



Public Company Accounting Oversight Board

Strategic Plan

2008 - 2013

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Introduction

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

Title I of the Sarbanes-Oxley Act of 2002 (Act) – the landmark legislation that created the PCAOB as the independent nonprofit overseer of the auditors of public companies – serves as the strategic blueprint for developing the PCAOB's programs and operations. Notably, it is the Act itself that sets forth the PCAOB's mission and identifies its core functions.

The Act gives the PCAOB four primary responsibilities: registration of accounting firms that audit public companies trading in U.S. securities markets; inspections of registered public accounting firms; establishment of auditing and related attestation, quality control, ethics, and independence standards for registered public accounting firms; and investigation and discipline of registered public accounting firms and their associated persons for violations of specified laws or professional standards.

Since its inception, the Board has moved aggressively to develop these four program areas to fulfill its statutory responsibilities, and in doing so takes a supervisory approach to auditor oversight. Under this approach, the Board endeavors to address many auditing problems through a combination of inspections and standards-setting. The PCAOB's supervisory model uses several tools to improve audit quality, correct audit deficiencies, and promote compliance with applicable standards and laws. In particular, these tools include regular dialogue with registered public accounting firms about quality control defects that may have weakened the quality of the firms' audits, publication of inspection reports of registered firms, and issuance of guidance or other reports on practices the PCAOB identifies in the course of its inspections or otherwise. The Board exercises its enforcement authority, in support of this model, to address serious violations of PCAOB standards or securities laws by auditors under its jurisdiction.

Although the PCAOB is a private sector entity, the Act gives the Securities and Exchange Commission (SEC or Commission) oversight authority over the Board. In addition to appointing members of the Board, the SEC, among other things, must approve the PCAOB's budget and rules, including auditing standards, and may review appeals of adverse Board inspection reports and disciplinary actions against registered firms.

This Strategic Plan is intended to align the PCAOB's programs, operations, and budget with the overall mission, goals, and objectives of the organization. In addition to serving as a roadmap for the PCAOB, this Strategic Plan provides the framework for developing the PCAOB's annual budget. Under this plan, the PCAOB has the following four overarching goals --

- Goal 1:** Promote investor confidence in audited financial statements of public companies through an effective use of a supervisory model of oversight of registered public accounting firms
- Goal 2:** Inform, educate and obtain feedback from a broad cross-section of the audit profession, market participants and other interested parties about the PCAOB's oversight activities and best practices in the auditing profession
- Goal 3:** Further strengthen the effectiveness and coordination of auditor oversight efforts in the United States and abroad
- Goal 4:** Operate the PCAOB in a manner that recognizes its public mission and responsibility to exercise careful stewardship over its resources

As outlined below, each goal has corresponding objectives and supporting initiatives that highlight some of the key tools that the PCAOB will use to achieve that goal.

Mission Statement

The PCAOB's mission, as derived from the Act, is to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports.

Vision

The PCAOB seeks to be a model regulatory organization. Using innovative and cost-effective tools, the PCAOB will aim to improve audit quality, reduce the risks of auditing failures in the U.S. public securities market, and promote public trust in both the financial reporting process and auditing profession.

Core Values

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

- ◆ **Public Interest:** The Board and the staff of the PCAOB are committed to protecting investors and serving the public interest when carrying out their responsibilities.
- ◆ **Integrity:** Given the nature and significance of the PCAOB's mission under the Act, it is the personal responsibility of the Board and the staff of the PCAOB to maintain the highest possible ethical standards.
- ◆ **Excellence:** The Board and the staff of the PCAOB are committed to high-quality analysis and high performance in their oversight of registered public accounting firms.
- ◆ **Effectiveness and Efficiency:** The Board recognizes that the PCAOB is primarily supported by fees from public companies and understands its responsibility to manage resources effectively and efficiently.
- ◆ **Fairness:** In exercising its regulatory and enforcement authority, the PCAOB is committed to treating registered public accounting firms and associated persons in a fair, impartial and consistent manner.
- ◆ **Flexibility and Innovation:** The PCAOB will be forward-thinking, anticipate risks, and respond to rapidly emerging issues with its flexible and innovative programs and operations.
- ◆ **Accountability:** The Board and the staff of the PCAOB accept responsibility for their actions and decisions.
- ◆ **Teamwork:** The PCAOB will maintain a team of outstanding, highly qualified, experienced professionals, who are expected to collaborate in a work environment based upon cooperation and trust.

Key Environmental Factors

The environment in which the PCAOB operates, as well as the broader environment in which financial reporting and public company audits take place, could affect the PCAOB's ability to achieve its goals, objectives, and corresponding initiatives. The PCAOB routinely considers the environmental factors that affect it and the performance of financial reporting and public company auditing. In this regard, this Strategic Plan is subject to adjustment in response to environmental changes that could fundamentally impact the PCAOB's activities. Several key factors are discussed below, as well as how these factors may affect the PCAOB's approach to delivering on its mission, with due regard for the PCAOB's unique strengths and challenges. The PCAOB intends to monitor these factors, adjust its priorities and activities as appropriate, and modify the Strategic Plan accordingly.

Staff Recruitment, Development and Retention. The resource most critical to the PCAOB's ability to achieve its goals and objectives is its staff. It is largely through the staff, as guided by the Board, that the PCAOB is able to implement the historic shift from self-regulation of the auditing profession to regulation by an independent oversight body that the Act established. The PCAOB protects the investing public from the risks associated with poor quality audits by reviewing portions of audits, gleaned from those audits both specific failings and systemic flaws, and addressing problems identified by applying its regulatory tools, including engaging in dialogue with firms on remediation plans, enforcing applicable laws, rules and standards, and proactively developing new rules and standards to correct or avert more widespread problems. Each of these steps requires substantial, thoughtful and experienced staff involvement. As discussed below, the PCAOB faces constraints in hiring and maintaining the staff to achieve its goals and objectives.

Since the PCAOB's inception, the market for experienced accountants has been highly competitive. The PCAOB has found the employment market for experienced accountants difficult to predict, and its experience to date has been that competition for such talent is fierce. Despite these challenges, one of the PCAOB's key strengths has been the high level of expertise of the staff that it has attracted. For example, in 2007, inspection team leads for the firms subject to annual inspections had, on average, 23 years experience in public accounting. There are some indications that, in the near term, the PCAOB may experience some improvement in its ability to hire in this segment of the labor market. The PCAOB will continue to regularly assess its staffing model and compensation structure to keep the PCAOB in a position to compete for and attract the experienced accountants needed to achieve its goals, objectives and initiatives.

The adequacy of career progression and training at the PCAOB also bears directly on the PCAOB's ability to attract and to retain experienced staff to enable the PCAOB to confront new environmental changes. In particular, certain anticipated changes in the financial reporting environment, such as moves to fair value accounting, as well as potential changes, such as expansion of the use of International Financial Reporting Standards ("IFRS") and Extensible Business Reporting Language ("XBRL"), will require resources to train current staff and could substantially increase competition for staff with appropriate expertise.

Changes in Leadership. Changes in leadership, both within and outside the PCAOB, could affect the PCAOB's programs and operations. As the PCAOB matures, it is inevitable that there will be turnover of PCAOB senior staff and Board members, who are subject to certain term limits under the Act. Thus, it is critical that the PCAOB find ways to respond to such changes in leadership and transfer institutional knowledge. The PCAOB's primary tools to do so are internal information-sharing, dialogue and education.

Moreover, in addition to internal changes, given the SEC's statutory authority over the PCAOB, actions taken by the SEC relating to the PCAOB, as well as changes in leadership in the Commission and senior staff also may affect PCAOB programs and operations. The PCAOB's primary tools to address disruptions due to such external changes in leadership are outreach, education and a clearly-defined strategic plan.

Regulatory, Legislative, and Judicial Developments. The activities of the PCAOB could be affected by regulatory, legislative, and judicial developments relating to the scope of the PCAOB's responsibilities, including changes or developments relating to Title I of the Act. Any such changes could impact the PCAOB's programs and operations and result in the PCAOB requiring more or fewer resources. The PCAOB's strengths in addressing these types of emerging developments are its nongovernmental structure and its supervisory approach to oversight. These attributes allow the PCAOB to be flexible, nimble and innovative in adjusting its programs in light of any new developments.

Possible developments that could have an impact on the PCAOB's programs include judicial decisions relating to interpretation and application of auditing and related professional practice standards, judicial or regulatory actions affecting auditing firms, and changes to stock exchange listing standards. Moreover, given the SEC's statutory oversight authority over the PCAOB, policy initiatives and other actions taken by the SEC could also impact the PCAOB's programs and operations. In particular, the following developments related to SEC and other regulatory policy initiatives may impact the PCAOB's programs and operations –

IFRS. The SEC has undertaken certain rulemaking initiatives related to the acceptance of financial reporting in IFRS. In particular, the SEC adopted rule amendments allowing foreign private issuers to prepare their financial statements in accordance with IFRS, without a reconciliation to U.S. GAAP. Based on this rule change, the PCAOB has devoted and plans to continue to devote resources to, among other things, training staff in IFRS. If the SEC were to require U.S. companies, or give them the option, to prepare their financial statements under IFRS as opposed to U.S. GAAP, the PCAOB would have to devote additional resources to IFRS training to supplement the training described above, as well as possibly recruiting individuals with knowledge and expertise in IFRS. In addition, the Board would have to evaluate the need for any additional adjustments to its programs and consider the need for new initiatives to prepare for such a significant transition in financial reporting and address any concomitant risks related to public company auditing. In any event, the PCAOB plans to consider its relationship with the International Accounting Standards Board ("IASB") to stay abreast of accounting developments and enhance the IASB's appreciation for the effect of its work on public company auditing.

XBRL. The SEC has taken steps to encourage the implementation of XBRL. As the SEC initiative develops, the PCAOB will have to devote resources to familiarize itself with further XBRL developments and to work closely with the SEC to consider and, as appropriate, establish auditor responsibilities in connection with XBRL-tagged data.

Other Changes in Financial Reporting. Certain other changes in financial reporting, such as expanded requirements for fair value measurements, related increased usage of specialists, and disclosures of non-financial measures and business performance metrics, may affect public company audits. Such changes may result in the PCAOB requiring more resources in order to update or develop audit standards in these areas, as well as to train its staff in these areas to effectively carry out the PCAOB's programs.

Federal Advisory Committees. The SEC established an Advisory Committee on Improvements to Financial Reporting (“CIFiR”). In addition, the U.S. Department of Treasury established an Advisory Committee on the Auditing Profession. Recommendations from these committees may directly or indirectly affect the work of the PCAOB. To the extent that such recommendations involve the PCAOB or the broader environment in which financial reporting and auditing take place, the PCAOB would consider any related impact on the PCAOB’s programs.

Delay in Implementation of Section 404 of the Act. To date, the SEC has delayed its deadline for smaller public companies to comply with applicable regulations implementing Section 404 of the Act. The duration and status of this delay affects certain aspects of the PCAOB’s programs, such as its inspections of small firms, as well as some of the PCAOB’s outreach initiatives, such as the PCAOB’s Forums on Auditing in the Small Business Environment.

Independence Standards. Independence and professional skepticism are essential to high quality auditing, as well as to investor confidence in public company audits. The fundamental standard related to independence applicable to public company audits is memorialized in the SEC’s rules.¹ This principle is implemented and supplemented in detailed rules established by the SEC, as well as certain PCAOB rules, and certain professional rules of the American Institute of Certified Public Accountants (“AICPA”). Any significant changes in applicable auditor independence rules would require resources to train PCAOB staff on the revised rules and to adjust the inspection and enforcement programs as appropriate. If the SEC requests the PCAOB to play a greater role, the PCAOB would have to devote additional staff resources to this area.

Registration of Auditors of Non-Public Broker Dealers. If the SEC were to determine to stop providing auditors of non-public broker-dealers with relief from the registration provisions of the Act, the process of registering those auditors would require, at the least, for some period of time, additional registration-related resources.

Profile of the Audit Profession. The PCAOB faces the challenge of overseeing a diverse population of registered public accounting firms, including firms based in the U.S. and abroad and ranging from sole proprietorships to large audit firms with extensive global networks.² In addition, the PCAOB faces certain challenges due to the concentration of the audit market. According to the January 2008 report of the Government Accountability Office (“GAO”), the four largest accounting firms audit 98 percent of the more than 1,500 largest public companies (i.e., those companies with annual revenues of more than \$1 billion). In contrast, midsize and smaller audit firms audit almost 80 percent of the more than 3,600 smallest companies (i.e., those companies with revenues of less than \$100 million).³

¹ See Rule 2-01(b) of the SEC’s Regulation S-X, the SEC’s general standard on auditor independence. 17 C.F.R. § 210.2-01(b).

² As of February 26, 2008, 1,840 accounting firms were registered with the Board. Of these 1,840 registered firms, 982 are U.S. and 858 are non-U.S. The domestic registered firms are based in 47 states, the District of Columbia, Guam and Puerto Rico, and the non-U.S. registered firms are located in 85 countries. Currently, ten U.S. firms and one Canadian firm have more than 100 public company audit clients and must be inspected on an annual basis. The PCAOB is also required to inspect approximately 875 of the 1,840 registered firms on a triennial basis.

³ See GAO Report to Congressional Addressees: *Audits of Public Companies – Continued Concentration in Audit Market for Large Public Companies Does Not Call for Immediate Action*, Report GAO-08-163 (January 2008).

Firms of different sizes present different challenges to the PCAOB and risks to the investing public. While difficult to generalize, smaller firms do not have sufficient resources to invest in the technical skills and quality controls necessary to be able to audit large or multi-national clients. In addition, resource constraints, as well as lack of opportunity and experience, have prevented smaller firms from diversifying their practices the way larger firms have been able to do. At the same time, a smaller firm may be able to devote relatively more senior-level attention to a client than a large firm. Moreover, a smaller firm, which focuses on one industry and has developed an expertise in audits of that industry, may, in fact, provide higher quality audits in that particular area than a larger firm with no particular expertise in that area. The PCAOB's strength in addressing the challenges associated with both these smaller firms as well as larger firms is its ability to tailor its programs to address differences in the size and nature of firms..

The audit client profiles of these registered public accounting firms are continually changing. Changes to the client bases of these registered firms may impact the PCAOB's programs and operations. Of the firms that the Board will inspect in 2008, currently eleven are subject to annual inspections and must, under the Board's rules, be inspected in 2008 because they issued audit reports for more than 100 issuer audit clients in 2007. If one or more registered public accounting firms increases its public company client base and becomes subject to annual inspections, the PCAOB will have to devote additional resources to conduct annual inspections of those firms. Conversely, to the extent that registered public accounting firms with more than 100 public company audit clients decrease their public company client base, the PCAOB would have to adjust its inspection program, freeing up resources to devote to other inspections.

Changes in registered firms' operations may also impact how the PCAOB performs its inspections and the areas on which the PCAOB focuses. For example, improvements in risk management, quality control and internal operations of firms could have an effect on the scope and focus of PCAOB inspections. In addition, improvements in technology at firms, particularly larger firms may make the collection of inspection information more efficient and facilitate the PCAOB's analysis of such information. Separately, changes in the economic, political and/or regulatory environment may exacerbate certain pressures on auditors, including, pressures to improve audit practice margins and pressures to assuage audit clients facing deteriorating economic and business conditions. The PCAOB plans to continually evaluate the effect of new developments in the business of auditing, on its inspections and other programs.

Through its inspection and remediation processes, the PCAOB aims to protect investors from the risks associated with a significant and abrupt change in the availability of audit services. To this end, the PCAOB coordinates with other regulators to assess and address potential future risks. While the investor harm associated with poor auditing of the past continues to work its way through court cases and regulatory investigations, the PCAOB endeavors to avoid future investor harm by improving audit quality to reduce the risk of a firm failing. If there were a significant and abrupt change in the availability of audit services, the PCAOB would work closely with the SEC to minimize disruption and other harm to investors.

Auditing-related Initiatives by the Profession. The International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC") and the AICPA's Auditing Standards Board ("ASB") provide forums through which auditors can share knowledge, expertise, and best practices in auditing. In particular, the IAASB focuses on developing auditing standards appropriate for a variety of entities around the world, including statutory audits for public entities as well as private entities.

The ASB develops auditing standards for non-public companies in the U.S. In contrast to the PCAOB, the IAASB and the ASB do not have direct regulatory authority. However, the standards gain authority when adopted by jurisdictions. A number of jurisdictions have applied or adapted one or the other's standards, to varying extents, as local regulatory or professional requirements.

As an independent standards-setter charged by Congress to protect the interests of investors in U.S. securities in particular, the PCAOB endeavors to benefit from the work of other standard setters and professional bodies. Thus, in each of the PCAOB's standards-setting projects, the PCAOB monitors the work of the IAASB and the ASB to leverage best practices and other auditing enhancements. To do so, the PCAOB is developing plans to elevate its role and devote additional resources to engage with these professional bodies.

The PCAOB's coordination with these bodies does not replace the importance of its own timely and effective leadership in establishing auditing standards that address audit risks associated with the variety of environments in which audits of public companies, including foreign private issuers, take place. To this end, the PCAOB plans to continue to examine audit risks on a global basis, through inspections and otherwise, and develop auditing standards that require auditors of issuers to tailor their audits to address those risks.

Changes in Capital Markets. Developments in the capital markets or emerging financial reporting problems underscore the importance of the PCAOB's risk-based approach to its programs and/or adjustments to its training and staffing levels in certain areas. The PCAOB's risk-based approach enables it to nimbly adapt its programs in response to emerging issues. For example, given the recent subprime crisis, the PCAOB has devoted, and may continue to devote, certain resources to monitor these developments, as well as train staff in this area. In addition, the PCAOB has made certain adjustments to its inspection program to assess subprime-related auditing implications. As the subprime crisis unfolds, related auditing implications may require further adjustments to the PCAOB's programs, training, and staffing levels. The emergence of new financial products and structures may also require additional training for PCAOB technical staff.

Globalization and Cross-Border Auditing. With an increasingly globalized and complex world economy, both U.S. and non-U.S. registered public accounting firms audit financial statements on which investors in U.S. securities rely. Many U.S.-based public companies have branches, subsidiaries, and joint ventures around the globe, and many non-U.S.-based companies trade in U.S. markets. The consequences of inaccurate financial reporting and of other financial frauds do not stop at national borders. As such, in meeting its statutory mandates, the PCAOB is faced with the challenge of taking into consideration cultural, legal and political differences of regulatory regimes around the world as it continues to develop its cooperative approach to oversight of audit firms that operate in the global capital markets. In addition, with the increased globalization of audit firms' operations, the PCAOB is focusing in its inspection process on how these global networks operate cross-border. Given the breadth of the effect of globalization on PCAOB programs, the PCAOB's strategies related to globalization permeate this Strategic Plan.

Technology. The PCAOB strives to use technology effectively to support its business needs. As the PCAOB's programs become more robust, it will be better able to select appropriate technology solutions. In particular, the PCAOB endeavors to harness technology to improve its oversight of registered firms through a more efficient collection and analysis of inspections information. As the PCAOB works to achieve its goals and objectives, it is more carefully balancing its related technology needs against associated costs. It

also is working to strengthen IT governance by adopting more formal processes that allow for appropriate prioritization, funding and oversight of new program initiatives. Separately, the PCAOB will need to continue to ensure that its existing systems, including its technology infrastructure, are appropriately scaled and are robust, reliable and secure. As the PCAOB matures, it expects to further streamline its IT infrastructure and operations, and adjust resources accordingly.

FEF v. PCAOB, et al. On March 21, 2007, the U.S. District Court for the District of Columbia issued its decision granting summary judgment to the PCAOB in the constitutional lawsuit filed by the Free Enterprise Fund and Beckstead & Watts LLP. On April 13, 2007, plaintiffs filed an appeal to the United States Court of Appeals for the District of Columbia. The continued defense of the lawsuit will likely require significant resources.

Goals and Objectives

Goal 1: Promote investor confidence in audited financial statements of public companies through an effective use of a supervisory model of oversight of registered public accounting firms

Objectives:

- A.** Continue to integrate risk assessment approaches into the PCAOB's programs that encourage collaboration in the identification and measurement of emerging accounting and auditing issues and other key areas of risk that might lead to audit failures
- Identify audit risk related to public companies, types of transactions, accounting methods, industries or registered public accounting firms to enhance the risk-focusing of inspections, to identify potential matters for investigation, and to promote risk reducing activities in registered public accounting firms
 - Enhance collaboration among divisions and offices with regard to the sharing of risk-based analyses and information
- B.** Conduct a risk-focused inspection program for registered public accounting firms that evaluates and identifies areas of potential improvement in the practices, processes and quality controls of these firms, reports the findings to the affected firms, and determines whether appropriate remediation by the firms has occurred
- Conduct inspections in accordance with the supervisory model
 - Achieve timely issuance of final inspection reports following the completion of inspection fieldwork
 - Continue to tailor inspection programs for registered U.S. and non-U.S. firms to firm size and nature, while assuring proper consistency across similar inspections, based on risk assessments and other pertinent information
 - Fulfill annual inspection plans consistent with approved schedules and policies, including the Board's reliance policy for inspections of non-U.S. firms
 - Implement AS No. 5 within the inspections program through a robust training program on the provisions of the standard and a customized approach to the first years' inspections of the new standard

- C. Develop or improve standards and guidance for conducting audits that will provide a framework for promoting high quality and scalable audits**
- Utilize tools effectively -- such as auditing standards, Q&As, audit practice alerts, and PCAOB Rule 4010 reports -- to support the supervisory model in improving audit practice
 - Prioritize standards-setting and related projects to protect investors and further the public interest in the preparation of informative, fair, and independent audit reports, taking into consideration emerging issues and developments (e.g., IFRS, XBRL, auditor independence, auditors' responsibilities regarding fraud)
 - Develop auditing and related professional practice standards and staff guidance considering, among other things, the size and nature of registered public accounting firms and public companies
 - Further integrate into the standards-setting process evidence from inspections, enforcement, and the Office of Research and Analysis
- D. Identify situations in which registered public accounting firms and associated persons have failed to conduct audits in accordance with applicable laws, rules, and standards, investigate where needed, and take appropriate action**
- Use risk-based analyses to proactively identify auditing activities and issues that may warrant further investigation or enforcement action
 - Use enforcement authority, in supporting the supervisory model, to focus on serious violations of PCAOB standards or securities laws by auditors
 - Initiate and complete investigations and take other actions, including reporting to the Board on ongoing, as well as potential, enforcement matters, in a timely and appropriate manner

Goal 2: Inform, educate and obtain feedback from a broad cross-section of the audit profession, market participants and other interested parties about the PCAOB's oversight activities and best practices in the auditing profession

Objectives:

- A. Develop and implement a proactive outreach strategy to communicate key issues to the auditing profession, market participants and other interested parties**
- Develop messages on key issues, proactively identify audiences (including conferences, meetings, editorial boards and other groups), and identify appropriate PCAOB speakers for speaking engagements and meetings with outside parties
 - Provide guidance and education on standards-setting activities, including auditors' responsibilities regarding fraud
 - Enhance the public Web site, as necessary, to facilitate communications with interested parties
 - Consider the PCAOB's appropriate role in the event of a significant and abrupt change in the availability of audit services
- B. Maintain effective and timely communications with registered public accounting firms with respect to specific risks related to public company auditing and improvements in audit quality, effectiveness and efficiency**
- Evaluate communications with registered public accounting firms and enhance, as appropriate
 - Communicate matters related to audit risk to registered public accounting firms through audit practice alerts and other methods
- C. Enhance outreach efforts to registered public accounting firms that are not subject to PCAOB annual inspections and to smaller public companies**
- Provide guidance and education for auditors and other audiences about internal control over financial reporting at smaller public companies
 - Continue Forums on Auditing in the Small Business Environment

- D. Continue to seek ways to provide the investing public with information about registered public accounting firms and their practices that have not been made available in the past, to reflect best practices and emerging risks in the auditing profession**
- Take action on confidential treatment requests related to registration applications and continue to maintain public access to registration data
 - Finalize annual and other reporting rules and implement an integrated system for maintaining internal and public access to registration data and annual/other reports
 - Utilize PCAOB Rule 4010 reports to publish public summaries, compilations, or other general reports concerning the procedures, findings, and results of inspections for informational use by the public
 - Proactively seek opportunities to communicate key messages to appropriate audiences of investors
- E. Maintain an effective and dynamic program to obtain feedback and insights from investors, public companies, registered public accounting firms and other interested parties on the PCAOB's proposals and emerging issues related to its work**
- Use the PCAOB's Standing Advisory Group (SAG) and other ad hoc task forces and working groups to obtain input on standards-setting projects, as well as other developments in financial reporting (e.g., IFRS, Federal advisory committee proposals)
 - Monitor the role and composition of the PCAOB's advisory groups to ensure that the Board continues to hear from all appropriate parties and groups
 - Communicate regularly with Congress, the business and investor communities and other interested parties
 - Further develop a mechanism for gathering questions that are frequently asked at conferences, meetings, and other events and develop appropriate responses to such questions for use by PCAOB speakers
 - Explain and seek feedback on the Board's policies and activities and solicit comments on the Board's rules and standards

Goal 3: Further strengthen the effectiveness and coordination of auditor oversight efforts in the United States and abroad

Objectives:

A. Coordinate effectively with the SEC, the Financial Accounting Standards Board (FASB), state regulators and other appropriate U.S. organizations to improve auditor oversight

- Maintain complementary working relationships and collaborate with the SEC, FASB, state regulators and other appropriate U.S. organizations, and participate with such groups in certain efforts related to the PCAOB's mission, such as efforts to address improvements in financial reporting and to create a more sustainable and transparent auditing profession
- Coordinate investigations and share inspections and other appropriate information with other regulators as permitted by the Act, the Board's rules and as appropriate
- Communicate with appropriate regulatory agencies and professional bodies in matters related to standards-setting

B. Work effectively with international audit regulators to facilitate inspections of non-U.S. registered public accounting firms and to strengthen global oversight of auditors of U.S. public companies

- Develop and maintain effective bilateral and multilateral relationships with appropriate non-U.S. authorities
- Finalize policy for reliance and cooperation with non-U.S. regulators
- Work with appropriate non-U.S. regulators to implement policy for reliance and cooperation

C. Play a leadership role in international efforts to improve auditor oversight and auditing practices worldwide and reduce duplication of effort

- Participate in international regulatory bodies and forums, such as the International Forum of Independent Audit Regulators, to improve coordination and oversight
- Host educational/technical assistance conferences for non-U.S. auditor regulators and government representatives
- Participate in the work of, and engage with, other auditing standards-setting bodies to benefit from, and as appropriate incorporate, new developments and techniques to promote high quality audits worldwide
- Examine the implications for the PCAOB's mission of multiple auditing standards and varying audit environments across global capital markets and consider how the Board should respond

Goal 4: Operate the PCAOB in a manner that recognizes its public mission and responsibility to exercise careful stewardship over its resources

Objectives:

A. Continue to attract, retain and develop highly qualified individuals

- Assess the effectiveness of recruitment strategies and adjust the model, as necessary, to meet hiring objectives
- Evaluate the PCAOB's compensation and benefits structure to ensure that the organization continues to be an attractive career option for credentialed professionals
- Develop a comprehensive staff retention strategy
- Continue to enhance, as appropriate, staff training and career development programs
- Develop succession plans for key positions
- Continue to promote valued work behaviors

B. Develop strong internal communication and collaboration processes and an organizational structure that supports the organization in accomplishing its mission, including processes that capture and preserve institutional knowledge for the entire organization

- Implement the record retention policy and develop tools to assist in records management
- Develop and maintain an internal communications strategy, including an intranet, that promotes the sharing of information and encourages collaboration among divisions and offices

C. Utilize information technology (IT) to enhance efficiencies in and the integration of the PCAOB's programs and operations

- Implement IT solutions necessary to meet the Board's priorities, share information across the organization, and support the business processes of each division and office
- Determine the scope of appropriate information sharing across divisions and offices and begin to expand existing automated systems for collecting, sharing and analyzing appropriate information derived from inspections, investigations and other research
- Implement, as appropriate, a more robust IT governance structure

- Enhance and maintain IT system ease of use through soliciting input and feedback from staff and ad hoc user groups
- Meet the technology needs of the organization's programs in a timely and cost-effective manner

D. Measure and report the results of PCAOB activities (including PCAOB financial results) in a timely, accurate and transparent matter

- Complete the PCAOB's Annual Report in a timely manner
- Complete an annual management assessment of internal controls over financial reporting in a timely manner
- Obtain an annual integrated audit of the Board's financial statements and internal controls over financial reporting in accordance with the provisions of AS No. 5
- Provide appropriate budget information and data to the SEC in a timely manner
- Enhance the efficiency and effectiveness of PCAOB programs based on the results of performance and other reviews performed by the PCAOB's Office of Internal Oversight and Performance Assurance

E. Continue to align the PCAOB's programs and operations and accountability initiatives with the Board's priorities

- Continue to build and refine the framework of rules necessary for the PCAOB to exercise its statutory authority
- Continue to strengthen the PCAOB ethics program by further integrating ethical principles into PCAOB's programs and operations
- Monitor changes in the environment and emerging issues and consider the impact on the Board's priorities and resource needs
- Review the PCAOB Strategic Plan and measure progress in meeting goals, objectives, and initiatives on a regular basis to ensure continued alignment between priorities and resource needs
- Consider potential methodologies to assess the nature and magnitude of the effects (cost/benefit) of PCAOB activities on investors, public companies, and audit firms
- Develop a framework for identifying and monitoring operational and reputation risks of the PCAOB
- Develop a merit scholarship program for undergraduate and graduate students enrolled in accredited accounting degree programs, in accordance with Section 109(c)(2) of the Act
- Continue to operate in accordance with the statutory requirements of the Act

Performance Measurement

The Board will assess its progress with respect to its goals and objectives over the next five years, relying on a combination of quantitative as well as qualitative measures. Qualitative measures include discussions such as those found in PCAOB Rule 4010 reports, and other descriptive summaries of registered firms' audit practices that reflect the impact of the PCAOB's oversight activities. Quantitative measures may be appropriate for some objectives and may assist in demonstrating the PCAOB's ability to achieve results. For example, the objective to provide the investing public with critical information may be measured by the number of PCAOB reports or volume of information on the PCAOB Web site. However, quantitative measures such as these may also lead to counter-productive behavior. For example, simply counting the number of documents available to the public would ignore the more critical question of whether the information is of value to the public. Similarly, the raw number of PCAOB inspection findings, investigations or disciplinary actions during a specific time period is less important than the improvements to audit quality that result from the PCAOB's inspection and enforcement functions. It also could mislead investors given the PCAOB's risk focused approach to inspections.

Recognizing these inherent limitations, the PCAOB is establishing certain quantifiable performance measures and indicators, which are designed to assist in ascertaining the PCAOB's progress in achieving its mission. The 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. The results associated with the measures and indicators will provide the Board with additional information and insight into its performance relative to its current and past efforts. The measures and indicators also will assist in determining how the PCAOB may need to add or reallocate its resources, which will inform the PCAOB's annual budgets, as appropriate. The Board plans to assess the value of these measures to its oversight of its programs and to the public more generally and add to, delete or adjust them accordingly.

The quantitative measures and indicators that follow are organized by goal and each has a corresponding description of its relevance to the organization. The measures and indicators also are premised on the continuation of the PCAOB's current responsibilities and the environment in which the PCAOB operates, as discussed earlier in the Plan. To the extent that significant changes occur in either of these areas, those measures and indicators that are no longer relevant or appropriate may need to be altered or eliminated. As the PCAOB gains more experience, the PCAOB will continue to develop ways – both qualitative and quantitative – to measure its progress in achieving its mission. The PCAOB will also determine whether its existing measures and indicators are realistic and reasonable in light of the current environment and whether and how they assist the organization in meeting its goals and objectives. The PCAOB will report against its measures and indicators in its Annual Report.

Goal 1: Promote investor confidence in audited financial statements of public companies through an effective use of a supervisory model of oversight of registered accounting firms

Measure 1-1(a): Number of Annual and Triennial Inspections Completed		
	2008	2009
Projected Number of Annual Inspections	11	11
Actual Number of Annual Inspections		
Projected Number of Triennial Inspections	295	295
Actual Number of Triennial Inspections		
<p>Background: The Act requires the PCAOB to conduct a continuing program of inspections to assess the degree of compliance of each registered public accounting firm and associated persons of that firm with the Act, the rules of the Board, the rules of the Commission, or professional standards, in connection with its performance of audits, issuance of audit reports, and related matters involving public companies. The Act and the rules of the Board further define the frequency with which these inspections should occur. This measure reflects the Board's intention to continue to fulfill its statutory requirement to inspect all annual and triennial firms. Recognizing that it has a limited amount of inspections resources, the PCAOB seeks to schedule triennial inspections in a manner that results in a relatively consistent mix of firms in terms of size and nature/complexity of audit practice each year (see background discussions in Measures 1-1(b) and 3-1 regarding progress toward cooperation with non-U.S. regulators). This approach allows the PCAOB to allocate its limited resources efficiently and in a manner that ensures that it meets its statutory requirement.</p> <p>Actual inspections will fluctuate from projections due to registration withdrawals, progress in developing cooperative bilateral arrangements with non-U.S. regulators, and whether or not firms regularly issue audit opinions.</p>		

Measure 1-1(b): Number of non-U.S. Inspections Completed		
	2008	2009
Projected Number of Non-U.S. Inspections	72	101
Actual Number of Non-U.S. Inspections		
<p>Background: To date, the PCAOB has accomplished the inspections of registered non-U.S. firms required by the Act and the Board's rules either through establishing a cooperative arrangement and working jointly with a home-country audit regulator or through conducting PCAOB-only inspections after coordinating with the appropriate local agency and/or ministry. This measure, which is a subset of the total number of projected inspections, reflects the PCAOB's performance in meeting its non-U.S. inspections requirements and the statutory inspections mandate discussed in Measure 1-1(a).</p>		

Measure 1-2: Timely Issuance of Inspections Reports		
	2008	2009
Projected Average Time to Issue Annual Inspection Reports (in months)	8	7
Actual Average Time to Issue Annual Inspection Reports (in months)		
Projected Average Time to Issue Triennial Inspection Reports (in months)	9	7
Actual Average Time to Issue Triennial Inspection Reports (in months)		
<p>Background: The Act requires the PCAOB to document its inspection findings in an inspection report. The PCAOB seeks to issue its inspection reports in a timely manner so the firms can address and remediate any quality control deficiencies identified during the inspection process. The average time to issue inspections reports is computed based on the average length of time (measured in months) to issue all inspection reports for a given inspection year. Length of time to issue an inspection report is determined based on the number of months from the last day of inspections practice office fieldwork to the date of issuance of the final inspection report.</p> <p>The projected average length of time to issue an inspection report includes time for (i) a firm to respond in writing to comment forms, (ii) the inspection team to draft the inspection report, (iii) the firm to respond in writing to our draft inspection report (firms have 30 days to respond to draft inspection reports), (iv) the inspection team to evaluate the firm's response and make any final changes to the draft report, and (v) the internal review process, including Board review of each draft and final report. The projected average time to issue 2007 inspection reports ranges for annual and triennial firms from 9 and 10 months, respectively, which represents continuing and substantial improvement over the early years of the inspection program. This average was developed through efforts to streamline internal processes and the allocation of additional resources to producing inspection reports, while maintaining consistency and quality in our approach.</p> <p>The PCAOB's longer term goal is to provide final inspection reports on a timely basis (an average of 7 months) in order to enable firms to promptly initiate efforts to remediate quality control deficiencies and, thereby, improve the quality of their audits. The projected average time to issue inspection reports of 7 months also reflects the Board's commitment to provide the public with timely information about the performance of registered firms. This measure gauges the PCAOB's success in the timely issuance of inspections reports.</p>		

Measure 1-3: Standards-setting Activities		
	Projected Proposal	Projected Adoption
Evaluating Consistency of Financial Statements	2007	2008
Independence Rules 3523 and 3526	2007	2008
Risk Assessment, including fraud risk assessment	2008	2009
Specialists, including how specialists are used in fair value measurements	2008	2009
Engagement Quality Review	2008	2008
Audit Confirmations, including consideration of fraud risk factors	2009	2009
Related Parties, including consideration of fraud risk factors	2009	2009
<p>Background: Standards-setting priorities are determined based on the results of the PCAOB's oversight of registered public accounting firms, monitoring of the environment, and consultation with the Board's Standing Advisory Group (SAG), among other factors. The standards-setting process includes, among other things, consideration of the results of the Board's oversight activities, the work of other standards setters, advice from the SAG, research, and solicitation of public comments. Recognizing that the PCAOB has limited resources to set standards, the Board and its staff carefully consider the priority level of each potential standards setting project, and allocates staff and Board resources accordingly. This measure reflects a reasonable expectation of when the Board will be able to propose and adopt new professional standards, based on its standards-setting experience, and in light of other Board initiatives and responsibilities. Priorities can change over time and the development of a standard is dependent on internal and external factors.</p>		

Measure 1-4: Timely Resolution of Formal Investigations		
	2008	2009
Projected Percentage Resolved Within 3 Years of Formal Start of Investigation	66%	66%
Actual Percentage Resolved Within 3 Years of Formal Start of Investigation		

Background: The PCAOB is authorized by the Act to investigate auditor conduct that may violate the laws, rules, or standards within its jurisdiction. The Board may issue an order of formal investigation of such auditor conduct upon the recommendation of the Director of the Division of Enforcement and Investigations. While the amount of time it takes to complete an investigation is dependent on several internal and external factors, including factors outside of the PCAOB's control, it is in the interest of the investing public and those firms and persons involved in such formal investigations that the Board complete its formal investigations in a timely manner. The Board continually evaluates its investigative priorities and shifts its enforcement resources, as necessary, to respond to new developments and demands.

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 either by: (1) the institution of disciplinary proceedings to be litigated; (2) the settlement of instituted disciplinary proceedings; or (3) the closure of the formal investigation without a recommendation to institute a disciplinary proceeding. As the PCAOB gains more experience, it will assess whether its target for resolving formal investigations within three years remains an appropriate goal.

Measure 1-5: Timely Processing of Registration Applications and Requests for Withdrawal		
	2008	2009
Projected Percentage of Received Applications Acted Upon within the Statutory Time Frame	100%	100%
Actual Percentage of Received Applications Acted Upon within the Statutory Time Frame		
Projected Percentage of Received Withdrawal Requests Acted Upon Within the Time Frame Specified in Board Rule 2107(a)	100%	100%
Actual Percentage of Received Withdrawal Requests Acted Upon Within the Time Frame Specified in Board Rule 2107(a)		
<p>Background: The Sarbanes-Oxley Act provides that the Board shall act on completed registration applications not later than 45 days after receipt of the application in accordance with Board rules. In addition, Board rules permit registered firms to request leave to withdraw from registration, and provide that a firm submitting a complete request shall be deemed withdrawn if the Board either grants leave, or the Board does not, within 60 days of receipt of the request, order that the firm's withdrawal be delayed. The Board strives to meet these deadlines without exception. This measure reflects the Board's timeliness in acting on registration applications and withdrawal requests during the year, consistent with the Act and Board rules. Should the Board see a significant change in either the number of firms seeking to register or requesting to withdraw, the Board will adjust its registration resources accordingly.</p>		

Goal 2: Inform, educate and obtain feedback from a broad cross-section of the audit profession, market participants and other interested parties about the PCAOB's oversight activities and best practices in the auditing

Measure 2-1: Small Business Forum Feedback

	2008	2009
Projected Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0	85%	85%
Actual Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0		

Background: The Forum on Auditing in the Small Business Environment is a program for registered accounting firms and public companies in the small business community to learn more about the work of the PCAOB, specifically the PCAOB's inspections process and the impact of new auditing standards. The feedback received at these forums assists the PCAOB in understanding the unique needs of the small business community. This measure shows the percentage of Small Business Forum sessions that meet the stated learning objectives by a score of 4.0 or higher (on a scale of 1-5), as rated by attendees. This information is used, in turn, to shape the content and focus of future forums.

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Indicator 2-1: Usage of the PCAOB Web site

	2008	2009
Projected Visits to External Web site	1.1 million	1.3 million

Background: The PCAOB Web site is the primary platform for communicating standards, enforcement actions, recent developments and other information to investors, auditors, public companies, the public, and other interested parties. The Web site also serves as a repository for PCAOB-related public information. This indicator tracks the number of instances when the Web site is accessed by external parties and is an indicator of the level of outside interest in the PCAOB.

Goal 3: Further strengthen the effectiveness and coordination of auditor oversight efforts in the United States and abroad

Measure 3-1: Number of Countries/Jurisdictions where the PCAOB has established or made progress toward dialogue and cooperation

	2008	2009
Projected Number of Countries/Jurisdictions	39	
Actual Number of Countries/Jurisdictions		

Background: The Act requires the PCAOB to oversee all registered public accounting firms that prepare or issue any audit report on financial statements that are filed in the United States, regardless of where the accounting firms are located. To carry out this responsibility, the Board adopted rules setting forth a cooperative model that allows the PCAOB to rely, if the Board deems appropriate and to varying degrees, on inspection or enforcement work performed by a home-country regulator. The Board's oversight rules also provide that the PCAOB may assist non-U.S. regulators in inspections and investigations of U.S. firms subject to dual oversight. In order to rely on or coordinate with a non-US regulator, the PCAOB must first establish a cooperative bilateral arrangement with that regulator. Even where reliance is not possible due to the lack of an independent audit regulator, the Board coordinates with the appropriate home-country agency or ministry before entering a country to conduct PCAOB-only inspections. This measure shows the number of countries/jurisdictions to date where the PCAOB has established or made progress toward dialogue and cooperation.

Measure 3-2: International Auditor Regulatory Institute Feedback

	2008	2009
Projected Institute participants that rated it 4.0 or higher out of 5.0	85%	
Actual Percentage of Institute participants that rated it 4.0 or higher out of 5.0		

Background: The PCAOB invites delegates from different countries or jurisdictions; all having varying degrees of familiarity with the PCAOB and its mission of investor protection through the oversight of the auditing profession. Survey results are used to improve the direction and scope of future Institutes. This measure shows the percentage of participants that strongly agree that the Institute was effective in meeting its learning objectives.

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Indicator 3-1: Number of Participants and Countries/Jurisdictions That Attend the International Auditor Regulatory Institute		
	2008	2009
Projected Number of Participants	100	
Actual Number of Participants		
Projected Number of Countries/Jurisdictions	50	
Actual Number of Countries/Jurisdictions		
<p>Background: Each year the PCAOB hosts an Institute for non-U.S. audit regulators and government representatives. The conference is designed to provide information regarding the PCAOB's oversight philosophy, the current supervisory program, considerations relevant to international inspections, and other topics related to the PCAOB's main program functions. The program also covers issues related to auditor oversight from an international perspective and includes participation of non-U.S. regulators as speakers. The format of the program is intended to encourage an open exchange among participants and ultimately enhance cross-border cooperation among all countries. This indicator shows the range of interest by other countries and jurisdictions in the activities of the PCAOB.</p>		

Goal 4: Operate the PCAOB in a manner that recognizes its public mission and responsibility to exercise careful stewardship over its resources

Measure 4-1: Receive An Unqualified Audit Opinion on the PCAOB's Financial Statements with no Material Weaknesses in its Report on Internal Control Over Financial Reporting

	2008	2009
Projected Receipt of an Unqualified Opinion	Yes	Yes
Actual Unqualified Opinion		
Projected Material Weaknesses	0	0
Actual Material Weaknesses		

Background: The PCAOB financial statements are prepared in accordance with generally accepted accounting principles. Given the PCAOB's mission to oversee the auditors of public companies in their preparation of informative, fair and independent audit reports, this measure gauges the PCAOB's success in receiving an unqualified audit opinion with no material weaknesses in the internal controls over its financial reporting.

Measure 4-2: Progress related to Programmatic Information Technology Initiatives

	In Progress	Projected Completion
Annual and Special Reporting	2008	2008
Inspections Information System	2008	2009
PCAOB Web site Redesign	2008	2008
Inspections Scheduling System	2008	2008

Background: The PCAOB has a number of high priority technology projects underway to support program initiatives or improve operations. Projected completion dates are based on the complexity of each project, the project's overall priority and the availability of resources within the Office of Information Technology, as well as the availability of resources from the affected business owners. Successful implementation of these projects will result in more effective and efficient operations. This measure gauges the PCAOB's progress in implementing significant program-related IT initiatives against its implementation plans.

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Indicator 4-1: Percentage of Staff at the PCAOB for Three or More Years		
	2008	2009
Projected Percentage	35%	
Actual Percentage		
<p>Background: Fundamental to achieving the PCAOB's mission is its goals of attracting and retaining a high quality, experienced workforce dedicated to upholding the highest standards of business ethics and excellence. This measure reflects the PCAOB's success in this regard and is calculated by dividing the number of employees that have been employed at the PCAOB for at least three years by the number of employees on board as of the start of each year.</p>		

Appendix A: Planning, Budgeting and Reporting Framework

The PCAOB's strategic plan is the foundation upon which the organization executes and, ultimately, reports on its efforts to fulfill its mission. The PCAOB undertakes each of the following activities on an annual basis.

Reviewing and Updating of Strategic Plan

The Board has the overall responsibility for approving the Strategic Plan, including the mission, vision, and core values of the organization and for assuring that the Plan remains current and useful for internal management purposes. The PCAOB's mission is largely set forth in the Act. The vision reflects what the Board intends the organization to become, and the core values establish the principles that guide the Board and staff's approach to their work.

The Board also has responsibility for approving and, on an annual basis, confirming the PCAOB's strategic goals and objectives, as well as corresponding initiatives, that are included in the plan. The goals are intentionally broad statements of what the Board aims to achieve and are intended to endure for several years. The objectives and corresponding initiatives are more specifically focused action plans related to carrying out the goals in the near term. For purposes of making clear the full scope of the PCAOB's efforts, the plan includes both new initiatives and recurring activities.

This Strategic Plan for fiscal years 2008-2013 builds on and updates the 2007-2012 plan and was developed in several phases. First, the Board and senior staff met to discuss the extent to which environmental factors affecting the organization have changed since the prior Strategic Plan was completed in May 2007. As part of this discussion, the Board and senior staff also analyzed and challenged its organizational structure, and in the process identified the organization's strengths and challenges, and considered the significant factors that may impact the achievement of the PCAOB's goals and objectives. The factors and risks identified by this review are highlighted in the "Key Environmental Factors" section.

Based on its environmental scan and assessment of strengths and challenges, the Board and senior staff then identified, considered and, where appropriate, re-prioritized the organization's major issues and discussed related policy matters. Once the goals and objectives were confirmed, staff identified short and longer-term implementation strategies, which were reviewed by the Board. These strategies are reflected in the initiatives that correspond to each objective. In addition, staff developed relevant performance measures and indicators that could be used to ascertain the organization's progress in meeting its objectives. The results associated with these measures and indicators will be tracked on a going-forward basis starting in 2008. In addition, the PCAOB will assess the extent to which its measures and indicators assist in highlighting areas where the organization is in a position to improve performance. In updating the plan, as in the past, the Board also considered the SEC's rule facilitating Commission review and approval

of the PCAOB budget.⁴ In addition, the Board addressed the SEC's order relating to the approval of the PCAOB's budget and annual accounting support fee for 2008.⁵

Implementing the Strategic Plan

After the plan is updated, the Board uses it as the starting point for formulating its resource needs for the upcoming year. In particular, the Board's budget builds from the Strategic Plan and is organized so that the activities of each division and office for the upcoming year are directly linked to the goals, objectives and initiatives established in the plan. In addition, the budget includes actual and projected performance data related to the targets included in the Plan. Once the budget is approved, the PCAOB then executes its planned initiatives and activities. As part of this execution, the PCAOB division and office leaders have responsibility for undertaking the particular initiatives funded in the budget, notwithstanding that the responsibility for the completion of the entire plan ultimately resides with the Board.

Throughout the year, progress in completing the specific initiatives in the Plan, as articulated in the budget, is monitored. In particular, periodic management meetings, coordinated by the Chief of Staff and Office of Budget, Program Analysis and Strategic Planning, are held to assess progress in completing the initiatives and achieving the objectives in the Plan. At these meetings, office and division heads provide a status report on the initiatives related to their respective programs, including a discussion of any factors that may impact the completion of an initiative and how they are progressing relative to the approved budget and their performance targets. In addition to these management meetings, the Board and senior staff meet twice each fiscal year -- in the middle and at the end of each year. At these two meetings, the Board and senior staff discuss in detail the status of the initiatives for the relevant year as well as factors impacting the completion of the initiatives. At the mid-year meeting, the Board has the opportunity to reprioritize initiatives and make any mid-course corrections, as appropriate. At the year-end meeting, the Board and senior staff update the initiatives for the subsequent fiscal year.

Reporting Progress on the Strategic Plan

The PCAOB reports the results of its progress in achieving its Strategic Plan goals and objectives in its Annual Report for each fiscal year. In 2009, it is expected that the PCAOB's Annual Report will include a discussion of the extent to which the organization met the performance targets set out in this plan. In turn, this information is used to help ascertain the extent to which certain goals, objectives or initiatives need to be updated, or organizational resources added or reallocated in the subsequent year.

⁴ See Amendments to the Informal and Other Procedures: Public Company Accounting Oversight Board Budget Approval Process, Securities Exchange Act Release 54168 (July 18, 2006).

⁵ See Order Approving the PCAOB's Budget and Annual Accounting Support Fee for 2008, SEC Order No. 33-8873 (December 17, 2007). Among other things, the SEC order provides that the revised PCAOB strategic plan include (i) quantifiable and measurable performance targets, (ii) forecasts of total headcount and budget summary figures for the current and four following years, (iii) candid assessment of the PCAOB's strengths and weaknesses, and (iv) a broader discussion of environmental factors.

Appendix B: Five-year Resource Forecast

The PCAOB's budget for fiscal year 2008, as approved by the SEC, is \$144.6 million. This budget is funded through annual accounting support fees paid by public companies, as well as fees paid by public accounting firms applying for registration with the Board. The 2008 budget assumes that by year-end the PCAOB will have approximately 507 employees. Over 70 percent of the 2008 PCAOB budget funds personnel-related costs; the remaining 30 percent is related primarily to rent and utilities, information technology, and other non-personnel costs.

Charts 1 and 2 show the forecasts of total PCAOB budget summary figures and headcount for 2008-2012. This Strategic Plan is based on the staffing assumptions shown in Figure 1.

Chart 1: Prospective Funding Levels

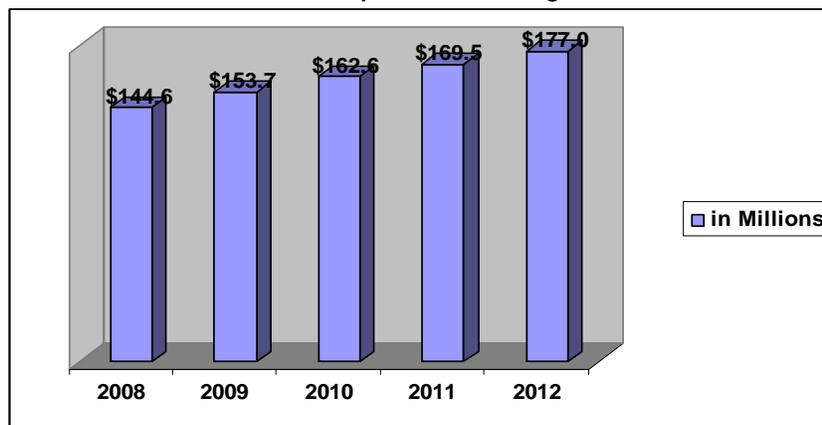
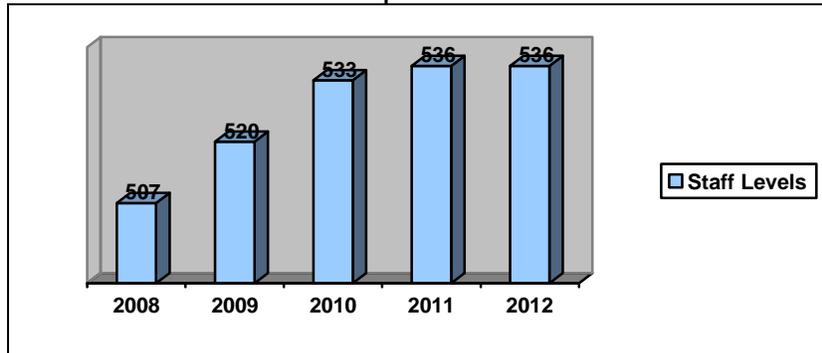


Chart 2: Prospective Staff Levels



The PCAOB's ability to achieve its goals and objectives is dependent on the recruitment, development and retention of highly qualified and experienced professionals. If the PCAOB requires more or fewer resources in light of changes in the environment, the forecasts above may vary. The PCAOB will further refine its resource needs and projected cost estimates relative to this Strategic Plan in the course of developing its annual budgets.