for Economic Analysis. We have begun to staff the Center with both permanent staff and research fellows and we are now poised to deepen our use economic analysis in all our programs as well as to spur economic research on the role of auditing in capital markets and capital formation, particularly in the area of standard-setting. Economic considerations underlie the audit, but we need to know more about the levers that move auditor incentives. Regulators need to be mindful of the economic impact of their own actions as well. We are mindful that new procedures and quality control measures increase cost, which may be passed on to
other market participants. Regulators need to know these and other economic effects, in order to determine whether and what actions may most effectively and efficiently meet stated objectives.

Economics provides us a framework for that critical thinking. It prompts us to consider alternatives, and enhances our consideration of the efficiency of our actions. We have been considering economic impacts, including costs and benefits, for some time, of course. But to advance this work further, in 2014 the PCAOB released staff guidance on the use of economic analysis in PCAOB standard setting. The guidance builds on the PCAOB’s existing rulemaking process by establishing an analytical framework for staff to evaluate the economic implications of standard-setting projects that are presented for Board consideration.

A near-term focus in 2015 will be further integration of economic analysis into the PCAOB’s programs and further improvements in our standard-setting program. We are now in a position to reflect upon our more than ten years of experience in setting auditing and related professional practice standards, identify the actions that worked well (and those that did not) and refine our processes to achieve the most effective outcomes. For example, our new tools in economics will help us build a program to conduct post-implementation review of new standards. More broadly, we will also look for ways we can build more data collection and analysis into our processes. To this end, we have already begun to use new outreach techniques to gather information earlier in our standard-setting process, through the staff consultation papers. We also plan to find ways to better capture, organize and analyze information from our own programs, among other reasons to bring it to bear in standard-setting.

In all of these activities, and those described herein, we take pride in the accomplishments and commitment of our staff and our confidence in the sense of mission exhibited throughout the PCAOB.

James R. Doty  
Chairman
**Organizational Background**

The Public Company Accounting Oversight Board (the "PCAOB" or the "Board") developed this Strategic Plan to guide our programs and operations, and development of our budgets, in the coming years.

The Sarbanes-Oxley Act of 2002 (the "Act") established the PCAOB to oversee the audits of the financial statements of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports.\(^1\) In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") amended the Act and, among other things, vested the PCAOB with the authority to oversee the audits of the financial statements and related review of selected practices and procedures of broker-dealers.

We have designed our programs to address our four primary responsibilities under the Act: (i) registration of accounting firms; (ii) inspections of registered firms' audits and quality control; (iii) establishment of auditing and related attestation, quality control, ethics, and independence standards; and (iv) investigation and discipline of registered public accounting firms and their associated persons for violations of specified laws or professional standards. We analyze information obtained in our inspections, investigations, and other sources, to identify risks that may have resulted in, or could lead to, audit, quality control, ethics or independence failures by registered firms. We also use such analysis to identify weaknesses in, and appropriate improvements to, auditing and related professional practice standards and in considering a need for guidance on how to apply such standards in particular circumstances. We further use this analysis to identify ways in which we can improve the effectiveness of our oversight programs.

The Act gives the Securities and Exchange Commission (the "SEC" or the "Commission") oversight authority over the PCAOB, including the authority to appoint and remove the Board's five members. The PCAOB is subject to rules and orders promulgated by the SEC. Moreover, PCAOB rules, including our auditing and related professional practice standards, are not effective unless approved by the SEC. Our annual (and any supplemental) budgets are also subject to SEC approval. And, as provided in the Act, PCAOB inspection report findings, adverse remediation determinations, and disciplinary actions against registered firms and their associated persons are subject to review by the SEC.

This Strategic Plan sets forth goals, objectives and strategies to achieve our mission. In addition, consistent with the SEC rule on the approval process for the PCAOB budget, this Strategic Plan provides the framework for developing the PCAOB annual budget. Specifically, we have established the following three overarching goals –

\(^1\) This plan uses the term "public companies" as shorthand for the companies that are "issuers" under the Act and the Board's rules. This includes domestic public companies, whether listed on an exchange or not, and foreign private issuers.
Goal 1: Effective Oversight: Foster effective use of our unique knowledge and insight into audit practices, risks, and trends, to design and implement the most effective audit oversight programs and regulatory activities that will further investor protection and the public interest in informative, accurate and independent audit reports.

Goal 2: Constructive Impact: Make a positive difference in the market for audit services and advance trends for quality financial reporting by enhancing the relevance, quality and transparency of the audit and strengthening independence, objectivity, skepticism and accountability in audit firm culture for the benefit of the investing public.

Goal 3: Dedicated People: Establish a collaborative workplace culture that supports our mission by promoting excellence, integrity, fairness, diversity, accountability, and careful stewardship of our resources.
**Mission**

To protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports.

**Core Values**

In pursuing our mission, the PCAOB is committed to the following values –

- **Public Interest and Stewardship**: We are committed to protecting investors and serving the public interest when carrying out our responsibilities in a manner that demonstrates careful stewardship over our resources.

- **Excellence, Integrity and Fairness**: We are committed to quality and continual learning in an environment that demands the highest personal and professional conduct exercised in a consistent, equitable and balanced manner. In exercising our oversight authority, the PCAOB strives to treat registered public accounting firms and associated persons in a fair, impartial and consistent manner.

- **Teamwork and Diversity**: We are committed to maintaining a collaborative work environment based upon a culture of openness, cooperation, trust, accountability and respect. We are committed to enhancing our practice of inclusiveness and to seeking to enrich our programs through a staff that brings a diversity of experience, skills, cultures, and backgrounds.
Matrix of Strengths, Weaknesses, Opportunities and Threats

In developing this Strategic Plan, we have taken into consideration the environment in which we operate, including both the environment in which financial reporting and auditing take place as well as the PCAOB’s own internal and operational environment. Commencing in 2011, we have considered the PCAOB’s strengths (characteristics that should endure and can be used for the PCAOB to achieve its mission), weaknesses (characteristics or obstacles that can be mitigated or addressed for the PCAOB to achieve its mission), opportunities (factors and situations, both internal and external, that could allow the PCAOB to further its mission) and threats (challenges that may adversely affect the PCAOB’s programs and operations or prevent the PCAOB from achieving its mission).

The Board’s goals, objectives, and strategies in this plan are designed to take advantage of the opportunities presented to the PCAOB by using its strengths, recognizing and, where possible, addressing its weaknesses, making appropriate use of such opportunities and addressing and minimizing its threats (“SWOT analysis”).
### Strengths
- PCAOB's independence and role in capital markets
- Experienced and knowledgeable staff who are committed to our mission, providing a foundation for a robust auditor oversight program
- Human capital represented by the skills and experience of our staff
- Unique knowledge and information related to audit practices gained through more than ten years of inspection and enforcement experience
- Close working relationship with other regulators and standard setters, including the SEC, Financial Accounting Standards Board ("FASB"), Financial Industry Regulatory Authority ("FINRA") and other U.S. and non-U.S. regulators and standard setters

### Weaknesses
- Non-public nature of the Board's disciplinary process under the Sarbanes-Oxley Act deprives the public of the Board's views of applicable rules and standards and impedes broader compliance. This weakness is structural and would require legislative action to remedy.
- Restrictions on public reporting of certain inspections information and our analysis of inspection results to the investing public, including audit committees
- Competition for talent
- Necessity of updating legacy information technology

### Opportunities
- Leverage the market's interest in information about the audit to enhance the relevance of the audit
- Use our Center for Economic Analysis ("Center") to further enhance our economic analysis throughout the PCAOB's oversight programs
- Leverage our knowledge and experience from our interim broker-dealer audit inspection program to establish an effective broker and dealer auditor oversight program
- Build on our regulatory experience to address changing circumstances, such as –
  - Emerging markets;
  - Audits of financial statements under International Financial Reporting Standards ("IFRS");
  - Growth of consulting and other business practices at large firms
- Use inspections to address certain impediments posed by the structure of global networks in identifying and analyzing systemic root causes of failed audits in firms affiliated with these networks and share that information where appropriate with non-U.S. regulators
- Leverage advances in our understanding of audit risk, financial reporting and audit practices, and emerging developments, such as advances in technology, to update audit performance standards
- Enhance relationships with regulators and international organizations around the world to improve the relevance and quality of the audit and to improve investor protection
- Strengthen our internal analyses and processes as well as the effectiveness of our programs and operations by making use of sophisticated information, data management and analysis technology
- Develop and mature our administrative operations, including human resources, financial and risk management, to further support our mission and short- and long-term goals and initiatives

### Threats
- Lack of access to certain non-U.S. firms for purposes of inspections or investigations
- Potential disengagement by non-U.S. regulators from a meaningful joint inspection process
- Challenges of anticipating the implications of the expansion of consulting on auditor independence and audit quality
- Protection of PCAOB data from increasingly advanced cybersecurity threats
**Goals, Objectives and Strategies**

**Goal 1:** Effective Oversight: Foster effective use of our unique knowledge and insight into audit practices, risks, and trends to design and implement the most effective audit oversight programs and regulatory activities that will further investor protection and the public interest in informative, accurate and independent audit reports

**Objectives:**

A. Through research, risk analysis, and standard setting, effectively and efficiently respond to emerging audit risks and trends

**Strategies**

- **Use Knowledge from Oversight.** Use the knowledge gained from our oversight activities and outreach to identify emerging risks and trends and develop appropriate responses through issuing standards, publishing audit practice alerts, consultation papers, summary reports, research notes, policy statements, interpretative releases, speeches and other means.

- **Enhance Economic Analysis.** Continue to enhance and effectively employ our economic analysis tools, including by continuing to implement staff guidance, foster informative economic, behavioral and other research related to auditing, and develop post-implementation review and pilot programs for new standards.

- **Continue to Evaluate and Implement Technology Capabilities to Support Enhanced Economic and Risk Analysis.** Continue to support the data aggregation and analysis efforts of the Center and the Office of Research and Analysis, and evaluate and implement technology capabilities to enhance quantitative and qualitative analyses to support the PCAOB’s inspection, enforcement and standard-setting programs, including by establishing effective and efficient data aggregation and management guidelines and tools.

- **Improve Transparency into the Audit Process including the Audit Report and Firm Business Model.** Improve transparency into the audit process, through, among other efforts, initiatives related to (1) identification of audit partners and other accounting firms participating in audits, (2) standards and rules to implement changes in the audit report, (3) a concept release related to audit quality indicators, (4) coordination with the SEC’s initiatives, and (5) analysis of firm business models and monitoring of related developments in the European Union ("EU").
• **Seek Insight on PCAOB Standard Setting.** Facilitate evidence gathering and research by exploring and developing new mechanisms to engage the full participation of a broad cross-section of investors, preparers, auditors, academics and the public, including the Standing Advisory Group, Investor Advisory Group, members of the academic community, economists and others. Seek input on key projects, such as improving auditor performance (including with respect to use of other auditors and specialists, fair value measurements, estimates, and going concern), audit firm quality controls (including failure to supervise), auditor's reporting model, auditor independence issues, and transparency of the audit.

• **Engage Effectively with Other Standard Setters and Regulators.** Engage effectively in the standard-setting projects of other U.S. and non-U.S. standard setters and regulators, share information, insight and concerns among regulators as appropriate, and continue to evaluate the changes in standards suggested by inspection results, data assembly and analysis, and other observable trends. Identify and report implementation problems to accounting standard setters and share observations, trends and possible challenges related to auditability of new or proposed accounting standards.

• **Develop Risk-Based Performance and Reporting Standards.** Develop new and update current audit and related professional practice standards that (1) are clear, concise and enforceable, adequately describe the PCAOB's expectations for auditors, are risk-based, and can be implemented by all registered public accounting firms, regardless of firm size or location, (2) reflect consideration of comments received from public rulemaking documents, meetings with members of PCAOB advisory groups, and other outreach activities, (3) take into account relevant observations from PCAOB oversight activities and relevant research and analysis, including economic analysis, and (4) consider the work of other standard setters, including the International Auditing and Assurance Standards Board ("IAASB").

• **Publish Guidance and Assess Implementation of New Standards.** Assess and respond to audit risk to enhance investor protection through improved audit quality by (1) publishing appropriate implementation and other guidance; (2) publishing timely staff practice alerts in response to identified audit and financial reporting risks; and (3) assessing the effectiveness of the implementation of the Board's standards on engagement quality review, risk assessment, audit committee communications, and related parties and standards for broker-dealer audits and conveying the results of these reviews and addressing any issues identified, as appropriate.
• **Analyze Potential Emerging Areas of Audit Risk.** Analyze current events and emerging trends that may lead to increased audit risk, such as, for example, changes in economic conditions, new accounting standards, and cybersecurity risks which could affect financial reporting, including practices relating to issuer audit client cybersecurity risks. Consider developing internal task force and practice alert related to cybersecurity risks and its impact on audits. Consider guidance regarding the audit implications relating to the new revenue recognition accounting standards.

• **Contribute to Audit Issues Debate.** Contribute to the debate on issues relevant to auditor oversight by participating in and, where appropriate, taking a lead in regional, national and international meetings and conferences to share knowledge. Focus, as appropriate, on roles of the regulator, auditor, audit committee, and the audit market in maximizing enhancements to audit quality.

B. Through inspections and enforcement actions and initiatives, respond to audit opinions issued without reasonable basis, understand root causes of deficiencies, and communicate insights on audit practices

**Strategies**

• **Improve the Quality of Audits Through the Inspections Process.** Perform inspections that are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits. Respond to detected weaknesses and deficiencies by issuing inspection reports and assessing remedial actions taken. Strive to conduct inspections, issue inspection reports and review remedial efforts in a timely manner, using Board resources wisely and maintaining high standards of thoroughness and technical accuracy.

• **Analyze Root Causes of Quality Control and Audit Deficiencies.** Collect and analyze the root causes of quality control and audit deficiencies identified by the PCAOB and the firms, consult with outside experts and facilitate academic research on root cause analysis, as appropriate. Issue information to firms and the public, through general reports and otherwise, about root-cause analysis of systemic issues.

• **Reinforce Quality Control in the Global Network Firms.** Through the global network firm inspection program, advance across all global network firms (1) the effective use of root-cause analysis of systemic issues and (2) global firm-wide commitment to effective remediation.
• **Promote Quality Control Among the Non-Affiliate Firms.** Continue to refine process to engage firms early in the remediation process to review and provide feedback on firms’ draft remediation submissions and to discuss root cause analysis.

• **Assess and Respond to Audit Risk.** Assess and respond to known or potential trends in audit risk, including fraud, by, among other things, evaluating comparatively, across firm and issuer categories, firms’ actions to identify root causes of audit and quality control deficiencies. Refine inspection policies and procedures as needed.

• **Provide Additional Information on Remediation Process.** Provide information to the investing public and registered public accounting firms describing the process for evaluating firms’ responses to quality control criticisms included in inspection reports, including specific communications to registered firms and other communications designed to enhance public understanding of the Board’s criteria and process for evaluating the firms’ remedial actions. Consider a process to study and, if appropriate, communicate publicly effective root cause and remediation processes.

• **Monitor and Analyze the Business Models of Audit Firms.** Collect and analyze information describing the business models for registered accounting firms, with a focus on identifying and responding to potential audit quality risks posed by such business models.

• **Achieve Deterrence and Accountability Through Investigations and Disciplinary Proceedings.** Respond to non-compliance with applicable laws and standards by conducting investigations and disciplinary proceedings and imposing sanctions, as appropriate. Prioritize matters involving elevated potential risk of harm to investors or to Board processes. Strive to conduct investigations and disciplinary proceedings in a timely manner to enhance deterrence and accountability, using Board resources wisely and maintaining high standards of thoroughness and fairness.

• **Use Risk Analysis to Guide Inspections and Investigations.** Use risk analysis to guide inspections and investigations, with a focus on addressing risks associated with (1) global networks of firms, (2) foreign markets, including China, (3) effects of the global financial crisis, including extrapolating from that crisis to anticipate future risks, (4) audits of financial statements under IFRS, and (5) growth of consulting practices at the largest firms. Consider whether new areas of inspection or enforcement focus should be added in light of major risk to audit integrity.
• **Build on Relationships with Non-U.S. Counterparts Through Joint Inspection Regimes.** Continue to build upon and foster effective relationships with counterpart regulators, including through joint task forces, joint inspections, cooperation on investigations, resource sharing and training. Facilitate appropriate involvement in and innovation of the joint inspection regime, for both global networks and other audit regulators' inspection regimes.

C. **Further develop a regulatory and operational infrastructure to carry out oversight authority relating to broker-dealer auditors**

**Strategies**

- **Plan for and Propose a Permanent Inspection Program by Continuing to Gather and Analyze Information through the Interim Inspection Program.** Continue to expand the scope of the information and analysis from the interim inspection program to help inform the Board's determinations about the scope and elements of a permanent inspection program, including developing the approach to inspections under a permanent program and issuing proposed rules.

- **Continue to Report on the Progress of the Interim Inspection Program.** Issue annually a report on the progress of the interim inspection program to describe significant observations from inspections, address matters related to the development of a permanent inspection program, and provide an overview of anticipated future actions.

- **Monitor the Transition to Conducting Broker-Dealer Audits under PCAOB Standards as well as the Implementation of New Standards for Audits of Brokers and Dealers.** Monitor the transition to PCAOB standards for the financial statement audit, as well as the implementation of the Board's standards for attestation engagements related to broker and dealer compliance and/or exemption reports required by the SEC and related amendments to PCAOB standards.

- **Respond to Audit Deficiencies.** Consider and take appropriate actions in response to deficiencies identified by inspectors in broker-dealer audits, including observations relating to independence violations. Emphasize inspection findings generally in communication, and in coordination, with the SEC as needed, and take disciplinary actions where appropriate.
D. Communicate to investors, preparers, auditors and other public constituencies analyses and results of PCAOB oversight activity, consistent with the framework of the Act

Strategies
- **Collect and Analyze Unique Data and Knowledge and Communicate Findings.** Collect and analyze relevant data and unique knowledge gained from the PCAOB's inspections, enforcement and other activities and communicate our findings as appropriate to the public and accounting profession through public reports, disciplinary orders, speeches by PCAOB Board members and staff, and other means.

- **Enhance Processes and Systems for Analysis and Usefulness of PCAOB Actions.** Enhance the PCAOB's processes and systems to improve analysis and effectiveness of PCAOB regulatory actions, including by conducting analyses across firms over time, in order to better understand the state of audit quality and better inform the PCAOB's regulatory activities and initiatives.

- **Develop Audit Quality Indicators to Advance Information and Knowledge About Audit Quality.** Continue the development of audit quality indicators to enable interested parties to compare audit quality and to facilitate analysis of key aspects of public company auditing, both at the engagement and firm level. As appropriate, develop concise, summary-level reporting on the state of audit quality and other relevant information about auditing for use by the PCAOB, investors, audit committees and audit firms.

E. Reinforce and extend the emerging cross-border audit oversight regime, consistent with the particular needs and circumstances of the participants

Strategies
- **Complete Bilateral Cooperative Arrangements with Remaining European Regulators and Strengthen Existing Cooperative Relationships.** Complete bilateral cooperative arrangements with audit regulators in the remaining EU jurisdictions in which there are registered public accounting firms that are subject to PCAOB inspection because the firms have issued an audit opinion while registered with the PCAOB. Strengthen relationships with audit regulators in EU jurisdictions with which the PCAOB has existing cooperative arrangements and engage in discussions with EU member states and the European Commission toward renewal of the 2013 adequacy decision which expires in 2016.
• **Build on the U.S.-China Strategic and Economic Dialogue to Conduct Cross-Border Inspections of Registered Firms located in China.** Continue to build on the commitments made at the U.S.-China Strategic and Economic Dialogue as well as ongoing bilateral discussions to achieve a cooperative agreement providing for cross-border inspections of registered public accounting firms located in China. In the event such agreement is not reached on a timely basis in 2015, consider what other actions the PCAOB should pursue to address our inability to conduct inspections in China.

• **Participate as Leaders in IFIAR.** Participate as leaders in the International Forum of Independent Audit Regulators ("IFIAR") to facilitate the sharing of relevant data and unique knowledge among independent audit regulators around the world to further investor protection globally.

• **Coordinate Cross-Border Information Sharing, Investigations, Regulatory Policy and Trend Analysis.** Coordinate cross-border investigations, regulatory policy and trend analysis with the SEC and interact and share information effectively and appropriately with other U.S. and non-U.S. regulators, international organizations, and auditing standard setters, to foster better audit quality globally.
Goal 2: Constructive Impact: Make a positive difference in the market for audit services and advance trends for quality financial reporting by enhancing the relevance, quality, and transparency of the audit and strengthening independence, objectivity, skepticism and accountability in audit firm culture for the benefit of the investing public.

Objectives:

A. Improve the relevance and usefulness of the audit report for the investing public

Strategies

- **Analyze Comments and Views Received on How the Audit Report Could be Made More Relevant and Useful and Adopt Standards and Rules.** Continue to analyze insights from research, roundtables, consultation, economic analysis and public comment regarding potential changes to the auditor’s reporting model; and adopt appropriate standards and rules to implement changes to the audit report to provide investors with a more informative and meaningful audit report.

- **Monitor Developments in Other Jurisdictions relating to Auditor Reporting.** Monitor auditor reporting requirements around the world, consider approaches adopted in other jurisdictions, and engage with other standard setters.

B. Enhance auditors’ independence, objectivity, and professional skepticism

Strategies

- **Monitor and Hold Auditors Accountable Through Inspections and Enforcement.** Monitor and hold auditors accountable to high standards of independence, objectivity and professional skepticism through inspections and, where necessary, disciplinary proceedings.

- **Monitor Developing Approaches to Enhance Independence, Objectivity, and Professional Skepticism.** Monitor approaches to enhance independence, objectivity and professional skepticism of auditors, including consideration of the effects emerging in other jurisdictions of mandatory audit firm rotation, with a focus on the EU experience. Consider the work product resulting from increasing academic attention to auditor independence and firm rotation, and take into account the effects of the firms’ business models.

- **Identify and Discuss Regulators’ Views on Firm Culture and Respond to Such Views.** Through our participation in IFIAR, bilateral engagement with non-U.S. regulators, and interaction with global leadership of global network firms, identify and discuss across jurisdictions how firm culture
may affect auditor independence, objectivity, and professional skepticism, and implement effective ways, both at home and internationally, to respond as necessary.

- **Stress Importance of Focus on Root Causes for Audit Deficiencies.** Enhance the PCAOB's analysis and communication to public constituencies of root causes for audit deficiencies, including supervision within the firm, professional skepticism and objectivity through, among other things, audit practice alerts and standard-setting projects.

C. Improve transparency related to the PCAOB's activities and information relating to all categories of registered public accounting firms

**Strategies**

- **Improve the Content and Readability of Inspection Reports and Timeliness of General Reports.** Improve the timeliness, content and readability of inspection reports and general reports, including incorporation of outreach results from the Board’s advisory groups, the Board’s Forums on Auditing in the Small Business Environment and other roundtables on ways to improve the usefulness of reports.

- **Inform on Benefits of Public Enforcement Proceedings.** Continue to inform interested constituencies about the benefits of public enforcement proceedings and the concurrent limitations of the confidentiality of PCAOB-filed enforcement proceedings and related legislative proposals.

- **Provide PCAOB Information and Related Training for Auditors From Small Firms Through Forums.** Provide PCAOB information, training, and access to PCAOB personnel for auditors of smaller issuers and brokers and dealers through Forums on Auditing in the Small Business Environment and on Auditing Smaller Broker-Dealers.

- **Enhance the Usefulness of the PCAOB’s Website as an Effective and Efficient Tool to Communicate with Stakeholders.** Disseminate appropriate and useful information about the PCAOB’s regulatory activities relating to registered public accounting firms to the public in a timely and meaningful manner. Continue to identify ways to make the PCAOB’s website more useful for the investing public and audit committees, including enabling investors to identify an issuer’s auditor and engagement partner via ticker symbol and company name.

- **Conduct Research to Inform Audit Quality with Market Analysis.** In connection with work on developing audit quality indicators, conduct systematic research, through economic and behavioral analysis, on competition based on audit quality and develop concise, summary-level
reporting on the state of audit quality and other relevant information about auditing.

D. Where possible, consistent with the Act and our mission, engage stakeholders to contribute to improving the quality of corporate governance

Strategies

• **Extend Outreach to Audit Committees.** Extend the PCAOB’s outreach to and interaction with audit committees to constructively engage in areas of common interest, including auditor independence, objectivity and professional skepticism and audit quality. Engage the Board's advisory groups and others in discussion to further explore areas of common interest; develop materials to provide information about PCAOB activities; enhance the PCAOB website to provide better, targeted access to information for audit committees; and consider roundtables, seminars or other forums to facilitate dialog with audit committee members.

• **Monitor Firms’ Implementation of the Audit Committee Communication Standard.** Monitor the implementation and effectiveness of the new standard enhancing communications between auditors and audit committees.

• **Consider Effects on Corporate Governance of Audit Practice, Audit Trends, and Potential Regulatory Actions.** Through economic analysis, other research and outreach to stakeholders, consider the effects on corporate governance of audit practice, audit trends and potential regulatory actions.

E. Build upon relationships and contribute leadership to establish effective and practical cross-border oversight of auditing to the global economy

Strategies

• **Build upon Relationships with Non-U.S. Regulators, IFIAR and Other International Organizations to Reinforce PCAOB Mission.** Build upon the PCAOB’s relationships with non-U.S. regulators, IFIAR and other international organizations to reinforce the PCAOB's mission, oversight programs and near-term priorities, and develop a lasting institutional foundation at IFIAR to further the PCAOB's programs and priorities over the longer term, including improving audit quality and investor protection.

• **Develop Steps to Address Lack of Access to Certain Non-U.S. Firms.** Develop steps to be taken to protect investors in U.S. public companies that are audited by registered firms located in jurisdictions that do not allow the Board to conduct inspections.
• **Host and Participate in Programs for Other Regulators.** Continue to host and participate in educational and technical assistance programs for other regulators, including non-U.S. audit regulators on a bilateral and multilateral basis, to promote strong relationships among regulators and independent audit oversight globally. Participate as presenters and panelists at international workshops and conferences and host regulatory institutes and forums which utilize practical experiences and case studies to promote constructive dialogue among regulators on effective audit regulation.

F. **Use the Center to enhance the use of economic analysis, empirical tools and analysis, and performance measures throughout PCAOB programs**

**Strategies**

• **Maintain and Continue to Develop the Center.** Maintain and continue to develop the Center to (1) render advice on how economic theory and analysis can be used and further developed to enhance the effectiveness of PCAOB programs, (2) foster economic research on audit-related topics, including the role and relevance of the audit in capital markets, and (3) develop empirical tools for use in the PCAOB's oversight programs.

• **Leverage the Use of Data Collected by the PCAOB to Enhance Economic Analysis in the PCAOB's Programs and Research.** Work with the inspections and enforcement staff to determine and understand the scope of the data available for analysis. Through collaboration with other PCAOB divisions and offices, develop a data dictionary of the information collected by the PCAOB and organize it to facilitate its use in statistical and econometric analyses.

• **Attract Highly Skilled Economists, Including Integration of Multidisciplinary Expertise, to Conduct Economics Research on Audit-Related Topics and Develop a Fellowship Program.** Continue to hire staff economists and others from related disciplines to conduct economics research on audit-related topics and develop a vibrant fellowship program of senior fellows and PhD candidates to conduct research on the economic effects and implications of auditing.

• **Hold Economic Conferences to Engage the Academic Community, Spur and Gain Insights from Research.** Plan and hold economic conferences with leading economists and other academics to present and discuss scholarly papers on audit-related topics, including trends in the profession and the future direction of the profession, to promote development of economic research on auditing.
- **Enhance Use of Economic Analysis in the PCAOB's Programs.** Enhance use of economic analysis in the PCAOB’s programs, including by (1) working with research and analysis staff to test potential audit quality indicators, (2) working with inspections staff to consider enhancing use of random selection in addition to its risk-based approach to selection of audits and areas to inspect, (3) supporting standard-setting initiatives by facilitating baseline and other economic analyses and exploring the feasibility of using pilot programs in standard-setting, and (4) maintaining an internal committee to coordinate economic analysis and research throughout the PCAOB.

- **Develop a Program to Conduct Post-Implementation, or Retrospective, Reviews of Standards.** Develop, in coordination with other PCAOB divisions and offices, a framework for post-implementation review of audit and related professional practice standards.

- **Develop Economic Analysis that Focuses on External Economic Factors that Cause Potential Fraud Pressures and Risks.** Through coordination and collaboration with other PCAOB divisions and offices, analyze evidence, research, and data related to the auditor’s approach to detecting financial statement fraud, economic impacts of financial statement fraud, and trends in financial statement fraud and seek to encourage further academic research in these areas.

- **Continue to Evaluate and Refine the PCAOB's Performance Measures.** Continue to evaluate and refine the PCAOB’s performance measures through the Center’s work with the PCAOB’s divisions and offices and identify opportunities to improve internal processes related to (1) referrals to inspection and enforcement programs, (2) the timeliness and effectiveness of the standard setting process and (3) international activities across programs. Identify additional program areas that would benefit from performance measures, and work with the respective divisions and offices in developing those measures.
Goal 3: Dedicated People: Establish a collaborative workplace culture that supports our mission by promoting excellence, integrity, fairness, diversity, accountability, and careful stewardship of our resources

Objectives:

A. Attract, retain and develop a highly skilled, diverse and innovative staff with the utmost integrity

Strategies

- **Maintain a Culture that Emphasizes Integrity, Effectiveness and Accountability of Programs and Operations.** Emphasize to staff and potential recruits the importance of integrity, effectiveness, fairness and accountability of the PCAOB’s programs and operations by continuously promoting robust ethics, compliance and internal oversight functions, and by regularly communicating the importance of these matters.

- **Recruit from Diverse Backgrounds.** Recruit experienced and knowledgeable individuals with diverse backgrounds, including by encouraging underrepresented groups to consider a career at the PCAOB.

- **Further Develop Highly-Skilled Staff.** Enhance the PCAOB’s training programs and support other training opportunities with (1) initiatives to deepen technical skills, and (2) career and leadership development opportunities for PCAOB staff, including cross-divisional development opportunities such as rotations to other divisions and offices.

- **Engage Staff.** Continue to develop and implement appropriate employee satisfaction and retention tools based on evaluations of compensation and benefits programs and the PCAOB’s engagement survey. Opportunities include providing career and leadership development, cross-divisional training opportunities, succession planning, work-life balance, market competitive benefits, performance-based compensation, enhanced performance-management programs, and non-monetary rewards such as recognition programs and awards.

- **Develop a Human Capital Strategic Plan.** Develop a robust Human Capital Strategic Plan that, in addition to articulating the PCAOB’s approach to utilizing its human capital, focuses on developing mechanisms for assessing the Board’s diversity and inclusion efforts and monitoring the engagement levels of staff.
B. Promote the careful stewardship of PCAOB resources

Strategies

- **Strengthen Resources and Expertise.** Adjust workforce mix, information technology, tools, and methodologies to support programmatic and administrative operations and to ensure resources continue to be used efficiently and effectively, and accountability is maintained.

- **Strengthen Operational and Reporting Processes.** Continue to improve our internal processes in programmatic and administrative areas to support the effective use of resources, using technology as applicable.

- **Evaluate and Modernize Information Systems that Support Core Human Resources and Finance Processes.** Continue to evaluate and modernize information systems that support core Human Resources and Finance processes, with a view to increasing process efficiencies, reducing system complexity, and enhancing automation.

- **Reassess and Align the PCAOB’s Office Space with Business Needs.** Continue to reassess the type, quantity and location of office spaces required to enhance employee effectiveness and support the PCAOB’s initiatives, including undertaking renovation projects as needed.

- **Continue to Enhance Employee Safety in PCAOB Facilities and While on Travel.** Continue to enhance employee safety in PCAOB facilities and while on travel by assessing risks, monitoring effective practices, evaluating opportunities to improve safety, and developing and implementing appropriate measures to continue to promote safety.
Progress and Performance:
Accomplishments and Progress Measures and
Performance Measures and Indicators

We are monitoring our progress with respect to meeting our goals and objectives over the next several years, relying on a combination of specific accomplishments and progress measures, both qualitative and quantitative. Accomplishments and progress measures (i) represent specific actions that result in progress toward certain goals, such as the Board's near-term priorities that were set out in our November 2012 Strategic Plan and our major effort related to the integration of economic analysis into the PCAOB's programs described in our November 2013 Strategic Plan, and (ii) are built into our subsequent plans. Qualitative measures include discussions such as those found in our general purpose inspection reports, and other descriptive summaries of registered firms' audit practices that demonstrate the effect of the PCAOB's oversight activities. Quantitative measures demonstrate an objective assessment of our ability to achieve results.

While we recognize the inherent difficulties in measuring improvements and progress in audit quality and the ultimate impact on the investing public of the PCAOB's program activities, we are providing information on recent accomplishments and progress. We have also established certain quantifiable performance measures and indicators, which are designed to assist in demonstrating the PCAOB's progress in achieving our mission. Performance measures relate to certain activities for which the PCAOB is directly responsible; the indicators relate to those activities that the PCAOB may not directly control but may be of interest for management or policy purposes. The results associated with the measures and indicators provide us with additional information and insight into our performance relative to our current and past efforts. The measures and indicators also assist in determining how we may need to add or reallocate our resources, which in turn informs the PCAOB's annual budgets.

As our organization gains more experience and with guidance from our newly established Center for Economic Analysis, we will continue to seek additional ways – both qualitative and quantitative – to measure our accomplishments and progress in achieving our mission. Towards this end, we continue to pursue the strategy on evaluating and refining the PCAOB's performance measures in order to continue to assess the value of our measures to the oversight of the PCAOB's programs and to the public more broadly and add to, delete or adjust them accordingly.
Accomplishments and Progress Measures – Near-Term Priorities from November 2012 Strategic Plan and Economic Analysis Integration Effort from November 2013 Strategic Plan

### Near-Term Priority: Inspection Reports

**Description:** Improving the timeliness, content and readability of inspection reports, including through outreach designed to improve usefulness of reports

**Actions Taken since November 2012:**

- Conducted outreach to the Standing Advisory Group ("SAG"), academic community through the PCAOB academic conference, Investor Advisory Group ("IAG"), Forums on Auditing in the Small Business Environment, and other venues on improvements to the usefulness of PCAOB inspections reports. As part of these outreach efforts, the PCAOB began to collect valuable feedback on the content of the PCAOB’s inspections reports.
- Maintained an operational focus on the timely issuance of inspection reports.
- Developed and implemented timeline and process improvements with a continued focus on maintaining quality.
- Revised PCAOB’s inspection report formats to reference inspection findings in inspection reports to PCAOB auditing and quality control standards or other rules and consolidated standardized language in certain inspection reports to one area of the report.
- Solicited and began evaluating feedback from various constituencies on inspection reports related to references to PCAOB auditing and quality control standards or other rules, and developed options for providing additional linkage of findings in inspection reports to such standards and rules in subsequent inspection reports.
- Solicited views and began evaluating feedback from certain audit committee members on how the Board may improve the usefulness of its publicly issued inspection reports.

**Status:** Efforts made with respect to this priority in 2013 and 2014 have resulted in new processes and program work, which are now incorporated into enhanced strategy, Goal 2.C.1 (Improve the Content and Readability of Inspection Reports and Timeliness of General Reports) that the Board will further pursue in 2015.

### Near-Term Priority: Timeliness of Remediation Determinations and Information on Process

**Description:** Improving the timeliness of remediation determinations and providing additional information on the PCAOB's remediation process

**Actions Taken since November 2012:**

- Implemented process changes, in particular the addition of dedicated resources, which have resulted in the finalization of many remediation determinations.
- Provided additional information on the PCAOB's remediation process at Forums on Auditing in the Small Business Environment.
- Increased communication with domestic global network firms to achieve a better
understanding by firms of the PCAOB's remediation determinations and the
actions expected of the firms.

- Detailed information on the remediation process to accompany inspection
  reports has been developed, provided to firms and made available on the
  PCAOB website.
- Maintained an operational focus on the timeliness of remediation
determinations.

**Status:** Efforts made with respect to this priority in 2013 and 2014 have resulted in
new processes and program work, which are now incorporated into enhanced strategy,
Goal 1.B.6 (*Provide Additional Information on Remediation Process*) that the Board will
further pursue in 2015.

---

**Near-Term Priority: Audit Quality Indicators**

**Description:** Initiating a project to identify audit quality measures, with a longer-term
goal of tracking such measures with respect to domestic global network firms and
reporting collective measures over time

**Actions Taken since November 2012:**

- Surveyed existing work on audit quality indicators, developed a preliminary
  framework for the continuing project on potential audit quality indicators.
- Solicited feedback from the SAG, IAG, the PCAOB academic conference, and
  other groups.

**Status:** Efforts made with respect to this priority in 2013 and 2014 have resulted in
new processes and program work, which are now incorporated into the following
enhanced strategies that the Board will further pursue in 2015: Goal 1.D.3 (*Develop
Audit Quality Indicators to Advance Information and Knowledge about Audit Quality*)
and Goals 1.A.4 (*Improve Transparency into the Audit Process including the Audit
Report and Firm Business Model*).

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**Near-Term Priority: Analysis of Inspections Findings**

**Description:** Enhancing the PCAOB's processes and systems to improve analysis
and usefulness of PCAOB inspections findings, including comparative analysis across
firms over time, in order to better understand audit quality in firms and better inform
the PCAOB's standard-setting and its other regulatory activities

**Actions Taken since November 2012:**

- Issued *Observations from 2010 Inspection of Domestic Annually Inspected
  Firms Regarding Deficiencies in Audits of Internal Control Over Financial
  Reporting*.
- Issued *Observations Related to the Implementation of the Auditing Standard on
  Engagement Quality Review*.
- Reinforced continual interaction among our standard setting, inspections,
  research and analysis, and enforcement programs to discuss inspection
  findings and trends.
- Enhanced the PCAOB's Inspections Information System to improve and
  facilitate inspection process workflow and analysis.
- Developed a compendium of domestic global network firm inspection report
findings for internal use and analysis.
• Allocated resources to expand the compendium to include all registered firm inspection report findings.
• Used compendium of inspection report findings to assist research for certain standard-setting projects.

**Status:** Efforts made with respect to this priority in 2013 and 2014 have resulted in new processes and program work, which are now incorporated into enhanced strategy, Goal 1.D.2 (Enhance Processes and Systems for Analysis and Usefulness of PCAOB Actions) that the Board will further pursue in 2015.

**Near-Term Priority: Standard-Setting Process**

**Description:** Enhancing the framework for the PCAOB’s standard-setting process in order to improve the effectiveness of the process as well as the standard-setting project tracking information provided to the investing public.

**Actions Taken since November 2012:**
• Documented enhanced standard-setting framework.
• Proposed reorganization of PCAOB standards.
• Augmented economic analysis capabilities.
• Published project updates on a quarterly basis.
• Began issuing staff consultation papers to obtain and integrate formal comment from stakeholders earlier in the development of new standards.
• Began to perform, on a project-by-project basis, a root cause analysis to understand the nature of project development delays and identify resolutions to enable projects to continue moving forward.
• Began evaluation the PCAOB’s standard-setting process, focusing on additional ways to make the process more effective and efficient.

**Status:** Efforts made with respect to this priority in 2013 and 2014 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2015:

Goal 1.A.7 (Develop Risk-Based Performance and Reporting Standards); Goal 1.A.1 (Use Knowledge from Oversight); Goal 1.A.6 (Engage Effectively with Other Standard Setters and Regulators); Goal 1.A.5 (Seek Insight on PCAOB Standard Setting); Goal 1.A.2 (Enhance Economic Analysis); Goal 2.F.5 (Enhance Use of Economic Analysis in the PCAOB's Programs); Goal 2.F.8 (Continue to Evaluate and Refine the PCAOB's Performance Measures); Goal 2.C.4 (Enhance the Usefulness of the PCAOB’s Website as an Effective and Efficient Tool to Communicate with Stakeholders)
Near Term Priority: Audit Committee Outreach

Description: Enhancing PCAOB’s outreach to and interaction with audit committees to constructively engage in areas of common interest, including auditor independence and audit quality

Actions Taken since November 2012:

- Developed materials, such as Audit Practice Alerts Nos. 10, 11, 12, 13, summary reports on inspections observations on internal control over financial reporting audits, triennial inspections, and engagement quality review to engage audit committees in areas of common interest.
- Included focused guidance to audit committees in inspection reports, general reports and audit alerts on using the reports and alerts.
- Engaged the SAG, IAG and other groups, in discussion to further explore areas of common interest, including an extended discussion at the May 2013 SAG and October 2014 IAG meetings.
- Engaged small firm auditors through the 2013 Forums on Auditing in the Small Business Environment on the relationship between the auditors and audit committees.
- Monitored certain non-US regulators’ respective plans for audit committee outreach initiatives and results.
- Enhanced participation by Board Members and staff in outreach events focused on audit committee members.
- Updated the PCAOB website to include information tailored for audit committee members.
- Solicited views and began evaluating feedback from certain audit committee members on how the Board may improve the usefulness of its publicly issued inspection reports.

Status: Efforts made with respect to this priority in 2013 and 2014 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2015: Goal 2.D.1 (Extend Outreach to Audit Committees) and Goal 2.C.4 (Enhance the Usefulness of the PCAOB’s Website as an Efficient and Effective Tool to Communicate with Stakeholders)

Major Effort: Integration of Economic Analysis into PCAOB Programs

Description: Effective integration of the analytical tools of economic analysis, including behavioral economic analysis, into the programs of the PCAOB (Over time, this will include baseline analysis of the role of the audit in financial market phenomena, post-implementation review of new auditing and professional practice standards, and related issues germane to audit regulation.)

Actions Taken since November 2013:

- Established Center for Economic Analysis, which hired staff and began operations in early 2014, to study the role and relevance of the audit in capital formation and investor protection, and to encourage related economic research.
- Released Staff Guidance on Economic Analysis in PCAOB Standard Setting.
• Established an Economic Research Fellows Program to foster economic research on the role of auditing in capital markets that will inform PCAOB oversight activities, solicited fellows for the 2014-2015 academic year, and is in the process of soliciting fellows for the 2015-2016 academic year.
• Established an Inspections Fellowship Program to offer experienced staff from the PCAOB’s Division of Registration and Inspections the opportunity to interact with economic research fellows, sharing their knowledge of auditing while learning and developing new skills.
• Established an internal cross-divisional Economics Coordination Committee to deploy effectively the work of staff economists throughout the PCAOB.
• Developed empirical tools for use in the PCAOB’s oversight programs, such as facilitating access to data collected by inspections staff for economic research and internal programmatic use.
• In conjunction with the Journal of Accounting Research, held the first annual economic conference on Auditing and Capital Markets.
• Began developing an activity plan for the Center.

Status: Actions taken with respect to this effort in 2014 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2015: Goal 2.F.5 (Enhance Use of Economic Analysis in the PCAOB’s Programs); Goal 1.A.2 (Enhance Economic Analysis); Goal 1.A.3 (Continue to Evaluate and Implement Technology Capabilities to Support Enhanced Economic and Risk Analysis); Goal 2.F.1 (Maintain and Continue to Develop the Center); Goal 2.F.2 (Leverage the Use of Data Collected by the PCAOB to Enhance Economic Analysis in the PCAOB’s Programs and Research); Goal 2.F.3 (Attract Highly Skilled Economists, Including Integration of Multidisciplinary Expertise, to Conduct Economics Research on Audit-Related Topics and Develop a Fellowship Program); Goal 2.F.4 (Hold Economic Conferences to Engage the Academic Community, Spur and Gain Insights from Research); Goal 2.F.6 (Develop a Program to Conduct Post-Implementation, or Retrospective, Reviews of Standards); Goal 2.F.7 (Develop Economic Analysis that Focuses on External Economic Factors that Cause Potential Fraud Pressures and Risks); Goal 2.F.8 (Continue to Evaluate and Refine the PCAOB’s Performance Measures)
Performance Measures and Indicators

Goal 1: Effective Oversight: Foster effective use of our unique knowledge and insight into audit practices, risks, and trends to design and implement the most effective audit oversight programs and regulatory activities that will further investor protection and the public interest in informative, accurate and independent audit reports.

The measures and indicators related to this goal assist in demonstrating the effectiveness of the PCAOB’s oversight, particularly with respect to the PCAOB’s performance in the following areas: (1) conducting inspections in its global network firm, non-affiliate firm, and broker-dealer firm inspections programs, including issuing inspection reports and finalizing remediation submissions, (2) registering audit firms, (3) resolving formal investigations, (4) identifying potential audit failures and other potential auditor misconduct for investigation, and (5) focusing on "high-priority" investigations.

Measure 1-1: Global Network Firm Inspections Program Performance

<table>
<thead>
<tr>
<th>Relevance of Measure: This measure reflects the PCAOB's performance in conducting inspections in the PCAOB's global network firm inspections program, which includes inspections of the largest domestic registered firms and their non-U.S. affiliates.</th>
</tr>
</thead>
</table>

Measure 1-1.1: Global Network Firm Inspections Program – Number of Inspections Conducted and Portions of Issuer Audits Inspected

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Projected</td>
<td>Actual</td>
<td>Projected</td>
</tr>
<tr>
<td><strong>Number of Inspections Conducted:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Non-U.S.</td>
<td>59</td>
<td>39</td>
<td>57</td>
</tr>
<tr>
<td><strong>Portions of Issuer Audits Inspected:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>283</td>
<td>284</td>
<td>274</td>
</tr>
<tr>
<td>Non-U.S.</td>
<td>197</td>
<td>128</td>
<td>192</td>
</tr>
</tbody>
</table>

For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2013, 2014 and 2015 budgets.
Overview of Changes in Inspections Activities:

**Number of Inspections Conducted:**

**Domestic** – The number of domestic firms inspected in 2013 is consistent with the number of domestic firm inspections to be conducted in 2014 and 2015.

**Non-U.S.** – The decrease in the number of non-U.S. firms inspected in 2013 as compared to the 2013 projection and the 2014 estimate as compared to the 2014 projection is primarily due to the PCAOB’s inability to establish cooperative arrangements in time to conduct such inspections in 2013 and 2014. The decrease in the number of non-U.S. inspections assumed in the 2015 projection, as compared to the 2013 and 2014 projections, is primarily a result of the number of firms that are not included in the 2015 projection in jurisdictions where certain obstacles exist.

**Portions of Issuer Audits Inspected:**

**Domestic** – The number of portions of domestic issuer audits inspected or to be inspected for the periods presented are relatively consistent. Variances are due to the types of audit engagements selected for inspection and related fluctuations in the level of resources required.

**Non-U.S.** – The decrease in the number of portions of non-U.S. issuer audits in 2013 as compared to the 2013 projection, the 2014 estimate as compared to the 2014 projection and 2015 projection is primarily due to the decrease in the number of non-U.S. firms inspected in 2013 and to be inspected in 2014 and 2015. In addition, the number of portions of non-U.S. issuer audits inspected or to be inspected for the periods presented vary due to the types of audit engagements selected for inspection and related fluctuations in the level of resources required.
### Measure 1-1.2: Global Network Firm Inspections Program – Number of Reports Issued and Reports Aging

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Projected³</td>
<td>Actual</td>
<td>Projected</td>
</tr>
<tr>
<td><strong>Reports Issued:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>8</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Non-U.S.</td>
<td>60</td>
<td>56</td>
<td>51</td>
</tr>
<tr>
<td><strong>Reports Aging:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>–</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Reports aged greater than 12 months outstanding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-U.S.</td>
<td>23</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>Reports aged greater than 12 months outstanding</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Reports Issued:

**Domestic** – In 2013, the Division of Registration and Inspections ("DRI") transferred one global network firm ("transferred firm") to the non-affiliate firm inspections program. The 2013 actual reports issued is consistent with the 2014 projection. Both measures include the issuance of a report in each period related to the transferred firm for inspection years prior to the transfer. The 2015 projection only includes firms remaining in the global network firm inspections program.

**Non-U.S.** – The decrease in the number of non U.S. reports projected to be issued in 2015 as compared to the 2014 estimate is primarily due to the nature of certain inspections conducted in the latter half of 2014 and considered unlikely to be ready for issuance by the end of 2015.

### Reports Aging:

**Domestic** – The decrease in the PCAOB’s inspections reports aged greater than 12 months outstanding in 2014 and projected in 2015 as compared to 2013 is a result of the sustained improvement in the timeliness of inspection reports.

**Non-U.S.** – The decrease in the non-U.S. reports aged greater than 12 months outstanding at the end of 2014 as compared to 2013 relates to the issuance of a number of aged reports. The number of non-U.S. reports projected to be aged greater than 12 months outstanding at the end of 2015 is generally consistent with the 2014 projection and estimate.

³ For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2013, 2014 and 2015 budgets.
### Measure 1-1.3: Global Network Firm Inspections Program – Number of Remediation Submissions Finalized

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Projected 5</td>
<td>Actual</td>
<td>Projected</td>
</tr>
<tr>
<td>Remediation:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SubmissionsReceived</td>
<td>9</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>SubmissionsFinalized</td>
<td>13</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>Non-U.S.:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SubmissionsReceived</td>
<td>29</td>
<td>23</td>
<td>47</td>
</tr>
<tr>
<td>SubmissionsFinalized</td>
<td>42</td>
<td>33</td>
<td>29</td>
</tr>
</tbody>
</table>

**Overview of Changes in Inspections Activities:**

**Remediation:**

**Domestic** – The 2013 actual results in submissions finalized as compared to the 2013 projection decreased due to delays in finalizing certain remediation submissions in 2013, which resulted in those submissions being finalized in 2014. The decrease in the 2014 estimate of submissions finalized as compared to the 2014 projected submissions finalized is due to delays experienced by DRI in processing certain remediation submissions given the nature of those submissions. The 2015 projected submissions finalized include remediation submissions with remediation period end dates of November 2013 to June 2015.

**Non-U.S.** – The 2013 actual results in submissions finalized as compared to the 2013 projection decreased due to the timing of submissions received and the nature of certain of certain submissions received.

The number of submissions finalized in the 2014 estimate is expected to exceed the projection by the amount of the shortfall of submissions finalized in 2013 since those evaluations are expected to be finalized in 2014. The 2015 projection is based on the expected timing of the report issuances and the nature of the reports.

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4 Submissions Finalized represent remediation recommendations approved by the Board during the year presented.

5 For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2013, 2014 and 2015 Budgets.
**Measure 1-2: Non-Affiliate Firm Inspections Program Performance**

**Relevance of Measure:** This measure reflects the PCAOB's performance in conducting inspections in the non-affiliate firm inspections program, which includes domestic and non-U.S. firms that are not members of the global network structure of certain of the largest domestic registered firms.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Inspections Conducted:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>174</td>
<td>169</td>
<td>168</td>
</tr>
<tr>
<td>Non-U.S.</td>
<td>27</td>
<td>14</td>
<td>27</td>
</tr>
<tr>
<td>Portions of Issuer Audits Inspected:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>518</td>
<td>435</td>
<td>452</td>
</tr>
<tr>
<td>Non-U.S.</td>
<td>49</td>
<td>23</td>
<td>42</td>
</tr>
</tbody>
</table>

**Overview of Changes in Inspections Activities:**

**Number of Inspections Conducted:**

**Domestic** – The number of firms inspected in 2013 as compared to the 2013 projection is generally consistent. The decrease in the number of firms to inspect in the 2014 estimate and 2015 projection from 2013 and the 2014 projection is due to a downward trend in the overall number of firms subject to inspection. This trend is primarily attributable to firm mergers, firms that have withdrawn their registration and firms that have not issued an opinion since their last inspection.

**Non-U.S.** – The decrease in the number of non-U.S. firms inspected in 2013 as compared to the 2013 projection is primarily due to the PCAOB’s inability to conduct certain inspections due to continued obstacles to the PCAOB’s review of audit work papers concerning issuers with operations in the People’s Republic of China. The 2014 projection reflects the assumption that the obstacles will be resolved in time to conduct such inspections. The 2014 estimate and 2015 projection do not include firms in jurisdictions with existing obstacles, and therefore the number of non-U.S. firms has decreased as compared to the 2013 and 2014 projections.

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6 For purposes of this measure, the term "projected" is synonymous with what is assumed in the 2013, 2014 and 2015 budgets.
Portions of Issuer Audits Inspected:

Domestic and Non-U.S. – The fluctuations in the number of portions of issuer audits inspected directly relate to the number and mix of the firms inspected.
Measure 1-2.2: Non-Affiliate Firm Inspections Program – Number of Reports Issued and Reports Aging

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Projected</td>
<td>Actual</td>
<td>Projected</td>
</tr>
<tr>
<td>Reports Issued:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>170</td>
<td>176</td>
<td>177</td>
</tr>
<tr>
<td>Non-U.S.</td>
<td>20</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Reports Aging:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reports aged greater than 12 months outstanding</td>
<td>10</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Non-U.S.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reports aged greater than 12 months outstanding</td>
<td>3</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

Overview of Changes in Inspections Activities:

**Reports Issued:**

*Domestic and Non-U.S.* – Overall, the number of reports issued for all periods presented is directly related to the number of inspections conducted or to be conducted and DRI’s efforts to continue to focus on improving the timeliness of its inspections reports.

*Domestic* – The 2014 estimate reflects an increase in the number of reports issued from the 2014 projection due to an increase in the number of issued reports related to 2014 inspections not included in the 2014 projection. The decrease in the number of reports issued in the 2015 projection as compared to the 2013 and 2014 projections is due to a downward trend in the overall number of firms subject to inspection.

*Non-U.S.* – The decrease in the number of reports issued in the 2015 projection as compared to the 2013 and 2014 projections is due to the projected decrease in the number of firms that will be inspected in 2015.

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7 For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2013, 2014 and 2015 Budgets.
**Reports Aging:**

**Domestic** – The 2013 actual reports aged greater than 12 months outstanding as compared to the 2013 projection has decreased due to the issuance of a number of aged reports in the backlog. DRI does not expect any reports aged greater than 12 months outstanding at the end of 2014 or 2015 as a result of DRI's continued efforts to decrease its backlog of inspections reports.

**Non-U.S.** – The number of reports aged greater than 12 months outstanding for all periods presented is generally consistent.
Measure 1-2.3: Non-Affiliate Firm Inspections Program – Number of Remediation Submissions Finalized

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Projected(^9)</td>
<td>Actual</td>
<td>Projected</td>
</tr>
<tr>
<td>Remediation:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Submissions Received</td>
<td>136</td>
<td>119</td>
<td>116</td>
</tr>
<tr>
<td>Submissions Finalized</td>
<td>130</td>
<td>104</td>
<td>95</td>
</tr>
<tr>
<td>Non-U.S.:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Submissions Received</td>
<td>14</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>Submissions Finalized</td>
<td>22</td>
<td>21</td>
<td>11</td>
</tr>
</tbody>
</table>

Overview of Changes in Inspections Activities:

**Remediation:**

**Domestic** – The 2013 actual results in submissions finalized as compared to the 2013 projection decreased due to the timing of submissions received.

The number of submissions finalized in the 2014 estimate is expected to exceed the projection by a portion of the shortfall of submissions finalized in 2013 since those evaluations are expected to be finalized in 2014. The 2015 projections are based on the expected timing of the report issuances.

**Non-U.S.** – The number of submissions finalized in the 2014 estimate is generally consistent with the 2014 projection. The number of submissions projected to be finalized in 2015 is a function of the reduction in the backlog of reports in 2013 and 2014 coupled with the expected timing of the report issuances in 2015.

---

\(^8\) Submissions Finalized represent remediation recommendations approved by the Board during the year presented.

\(^9\) For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2013, 2014 and 2015 Budgets.
Measure 1-3: Broker-Dealer Firm Inspections Program Performance

Relevance of Measure: This measure reflects the PCAOB's performance in conducting inspections in its broker-dealer firm interim inspections program, which includes firms that audit issuers and are subject to inspection on an annual or triennial basis and firms that audit the financial statements of broker-dealers, but not issuers.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Inspections Conducted</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>66</td>
<td>75</td>
</tr>
<tr>
<td>Portions of Broker-Dealer Audits Inspected</td>
<td>90</td>
<td>90</td>
<td>100</td>
<td>118</td>
<td>115</td>
</tr>
</tbody>
</table>

Overview of Changes in Broker-Dealer Inspections Activities:

Number of Inspections Conducted – The number of inspections in the 2014 projection is consistent with the number of inspections conducted in 2013. The increase in the number of inspections in the 2014 estimate and 2015 projection represent increases in coverage for the broker-dealer firm interim inspections program before the establishment of a permanent inspection program.

Portions of Broker-Dealer Audits Inspected – The number of portions of broker-dealer audits to be inspected in the 2015 projection represents a 15 percent increase compared with the 2014 projection. The increase in the number of portions of broker-dealer audits in the 2014 estimate as compared to the 2014 projection reflects an increase in coverage of audits inspected before the establishment of a permanent inspection program.

10 For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2013, 2014 and 2015 Budgets.
### Measure 1-4: Audit Firm Registration Performance

**Relevance of Measure:** This measure reflects the PCAOB’s performance in reviewing registration applications.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Received Applications Acted Upon within the Statutory Time Frame</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Overview of Changes in Audit Firm Registration Activity:**

In 2013, the PCAOB considered and approved registration applications of 94 accounting firms, including 26 non-U.S. firms, within the statutory time frame. The PCAOB disapproved one registration application. Similarly, the 65 registration applications processed between January 1, 2014 and September 30, 2014, were acted upon within the statutory time frame. No changes to this rate of action are currently anticipated. Should there be a significant change in the number of firms seeking to register; the PCAOB intends to adjust its registration resources accordingly to allow action to continue to occur on a timely basis.

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**Note:**

For purposes of this measure, the term "projected" is synonymous with what is assumed in the 2013, 2014 and 2015 budgets.
### Measure 1-5: Timely Resolution of Formal Investigations

**Relevance of Measure:** This measure identifies the percentage of formal investigations ordered by the Board that have been resolved within three years of the opening of the formal investigation.\(^\text{12}\)

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Percentage Resolved Within 3 Years of Formal Start of Investigation</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
</tr>
<tr>
<td>Actual Percentage Resolved Within 3 Years of Formal Start of Investigation</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Overview of Changes in Activities:**

In each year between 2010 and 2013, the PCAOB exceeded its performance measure goal of resolving at least 66% of its formal investigations within three years of opening:

- 2010: 69 percent
- 2011: 91 percent
- 2012: 75 percent
- 2013: 100 percent

In 2014 and 2015, the Division of Enforcement and Investigations’ ("DEI") expects to continue meeting its performance measure of 66% for the year. This projection, though, will depend on DEI's workload of litigated matters, current investigations, including the complexity and breadth of those investigations, and whether ongoing investigations for which disciplinary proceedings are appropriate will be contested. As the PCAOB conducts a greater number of investigations and disciplinary proceedings, it will assess whether its target for resolving formal investigations within three years remains appropriate.

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\(^{12}\) This calculation takes into consideration: (1) the institution of disciplinary proceedings to be litigated; (2) the settlement of instituted disciplinary proceedings; (3) the deferral of a PCAOB investigation to an investigation of the same alleged auditor misconduct by the SEC or another regulator; and (4) the closure of the formal investigation without a recommendation to institute a disciplinary proceeding.
**Indicator 1-1: Percentage of Formal Investigations Arising within the PCAOB**

**Relevance of Indicator:** This indicator emphasizes the PCAOB’s goal of continuing to draw upon the experience and expertise of internal sources (e.g., DRI and the Office of Research and Analysis (“ORA”)) to identify potential audit failures and other potential auditor misconduct for investigation. The indicator measures the percentage of new formal investigations that DEI initiates each year based on internal referrals from DRI and ORA.

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Percentage of Enforcement Cases Arising within the PCAOB</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Actual Percentage of Enforcement Cases Arising within the PCAOB</td>
<td>45%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Overview of Changes in Activities:**

The PCAOB’s investigations arise from a number of sources, including inspections of registered firms, ORA,\(^\text{13}\) other regulators, public disclosures of restatements and auditor changes, news reports and confidential tips. In DEI’s experience, internal sources have generated a significant percentage of investigations in which DEI has identified failures by registered public accounting firms and associated persons to conduct audits of the required quality. In 2015, DEI intends to continue to look for opportunities to refine the process through which it receives referrals from DRI.

DEI also will continue to consider carefully external sources of investigations and will focus on "high priority" matters (see Indicator 1-2) arising out of those sources.

\(^\text{13}\) Certain referrals from DRI to DEI have originated with referrals from ORA to DRI.
Indicator 1-2: Percentage of Formal Investigations Deemed "High-Priority"

Relevance of Indicator: This indicator emphasizes the PCAOB's approach to seeking to maximize its ability to protect investors, achieve appropriate deterrent effects and improve audit quality by focusing on "high-priority" investigations. The indicator measures the percentage of formal investigations that DEI opens each year that are deemed high-priority.

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Percentage of &quot;High-Priority&quot; Investigations</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>Actual Percentage of &quot;High-Priority&quot; Investigations</td>
<td>91%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overview of Changes in Activities:

The Board exercises its enforcement authority strategically, focusing on serious violations of PCAOB standards or securities laws by auditors. “High-priority” investigations involve significant investor protection considerations such as improving audit quality by strengthening skepticism, objectivity and independence of the audit profession, as well as the protection of Board regulatory processes. In 2015, the PCAOB intends to continue to deploy its resources strategically while monitoring emerging areas of risk to investors.
Goal 2: Constructive Impact: Make a positive difference in the market for audit services and advance trends for quality financial reporting by enhancing the relevance, quality and transparency of the audit and strengthening independence, objectivity, skepticism and accountability in audit firm culture for the benefit of the investing public.

The measures and indicators related to this goal assist in demonstrating the constructiveness of the PCAOB's impact, particularly with respect to the PCAOB's outreach efforts, including the Forums on Auditing in the Small Business Environment and Forums on Auditing Smaller Broker-Dealers, and its progress in establishing relationships with non-U.S. regulators.

| Measure 2-1: Feedback from Forums on Auditing in the Small Business Environment |
|---------------------------------|-----|-----|-----|
| Relevance of Measure:           |     |     |     |
| This measure shows the extent to which participants in Forums believe that Forum sessions meet the stated learning objectives by a score of 4.0 or higher (on a scale of 1.0-5.0), as rated by attendees. |
| Performance Measure             | 2013| 2014| 2015|
| Projected Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0 | 90% | 90% | 90% |
| Actual Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0 | 100% |     |     |
| Number of survey respondents    | 492 |     |     |
| Number of Attendees             | 691 |     |     |

Overview of Changes in Activities:

The results of this measure are used to shape the content and focus of future Forums. In 2012, the PCAOB held seven Forums updated to reflect comments and observations during the preceding year. The PCAOB maintained its target rating of 4.0 or higher for a minimum of 90% of its sessions during the year. A total of 693 people attended the seven Forums held in 2012; 404 responded to the survey, with 100% of respondents rating the Forums 4.0 or higher.

The PCAOB had planned to hold seven Forums during 2013. In light of sequestration considerations, the PCAOB held six Forums, which followed a format similar to that of prior years but also included a panel discussion on fraud and professional skepticism. The PCAOB maintained its target rating of 4.0 or higher for a minimum of 90% of its sessions during the year. A total of 691 people attended the six Forums in 2013; 492 responded to the survey, with 100% of respondents rating the Forums 4.0 or higher.

In 2014, the PCAOB plans to hold seven Forums, which will follow a format similar to that of 2012 and 2013, but will include a panel discussion on risk assessment. Six of these Forums have been held as of October 31, 2014. A total of 628 people attended these Forums; 404 responded to the survey, with 98% rating the Forums 4.0 or higher.
The PCAOB plans to maintain its target rating of 4.0 or higher for a minimum of 90% of its sessions during 2014.

The PCAOB plans to hold five Forums in 2015, following a format similar to that of prior years. The PCAOB plans to maintain its target rating of 4.0 or higher for a minimum of 90% of its sessions during the year.
Measure 2-2: Feedback from Forums on Auditing Smaller Broker-Dealers

Relevance of Measure: This measure shows the extent to which participants in Forums on Auditing Smaller Broker-Dealers believe that Forum sessions meet the stated learning objectives by a score of 4.0 or higher (on a scale of 1.0-5.0), as rated by attendees.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Percentage of Small Business Forum Sessions</td>
<td>85%</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td>Rated 4.0 or higher out of 5.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual Percentage of Small Business Forum Sessions</td>
<td>100%</td>
<td>100%</td>
<td>–</td>
</tr>
<tr>
<td>Rated 4.0 or higher out of 5.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of survey respondents</td>
<td>298</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Attendees</td>
<td>431</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overview of Changes in Activities:

The results of this measure are used to shape the content and focus of future forums.

As a result of the implementation of the Dodd-Frank Act amendments to the Act, the PCAOB, as part of its outreach to auditors of brokers-dealers began to hold Forums targeted specifically to newer registrants with non-public broker-dealer clients in 2011.

In 2012, the PCAOB held four Forums on Auditing Smaller Broker-Dealers. The format of these events was similar to the 2011 Forums and the PCAOB planned to maintain a target rating of 4.0 or higher for a minimum of 85% of the sessions during the year. A total of 506 people attended the four Forums held during 2012; 404 responded to the survey, with 100% rating the Forums 4.0 or higher.

The PCAOB had planned to hold four Forums on Auditing Smaller Broker-Dealers in 2013. In light of sequestration considerations, the PCAOB held two Forums in 2013. A total of 431 people attended these Forums; 298 responded to the survey, with 100% rating the Forums 4.0 or higher.

In 2014, the PCAOB plans to hold four Forums, which will follow a format similar to that of 2012 and 2013 forums. Three of these Forums have been held as of October 31, 2014. A total of 492 people attended these Forums; 321 responded to the survey, with 100% rating the Forums 4.0 or higher. The PCAOB plans to continue to maintain its target rating of 4.0 or higher for a minimum of 85% of its sessions during 2014.

The PCAOB plans to hold five Forums on Auditing Smaller Broker-Dealers in 2015 following a format similar to that of prior years. The PCAOB plans to continue to maintain its target rating of 4.0 or higher for a minimum of 85% of its sessions during 2015.
Measure 2-3: Progress in Establishing and Maintaining Relationships with Audit Oversight Bodies or Other Relevant Non-U.S. Regulators in Jurisdictions Where the PCAOB Conducts Inspections or Should Inspect

Relevance of Measure: This measure shows the cumulative number of jurisdictions with which the PCAOB has either established or maintained contact, a working relationship or a cooperative arrangement with non-U.S. regulators in those non-U.S. jurisdictions where the PCAOB conducts inspections or should inspect. This performance measure was revised in 2014 to provide more specific information on the PCAOB’s contacts and working relationships with its non-U.S. counterparts, including those with whom the PCAOB has concluded a cooperative arrangement or needs to conclude a cooperative arrangement to conduct inspections.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish or maintain working relationship with non-U.S. regulators in jurisdictions with which the PCAOB has concluded a cooperative arrangement</td>
<td>N/A</td>
<td>22</td>
<td>27</td>
</tr>
<tr>
<td>Actual Number of Jurisdictions</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish or maintain contact or working relationship with non-U.S. regulators in jurisdictions with which the PCAOB has not concluded a cooperative arrangement, but such an arrangement is not necessary for conducting PCAOB inspections</td>
<td>N/A</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Actual Number of Jurisdictions</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish or maintain working relationship with non-U.S. regulators in jurisdictions requiring a cooperative arrangement for conducting PCAOB inspections but where such cooperative arrangement has not yet been concluded</td>
<td>N/A</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Actual Number of Jurisdictions</td>
<td>15</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overview of Changes in Activities:

The PCAOB develops relationships with non-U.S. regulators to facilitate its inspections of registered non-U.S. firms and exchange confidential information with regard to firms that fall within the jurisdiction of the PCAOB and the foreign regulator. In many non-U.S. jurisdictions, the PCAOB is able to conduct inspections without having to enter into a cooperative arrangement; however, in a number of jurisdictions, cooperative arrangements are a prerequisite for conducting PCAOB inspections or the non-U.S. regulator prefers to have a cooperative agreement in place in order to permit the exchange of confidential information.

In 2013, the PCAOB concluded cooperative arrangements with France and Finland. After an extension of the European Commission’s adequacy determination (which is in effect until 2016), the PCAOB also renewed its existing cooperative arrangements with the United Kingdom, the Netherlands, Germany, Spain, France, Finland, and Norway.

In 2014, the PCAOB concluded cooperative arrangements with Sweden and Denmark and continued to make progress on concluding cooperative arrangements with
regulators in other jurisdictions in the European Union, Latin America, Asia-Pacific and the Middle East.

In 2015, the PCAOB plans to maintain its existing contacts and working relationships and will seek to conclude additional cooperative arrangements with other non-U.S. jurisdictions in the European Union and elsewhere that require cooperative arrangements before the PCAOB may conduct inspections in such jurisdictions or that seek cooperative arrangements to facilitate the exchange of information.
### Measure 2-4: International Auditor Regulatory Institute Feedback

**Relevance of Measure:** This measure shows the percentage of participants who agree that the Institute was effective in meeting its learning objectives based on participants’ responses to a survey distributed at the Institute.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall, the program presented useful information about the structure and operations of the PCAOB</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected percentage of Institute participants that agree</td>
<td>90%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Actual percentage of Institute participants that agree</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Overall, the program addressed the current issues facing audit oversight globally</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected percentage of Institute participants that agree</td>
<td>90%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Actual percentage of Institute participants that agree</td>
<td>94%</td>
<td>96%</td>
<td></td>
</tr>
<tr>
<td>Overall, the program promoted discussion among our diverse group of attendees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected percentage of Institute participants that agree</td>
<td>90%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Actual percentage of Institute participants that agree</td>
<td>89%</td>
<td>96%</td>
<td></td>
</tr>
<tr>
<td>Number of survey respondents to the above measures</td>
<td>37</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Number of participants</td>
<td>95</td>
<td>76</td>
<td></td>
</tr>
</tbody>
</table>

**Overview of Changes in Activities:**

The PCAOB hosted the seventh PCAOB International Auditor Regulatory Institute on November 18-20, 2013 and the eighth Institute on November 17-19, 2014. Participants’ percentage ratings for 2014 increased overall compared to participants’ ratings for 2013. The level of participation for 2014 decreased compared to the level for 2013. The PCAOB will host the ninth Institute in the fall of 2015.
Indicator 2-1: Number of Participants and Jurisdictions that Attend the International Auditor Regulatory Institute

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Number of Participants</td>
<td>80</td>
<td>80</td>
<td>70</td>
</tr>
<tr>
<td>Actual Number of Participants</td>
<td>95</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td>Projected Number of Jurisdictions</td>
<td>35</td>
<td>35</td>
<td>30</td>
</tr>
<tr>
<td>Actual Number of Jurisdictions</td>
<td>35</td>
<td>31</td>
<td></td>
</tr>
</tbody>
</table>

Overview of Changes in Activities:

The PCAOB hosted the seventh International Auditor Regulatory Institute for non-U.S. regulators and government officials on November 18-20, 2013. Approximately 95 representatives from 35 jurisdictions attended.

The PCAOB hosted the eighth International Auditor Regulatory Institute for non-U.S. regulators and government officials on November 17-19, 2014, with attendance of 76 representatives from 31 jurisdictions and five international organizations. These numbers represent a 20% decrease in representatives attending, and an 11% decrease in jurisdictions represented relative to 2013. The PCAOB plans to host the ninth Institute in the fall of 2015.