



Public Company Accounting Oversight Board
Strategic Plan
2009 - 2013

November 30, 2009

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Introduction

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

The Sarbanes-Oxley Act of 2002 (the “Act”) established the PCAOB and serves as the strategic blueprint for structuring and managing the PCAOB's programs and operations. Consistent with the Act, the PCAOB's mission 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.

The Act gives the PCAOB four primary responsibilities: registration of accounting firms that audit U.S. public companies;¹ 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. To enhance the PCAOB's effectiveness in these activities, the PCAOB devotes substantial attention and resources to analyzing information obtained in its inspections, investigations, and otherwise. The PCAOB aims to identify risks that may have resulted in, or could lead to, audit, quality control, ethics or independence failures by registered firms. The PCAOB also uses such analysis to identify weaknesses in, and appropriate improvements to, its auditing and related professional practice standards or a need for guidance on how to apply such standards in particular circumstances. The PCAOB further uses this analysis to identify ways in which it can improve the effectiveness of its oversight programs in light of lessons learned through its activities and other means.

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, the PCAOB's own rules, including its auditing and related professional practice standards, are not effective unless approved by the SEC. The PCAOB's annual (and any supplemental) budgets are also subject to SEC approval. And, as provided in the Act, adverse PCAOB inspection reports, 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 initiatives to achieve the PCAOB's mission under the Act. In addition, consistent with the SEC's rule on the approval process for the PCAOB's budget, this Strategic Plan provides the framework for developing the PCAOB's annual budget. Specifically, the PCAOB has established the following five overarching goals –

¹ This plan uses the term "U.S. 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 that have either registered, or are in the process of registering, a class of securities with the Commission or are otherwise subject to Commission reporting requirements. Under the Act and effective beginning with fiscal years ending after December 31, 2008, non-public broker-dealer financial statements must be certified by a public accounting firm registered with the PCAOB. In light of this requirement, the Board also has the responsibility to register public accounting firms with non-public broker-dealer audit clients.

- Goal 1:** Protect the interests of the investing public in informative, fair and independent audit reports on the financial statements of public companies through effective oversight of registered public accounting firms and their associated persons
- Goal 2:** Maintain a program to register, and receive annual and special reports from, public accounting firms with broker-dealer audit clients, in a manner that enhances public information about such firms and facilitates administration of laws related to broker-dealers
- Goal 3:** Inform, educate and obtain input from a broad cross-section of the public, including auditors, investors, the academic community and other interested parties, about the PCAOB's oversight activities
- Goal 4:** Strengthen the coordination of financial reporting and auditing initiatives in the United States and abroad, to the extent consistent with the PCAOB's mission
- Goal 5:** Operate the PCAOB in a manner that demonstrates careful stewardship over its resources consistent with the public interest nature of its mission

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 aims to improve audit quality, reduce the risks of auditing failures in the U.S. public securities market, and promote public trust in the financial reporting process and auditing profession.

Core Values

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

- ◆ **Public Interest:** The PCAOB is committed to protecting investors and serving the public interest when carrying out its responsibilities.
- ◆ **Integrity:** Given the nature and significance of the PCAOB's mission, each Board member and staff must maintain the highest possible ethical standards.
- ◆ **Excellence:** The PCAOB is committed to high-quality analysis and performance in its oversight of registered public accounting firms and their associated persons.
- ◆ **Effectiveness and Efficiency:** The PCAOB recognizes its responsibility to manage resources, including information, effectively and efficiently.
- ◆ **Fairness:** In exercising its oversight authority, the PCAOB strives to treat registered public accounting firms and associated persons in a fair, impartial and consistent manner.
- ◆ **Risk-focused:** The PCAOB strives to anticipate risks and respond to emerging issues.
- ◆ **Accountability:** The PCAOB is committed to compliance with all applicable requirements, including the Act, the PCAOB's own rules, and applicable SEC rules and orders, as well as to enhancing transparency with respect to its programs.
- ◆ **Teamwork:** The PCAOB will maintain a collaborative work environment based upon a culture of openness, cooperation and trust.
- ◆ **Inclusiveness and Diversity:** The PCAOB is committed to enhancing its practice of inclusiveness and seeks to enrich its programs through a staff that brings a diversity of experience, skills, cultures, and backgrounds.

Key Environmental Factors

In developing this strategic plan, the PCAOB has taken into consideration the environment in which it operates, including both the environment in which financial reporting and public company audits take place as well as the PCAOB's internal, cultural and operational environment. The PCAOB has used this analysis to identify factors that could affect its programs and operations. To the extent possible, the PCAOB has taken these factors into account in designing its goals, objectives and initiatives. To the extent some of these factors may, in the future, affect the PCAOB's programs and operations, the PCAOB intends to continue to monitor them and be prepared to adjust its goals, objectives and corresponding initiatives as necessary and appropriate. In particular, several key factors are described below.

Global Financial Crisis. The global financial crisis has affected the PCAOB's programs, operations and resources, and the PCAOB expects it to continue to do so for the near future. In the early stages of the financial crisis, financial institutions most vulnerable to liquidity risk resulting from their exposure to residential mortgage debt were most affected. Thus, the audits of such institutions' financial statements were more challenging. As the financial crisis continued, it affected other kinds of companies as well, in particular companies that engage in complex structured finance transactions. These matters present complex accounting and auditing issues, especially in the areas of valuation and consolidation and, among other things, require meaningful and complete financial statement disclosures. Some transactions and instruments that would have previously been relatively simple to account for now present complex accounting and auditing issues given prevailing economic conditions. This is especially true when companies experience liquidity problems. Such transactions and instruments can involve significant estimates and other judgments that are susceptible to management bias. These conditions have increased the need for auditors to have a comprehensive understanding of their audit clients' businesses and transactions, as well as economic conditions, in order to be able to assess the potential impact of liquidity and other risks associated with the crisis.

Fundamentally, the auditor's job is to provide reasonable assurance that financial statements are fairly presented, consistent with applicable standards, and not misleading to investors and, if applicable, that the company has effective internal control over financial reporting. Also, where applicable, the auditor is responsible for evaluating its audit client's assessment of the client's ability to continue as a going concern. The audit serves, among other things, as a counterweight against management bias in these areas. The combination of complexity and economic challenges has made auditing more challenging in the current environment, but also has reinforced the need for auditors to maintain their professional skepticism.

Moreover, in light of public accounting firms' for-profit nature, changes in the economic environment may exacerbate certain pressures on auditors, including pressures to maintain audit practice profit margins, accommodate audit clients facing deteriorating economic and business conditions, and reduce audit fees. Registered firms may also face internal cost pressures, including among other things pressures to retain partners and staff and pressures to meet obligations and goals. Firms may also consider new business lines. All of these factors could affect the quality or independence of services provided to public company audit clients.

Given these risks and challenges, the PCAOB has found that its inspections are more challenging, and its need for thoughtful risk assessment is greater. In addition, the PCAOB may identify gaps in its auditing

and related professional practice standards, or emerging needs for new or improved standards. In order to protect investors, the PCAOB will need to identify and correct any such weaknesses in its standards in a timely manner. In addition, since the financial crisis began, the PCAOB's inspections have resulted in increased referrals to its enforcement program. For example, through the PCAOB's inspection process, a number of referrals related to financial institutions have been made. The PCAOB may thus also find, through these increased referrals from inspections or otherwise, that some auditors have failed to adhere to applicable standards, laws and rules and, in order to protect investors and deter auditor misconduct, should be disciplined. Investigations and disciplinary proceedings involving complex transactions and accounting and auditing issues will likely consume more resources than have many of the PCAOB's past disciplinary cases.

To be prepared for these and other challenges, it will be critical for the PCAOB's inspectors and enforcement staff, as well as other PCAOB staff, to have relevant training, robust risk analysis, and appropriate management support. In addition, Board members will require access to a wide range of expertise and risk analysis themselves, in order to make appropriate determinations about use and allocation of the PCAOB's resources, give appropriate direction to its program leaders, and consider and adopt appropriate standards, rules, and other decisions, among other things.

Legislative, Regulatory and Judicial Developments. As described below, certain legislative, regulatory and judicial developments could affect the scope of the PCAOB's responsibilities and, accordingly, the PCAOB's programs and operations, and resource needs.

Legislative Developments. On November 4, 2009, the House Financial Services Committee reported out H.R. 3817, the Investor Protection Act (the "IPA"), by a vote of 41-28. The legislation includes certain amendments to the Act, as well as provisions related to a broader effort to modernize the financial regulatory system in the United States. In addition, on November 10, 2009, the Chairman of the Senate Committee on Banking, Housing and Urban Affairs circulated a discussion draft of a financial regulatory reform bill. These bills, or other legislative measures developed in the context of the Congress's consideration of financial regulatory reform, could affect the PCAOB in a number of ways .

In particular, two provisions of the IPA could have an effect on the PCAOB's resource needs in the near future. First, Section 601 of the IPA would amend Title I of the Act to expand the PCAOB's oversight responsibilities to include audits of the financial statements and selected practices and procedures of broker-dealers. The Senate discussion draft includes a comparable provision. Currently, the Act does not subject such audits to the PCAOB's standard-setting, inspection, investigative or disciplinary authority. If this legislation were enacted, the PCAOB would need additional resources to develop new programs and adjust its operations to support such programs. Depending on the final text of the legislation, this effort also could require development of an inspection methodology, including appropriate risk analyses, hiring and training of additional staff, and specialized auditing and related professional practice standards for such audits, and adjustments to the PCAOB's funding system.

Second, Section 602 of the IPA would amend the Act to permit the PCAOB to share certain confidential information relating to PCAOB inspections and investigations with certain non-U.S.

regulators. The Senate discussion draft includes a comparable provision. If enacted, this provision would facilitate the PCAOB's coordination with such regulators. Some authorities in such jurisdictions have expressed reluctance to cooperate with or allow PCAOB inspections in their jurisdictions because the PCAOB is unable to share inspection information with their local audit oversight bodies. Therefore, unless this provision is enacted, the PCAOB may continue to experience difficulty gaining non-U.S. authorities' cooperation and our related ability to conduct non-U.S. inspections.

In addition, three amendments offered during the House Financial Services Committee's markup of the IPA, and subsequently reported out, could also affect the PCAOB's resource needs. First, Representatives Scott Garrett and John Adler offered an amendment to the IPA that would exempt public companies with a market capitalization under \$75 million from the auditor attestation requirement of Section 404(b) of the Act. Section 404(b) requires each registered firm that prepares or issues the audit report for an issuer to attest to, and report on, management's assessment of internal control over financial reporting. To date, the SEC has deferred compliance by non-accelerated filers with applicable regulations implementing Section 404(b) of the Act. However, pursuant to an announcement by the SEC on October 2, 2009, the extension of time is set to expire beginning with the annual reports of companies with fiscal years ending on or after June 15, 2010. The amendment to exempt public companies with a market capitalization under \$75 million passed 37-32. This provision is not included in the Senate discussion draft, but if enacted, it would affect the scope of the PCAOB's inspections.

Second, Representatives Lynn Jenkins and Scott Garrett offered an amendment to the IPA that would establish a small business ombudsman at the PCAOB. This amendment passed by voice vote. If enacted, it would require additional staff resources.

Finally, Representative Gary Miller offered an amendment that would create a Financial Reporting Forum. This Forum would include the Chairman of the PCAOB, among others, and would meet quarterly to discuss immediate and long-term issues critical to financial reporting. The Forum would also issue an annual report to the Congress detailing any determinations or findings made by the Forum, including any legislative recommendations. If enacted, this provision would require additional staff resources to prepare for quarterly meetings and contribute to the drafting of determinations, findings, recommendations and reports.

Regulatory Developments. Policy initiatives and other actions taken by the SEC, which has statutory oversight authority over the PCAOB, or by other governmental agencies could have an impact on the PCAOB's programs and operations. In particular, the following regulatory developments may affect the PCAOB's programs and operations –

- **Registration of, and Annual and Special Reporting by, Registered Public Accounting Firms with Broker-Dealer Audit Clients.** The Act requires broker-dealers to have balance sheets and income statements audited by PCAOB registered public accounting firms, but, by order of the SEC, until relatively recently registration of such auditors has not been required. As of December 30, 2008, the SEC has determined no longer to relieve

firms with broker-dealer audit clients from the registration provisions of the Act.² In light of this development, the PCAOB expects approximately 1,200 accounting firms with broker-dealer audit clients to seek PCAOB registration. As discussed above, these firms' audits related to broker-dealer audit clients are not subject to the PCAOB's standard-setting, inspection, investigative or disciplinary authority. These firms will, however, be required to file annual reports, as well as special reports, with the PCAOB. The volume of expected registration applications and subsequent required reports may significantly affect resource needs related to registration and annual and special reporting, including staffing and information technology.

- **Implementation of Section 404(b) for Non-accelerated Filers.** Assuming no further delay of the implementation deadline, and subject to any legislative changes as discussed above, Section 404(b) will go into effect for non-accelerated filers reporting on internal control over financial reporting for periods ending on or after June 15, 2010. Thus, audits of those companies' financial statements and internal control will, for the first time, be subject to the PCAOB's auditing standard on internal control, Auditing Standard No. 5, *An Audit of Internal Control over Financial Reporting That is Integrated with An Audit of Financial Statements*. These audits will be subject to inspection beginning in 2010, which will require additional resources and risk analysis. In addition, firms auditing under the standard for the first time could seek additional application guidance and training.
- **Treasury Advisory Committee Recommendations.** The Department of the Treasury, Advisory Committee on the Auditing Profession (the "ACAP"), issued its Final Report on October 6, 2008. The Committee recommended that the PCAOB undertake or participate in a number of initiatives. Consistent with the SEC's order approving the PCAOB's budget for fiscal year 2009, the PCAOB has consulted with the SEC about its plans in connection with certain recommendations and intends to continue to consult with the SEC about its plans with regard to those and other recommendations. The results of such consultations may affect the prioritization of certain existing PCAOB initiatives or require additional resources in order to implement activities that may not be part of the PCAOB's existing programs.
- **Changes in Financial Reporting.** Certain changes in financial reporting, such as new accounting standards involving fair value measurements, securitization accounting, consolidations, business combinations, the going concern assumption, and financial disclosure requirements, as well as developments related to International Financial Reporting Standards ("IFRS"), could have implications for the PCAOB's programs. Moreover, regulatory initiatives and potential accounting standard-setting initiatives regarding derivative instruments and loan loss reserves could impact

² The Act included amendments to Section 17 of the Securities Exchange Act of 1934 that require broker-dealers' financial statements to be certified by firms registered with the PCAOB. Until recently, however, by a series of Commission orders, registration of public accounting firms with non-public broker-dealer audit clients has not been required. The period covered by the last of those orders has now expired. As a result, financial statements of all broker-dealers for fiscal years ending after December 31, 2008 must be certified by a registered public accounting firm.

the PCAOB. These potential changes could affect the need for the PCAOB to modify its standards or issue additional guidance, modify or expand its risk analysis models or adjust its inspections methodology and staff training. Such changes also may result in the PCAOB requiring more resources with specialized knowledge.

The SEC's eXtensible Business Reporting Language ("XBRL") initiative, which requires that certain filers provide financial statement data in a form that uses electronic tags to provide a uniform taxonomy for financial statement information and related disclosures across registrants, could also affect the PCAOB's programs. The SEC currently does not require auditor assurance on the XBRL data, although some companies may voluntarily engage their auditors to examine and report on such information by their auditor. Nevertheless, in the future, the SEC may require some companies' filings to include auditor attestation reports on XBRL data. Such changes would likely require the PCAOB to establish specific standards for such engagements and to include such engagements in its inspections and other oversight activities.

- **Pending PCAOB Proposal Related to the Timing of Certain Non-U.S. Inspections.** In June 2009, the Board adopted an amendment to Rule 4003 allowing the PCAOB to postpone, for up to three years, the first inspection of any non-U.S. registered public accounting firm that the PCAOB is otherwise required to conduct before the end of 2009 and that is in a jurisdiction in which the PCAOB has not conducted an inspection prior to 2009. The 2009 amendment was submitted to the Commission for approval on July 2, 2009, is pending before the Commission, and is not currently in effect. Although the PCAOB expects the amendment to be approved, if it is not, the timing of several non-U.S. inspections would be affected. Such changes in timing could have resource implications for each of the next several years. In particular, staffing for the Division of Registration and Inspections, the Office of Research and Analysis, and the Office of International Affairs, as well as related administrative resources, could be affected.³
- **Pending PCAOB Proposal Related to Periodic Inspection Requirements for Certain Categories of Firms.** In October 2007, the Board adopted amendments to Rule 4003 that would give the Board discretion concerning whether and how often to inspect, rather than require the PCAOB to inspect triennially, (1) firms that play a substantial role in one or more audits but do not serve as principal auditor on any audit ("substantial role only firms") and (2) any firm that has served as principal auditor but has not done so for at least two consecutive years before the inspection would otherwise be required. The 2007 amendment was submitted to the Commission for approval on October 22, 2007, is pending before the Commission, and is not currently in effect. The scope of firms that current Rule 4003 provides that the PCAOB must inspect is significantly broader than the scope would be if the amendments were approved (although if the amendments were approved, the PCAOB would nevertheless, as part of its regular program, conduct inspections of substantial role only firms). The difference in scope could have ongoing resource implications, in particular for the Division of Registration and Inspections, the

³ Environmental challenges related to the timing of certain non-U.S. inspections are addressed below in the section on "-- Globalization and Cross-Border Auditing."

Office of Research and Analysis, and the Office of International Affairs, as well as related administrative resources.

Judicial Developments. Judicial decisions relating to interpreting the Act and other federal securities laws, or auditing and related professional practice standards or other PCAOB rules, may have an impact on the PCAOB's programs and operations. For example, and in particular, the Supreme Court's decision in FEF v. PCAOB, et al., could have an effect on the PCAOB's programs and operations. This case is a challenge to the PCAOB's constitutionality. On August 22, 2008, the U.S. Court of Appeals for the District of Columbia Circuit affirmed the District Court's grant of summary judgment in favor of the PCAOB. On May 18, 2009, the U.S. Supreme Court granted the plaintiffs' petition for a writ of certiorari seeking review of the District of Columbia Circuit's decision. The PCAOB expects the case to be heard and decided in the Supreme Court's 2009-2010 Term. The PCAOB will continue to defend this action vigorously, which will in any event require significant resources.

Globalization and Cross-Border Auditing. Both U.S. and non-U.S. registered public accounting firms issue, and participate in the issuance of, audit reports on which investors in U.S. public companies rely. More than 1,000 foreign private issuers are required by the federal securities laws to file audited financial statements annually with the SEC and, in many cases, audited reports on the effectiveness of their internal control over financial reporting. In addition, many U.S.-based public companies have branches, subsidiaries, and joint ventures around the world that contribute to those companies' financial results and position, as well as the effectiveness of their internal control over financial reporting. Public accounting firms that audit, or play a substantial role in audits of such companies' financial statements and internal control, wherever located, are required to be registered with the PCAOB and are subject to PCAOB oversight. Foreign private issuers typically use registered public accounting firms that are based locally, although such firms may also be members of a global network of firms that share a common name and certain policies, practices, audit methodologies and business interests. Registered public accounting firms with U.S.-based multi-national audit clients often also use the work of such network affiliates, or other local firms, to assist in audits of non-U.S. operations. In many cases, affiliates who assist in audits are separately registered with the PCAOB, and they must be so registered if they play a substantial role in an audit of a U.S. public company's financial statement.

- **Challenges in Inspecting Global Network Firms.** Multi-national audits present certain risks. For example, supervising multi-national audit work presents a risk that affiliates do not adhere to the quality controls or individual audit instructions required by the supervising firm. Moreover, sharing a common name presents additional reputational risk. Beginning in 2005, the PCAOB's inspection program has included inspections of non-U.S. registered firms each year. Some of these inspections have encountered risks that are different from, or in addition to, risks encountered in the U.S. In particular, the PCAOB has encountered different business, cultural, and audit environments, which bear on the areas the PCAOB should focus on in its inspections. The PCAOB expects to continue to refine and expand its assessment of risks associated with non-U.S. inspections, and it may find that it continues to need additional expertise and information resources to do so. Moreover, even with these enhancements, the PCAOB may find continued challenges in inspecting networked firms, when only the member firms, and not the network itself, are registered and subject to PCAOB oversight.

- **Challenges in Gaining Access to Non-U.S. Firms.** In addition to the challenges of designing an effective program of non-U.S. inspections, in some jurisdictions, the PCAOB has also experienced challenges in gaining access to non-U.S. firms and their work papers in order to perform required inspections. Many of the non-U.S. registered firms that are subject to inspection are located in countries that have established or are establishing local auditor oversight systems. As appropriate, the PCAOB strives to work with its non-U.S. counterparts to allay concerns related to sovereignty and, in some cases, local confidentiality and other legal restrictions.⁴ The PCAOB may nevertheless continue to encounter difficulties in securing the cooperation of local firms and authorities with its inspections that could affect the PCAOB's ability to complete certain scheduled inspections. Finally, if the PCAOB remains unable to inspect certain registered firms, the PCAOB may require additional resources to address firms' failures to cooperate, including through appropriate disciplinary proceedings to protect the interests of investors, and consider any additional actions, such as new disclosure requirements relating to the PCAOB's ability to inspect, including registered firms' reliance on work performed by other firms that have not been inspected by the PCAOB.

Profile of the Audit Profession. The more than 2,000 registered public accounting firms vary in size, ranging from sole proprietorships to large audit firms with extensive global networks, and type of practice, and are based in various locations around the world.⁵ This diversity requires consideration of a diverse mix of risks and corresponding adjustments to the PCAOB's programs, as appropriate.

For example, although more than 2,000 firms have registered with the PCAOB, four very large firms audit 97.8 percent of the global market capitalization of public companies whose securities trade on U.S. exchanges.⁶ As described above, many of these audits are multi-national and involve both registered and unregistered network affiliates. An audit failure by one of these firms, especially in connection with a large issuer audit client, could have significant negative effects on the firm, including possible negative effects on the firm's ability to continue to serve as the auditor for its many other issuer audit clients. This dynamic presents a special risk.

The PCAOB's mission is to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports. The PCAOB's mission is not to protect any individual firm from demise, whether related to the firm's audit practice, another business line, or otherwise. The PCAOB believes the best way for a firm to avoid demise is to focus on performing high quality audits and avoid business lines and practices that could jeopardize the quality of audits or the firm's reputation. The PCAOB strives through its programs to encourage firms to do so, but it cannot ensure that they will do

⁴ As discussed above, though, the PCAOB's ability to develop cooperative relationships with its non-U.S. counterparts could be hindered by restrictions under the Act related to the PCAOB sharing inspection and enforcement information with its non-U.S. counterparts.

⁵ As of November 15, 2009, 2,236 accounting firms were registered with the Board. Of these 2,236 registered firms, 1,306 are U.S. and 930 are non-U.S. The U.S. registered firms are based in 46 states, the District of Columbia, Puerto Rico, and Guam, and the non-U.S. registered firms are located in 86 countries. Currently, 10 U.S. firms have more than 100 public company audit clients and must be inspected on an annual basis.

⁶ Source: Audit Analytics and Standard and Poor's.

so. In particular, through its inspection and remediation processes, the PCAOB aims to protect investors from the risk of a significant and abrupt change in the availability of audit services due to a firm's demise. But in the event that a firm nevertheless fails, the PCAOB could find it necessary to work closely with the SEC to protect investors as audit clients transition to other firms.

Smaller audit firms, with smaller issuer audit clients, present different risks. For example, smaller audit firms may experience staff and other resource constraints that can exacerbate risks of an audit failure.

Moreover, as discussed above, non-U.S. firms present other risks that can affect the PCAOB's programs and operations. None of these firms audits the financial statements of more than 100 issuer audit clients, and therefore, in general, such firms are on a triennial inspection schedule. Nevertheless, such firms are some of the largest firms in the world and serve foreign private issuers that constitute some of the largest companies in the world, presenting significant risk to investors who purchase their securities on U.S. exchanges. The PCAOB faces risk that its inspection approach may not provide for adequate coverage in the inspections of these firms and, to the extent the PCAOB identifies potential violations of applicable audit and related professional practice standards or other applicable legal requirements by such firms or their associated persons, additional investigative resources could be required.

Finally, whatever the size or location of a firm, changes in its operations also may affect the PCAOB's inspections. For example, improvements, or shortcomings, in the internal operations of firms' risk management and quality control could have an effect on the scope and focus of inspections. In addition, changes in firms' use of technology may require changes in the way the PCAOB collects information during its inspections as well as changes in the PCAOB's assessments of risk at such firms.

Auditing-related Initiatives by the Profession. The International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants and the American Institute of Certified Public Accountants' (the "AICPA") Auditing Standards Board (the "ASB") provide forums through which auditors can share knowledge, expertise, and best practices in auditing. In contrast to the PCAOB, the IAASB and the ASB do not have direct regulatory authority to establish audit standards, or authority to monitor implementation or compliance with those standards, although a number of authorities have applied or adapted one or the other's standards, to varying extents, as local regulatory or professional requirements. The PCAOB monitors the work of the IAASB and the ASB to leverage standards these organizations have developed. Staff time and other resources devoted to this monitoring has been considerable, and to the extent such initiatives expand, the PCAOB may require additional resources to continue its monitoring.

Risks Associated with Delays in PCAOB Disciplinary Process: The Act requires that hearings associated with PCAOB disciplinary proceedings not be public, unless otherwise ordered by the Board for good cause and with the consent of the parties. The Act further prohibits any public report of a sanction against a firm pending appeal of the sanction to the Commission. These provisions prevent public disclosure of disciplinary actions by the PCAOB and thus provide an incentive for respondents to litigate disciplinary actions, which in turn could result in an inefficient use of PCAOB resources and delay important information about disciplinary sanctions, and how the PCAOB is applying applicable laws, rules and standards, from reaching the public, including registered firms and their associated persons.

Changes in Leadership and Human Capital. Changes in the leadership of both the PCAOB and the SEC could affect the PCAOB's programs and operations. In particular, three of five Board seats are expected to turn over in the near future, including the chairman. Such changes could result in additional changes in the PCAOB's strategic goals, objectives and initiatives. Moreover, since the PCAOB's inception, the SEC has experienced, and will continue to experience, changes in leadership, which could result in changes in the SEC's oversight of the PCAOB and other policies related to the PCAOB. Among other things, such changes could involve changes in the PCAOB's responsibilities, including new (or fewer) responsibilities. The PCAOB's primary tools to maintain effective oversight of registered firms and associated persons while accommodating such changes in leadership are internal training, effective maintenance of historical records, a robust annual strategic planning process, and outreach.

In addition to challenges related to changes in leadership, the PCAOB may experience other challenges related to hiring and maintaining the staff necessary to meet its goals and objectives. In the past, the PCAOB has faced constraints in hiring and retaining the staff it needs; in particular, the market for experienced accountants has been highly competitive. Another challenge is the lack of diversity in the accounting profession. In addition, while the current economic environment has provided some opportunity for the PCAOB to meet its hiring needs, it presents other challenges. For example, economic conditions may affect qualified applicants' willingness to relocate, and the PCAOB may need to evaluate further expanding its initiative to establish a presence in regions where it did not have a presence in the past.

Opportunities for career progression and training at the PCAOB also bear directly on the PCAOB's ability to attract and to retain experienced staff to enable the PCAOB to respond to environmental changes. In particular, as changes in the financial reporting environment emerge, the PCAOB will need to continually train its staff. Moreover, should the PCAOB's responsibilities increase significantly on short notice, the PCAOB may need to change its recruiting approach in order to hire quickly and integrate a substantial number of additional program staff into the organization.

Technology. The PCAOB is dependent on technology to support its programs and operations. For example, the PCAOB's risk assessment program is heavily dependent on IT tools, including relational data analysis. Enhancements of IT tools, including tools designed to permit inputs based on evidence collected in inspections, as well as tools designed to improve delivery of analysis to programs, would significantly improve the effectiveness and efficiency of PCAOB programs.

In addition, the PCAOB currently is implementing several large-scale technology projects, including a new Registration and Annual and Special Reporting System and an Inspection Information System. Such projects present special risks related to meeting program and budget goals. In addition, given the rapid pace of technological change, the PCAOB could experience challenges in maintaining the effectiveness of its existing systems and technology infrastructure.

Goals and Objectives

Goal 1: Protect the interests of the investing public in informative, fair and independent audit reports on the financial statements of public companies through effective oversight of registered public accounting firms and their associated persons

Objectives:

- A.** Analyze information obtained in oversight activities to support PCAOB programs with robust assessments of the risks of audit or related professional practice failures by registered public accounting firms
- **Identify Risks for Follow-up in Inspections and Investigations.** Identify risks that may have resulted in, or could lead to, audit or related professional practice failures by registered public accounting firms to target in inspections or, as appropriate, investigations, including by using screening techniques, qualitative research and statistical models
 - **Identify Weaknesses in Standards.** Identify weaknesses in, and appropriate improvements to, auditing and related professional practice standards or the need for guidance on how to apply such standards in particular circumstances, including by analyzing information from inspections, investigations and research activities
 - **Evaluate Risks Associated with Global Networks of Firms.** Identify and evaluate risks associated with global networks of firms and determine appropriate PCAOB action to address such risks, including by considering appropriate standards on quality control
 - **Assess Inspections Effectiveness.** Assess the effectiveness of each inspection, including by evaluating the effect of any changes in inspections scope or approach, and adjust the inspection program appropriately in light of such assessment
 - **Manage Knowledge.** Design and implement a knowledge management system that captures, analyzes, and communicates information across the organization, including by implementing an Inspection Information System
 - **Use Academic Expertise in Risk Assessment.** Design, implement, and as appropriate adjust, an academic fellow program to advise on the expanded application of empirical research techniques to risk analysis

- B. Conduct an inspection program that (i) identifies deficiencies that have or could result in audit, quality control, ethics or independence failures, or other violations of PCAOB or SEC rules, by registered public accounting firms, (ii) reports appropriate findings on such inspections, and (iii) determines whether appropriate remediation by the firms has occurred**
- ***Use Risk Analysis in Inspections.*** Use risk analysis to design and perform inspections of registered firms in a manner that identifies existing or potential deficiencies, including, as appropriate, review and appropriate testing of (i) selected audits of financial statements and of internal control over financial reporting, (ii) firm management and monitoring processes related to audit quality control, (iii) review of business and partner management, (iv) review of design and effectiveness of quality control and other practices related to foreign affiliates, and (v) emerging issues
 - ***Perform Timely Inspections and Produce Timely Reports.*** Maintain a program to perform inspections in conformity with applicable frequency requirements and produce timely inspection reports
 - ***Improve Inspection Policies and Methodologies.*** Continue to design, and evaluate improvements in, the PCAOB's policies and methodologies for performing and documenting inspections, including policies and methodologies to address risks associated with the size, complexity, structure (including affiliation with a global network) and nature of a firm's audit work (including any substantial role or referral work performed by a firm) in a manner that promotes consistently high quality inspections
 - ***Examine Effects of Global Financial Crisis.*** Use risk assessment to identify and examine effects of global financial crisis on audit engagements, including fair value measurements, going concern assumptions, and changes in the credit environment
 - ***Enhance Process Related to Non-U.S. Coordination.*** Enhance the process for determining whether coordination with a non-U.S. inspection body is possible and appropriate, consistent with Rule 4012
 - ***Monitor Section 404(b) Implementation.*** Monitor first-year implementation of internal control audit requirements under Section 404(b) of the Act by registered public accounting firms with non-accelerated filer audit clients

- C. **Protect investors with auditing and related professional practice standards that strengthen the reliability of public company audits**
- **Use Risk Assessment to Establish Standard-setting Agenda.** Maintain, and as appropriate adjust, a standards-setting agenda by using inspection and other information, and related risk analysis, to identify opportunities to enhance investor protection through appropriate initiatives to fill new or emerging gaps in, or otherwise improve, auditing and related professional practice standards
 - **Enhance Standard-setting Process.** Develop auditing and related professional practice standards using timely and rigorous research (including internal collaboration and consultation and, as appropriate, *ad hoc* task forces and other external sources of information) and public exposure
 - **Publish Appropriate Implementation Guidance.** Identify opportunities to enhance investor protection by publishing appropriate guidance interpreting auditing and professional practice standards or other PCAOB rules, select appropriate tools to provide such guidance effectively and efficiently, and develop such guidance in a timely manner
- D. **Protect investors by enforcing auditing and related professional practice standards, the Act and PCAOB rules, and other laws and rules applicable to preparation and issuance of audit reports and related obligations and liabilities of accountants**
- **Use Risk Analysis to Guide Investigation Program.** Use risk analysis to identify acts or practices, or omissions to act, by a registered public accounting firm, any associated person of such firm, or both, within the PCAOB's enforcement jurisdiction that may warrant further investigation or enforcement action
 - **Conduct Timely Investigations and Disciplinary Proceedings.** Initiate and complete investigations and take other actions, including reporting to the PCAOB on ongoing and potential enforcement matters, in a timely and appropriate manner
 - **Maintain Appropriate Procedures.** Maintain fair and efficient procedures for investigations and disciplinary proceedings

Goal 2: Maintain a program to register, and receive annual and special reports from, public accounting firms with broker-dealer audit clients, in a manner that enhances public information about such firms and facilitates administration of laws related to broker-dealers

Objectives:

A. Enhance public information about public accounting firms with broker-dealer audit clients through the registration of, and annual and special reporting by, such firms

- **Register Firms.** Implement a program to facilitate the registration of public accounting firms with non-public broker-dealer audit clients, including by requesting and, as appropriate, making public information pertinent to a firm's non-public broker-dealer audit practice
- **Require Appropriate Annual and Special Reports.** Develop and implement a program to facilitate annual and special reporting by registered public accounting firms with broker-dealer audit clients, including by considering amendments to the PCAOB's rules and forms on annual and special reporting to require information pertinent to a firm's broker-dealer audit practice
- **Report Information to Facilitate Administration of Broker-dealer Laws.** Identify and provide to the SEC information about registered public accounting firms with broker-dealer audit clients that may facilitate administration of laws relating to broker-dealers

B. Develop, execute, and as appropriate adjust, a communication plan to provide auditors with broker-dealer audit clients appropriate information about registration and reporting requirements, inform the public about the nature and extent of PCAOB oversight of such firms, and make appropriate recommendations to lawmakers on policy and/or technical issues that may arise from additional reforms

- **Develop Communication Materials on PCAOB Oversight.** Develop communication materials about the nature and extent of PCAOB oversight of registered public accounting firms with broker-dealer audit clients and identify and use appropriate mechanisms, including the PCAOB Web site, speaking engagements and/or group meetings, to communicate such information
- **Develop Educational Forums.** Develop educational forums to inform, educate and obtain feedback from broker-dealer auditors
- **Monitor Developments on PCAOB Oversight.** Monitor legislative and/or SEC developments related to PCAOB oversight of public accounting firms with broker-dealer audit clients and make appropriate recommendations on policy and/or technical issues that may arise from such developments

Goal 3: Inform, educate and obtain input from a broad cross-section of the public, including auditors, investors, the academic community and other interested parties, about the PCAOB's oversight activities

Objectives:

A. Develop and implement a plan to communicate appropriate information to the public, including investors, auditors, policymakers, the media, members of Congress and other interested parties

- ***Develop PCAOB Messages.*** Develop and facilitate delivery, including through the PCAOB Web site, of messages on the PCAOB's programs and initiatives and other significant topics related to the PCAOB or public company auditing
- ***Develop Response to Frequently Asked Questions.*** Gather questions that are frequently asked at conferences, meetings, and other events and develop appropriate responses to such questions for use by PCAOB speakers
- ***Consult on ACAP Recommendations.*** Consult with the SEC and other interested parties on PCAOB consideration and, as appropriate, action on recommendations of the ACAP, including establishment of a financial reporting fraud center
- ***Educate Through Forums.*** Continue Forums on Auditing in the Small Business Environment, including by providing education for auditors and other audiences about auditing internal control over financial reporting at smaller public companies and engagement quality review in small firms
- ***Communicate with Congress.*** Communicate, as appropriate, with the PCAOB's congressional committees of jurisdiction and, interested members of Congress, particularly views related to any legislation that may affect the responsibilities of the PCAOB

B. Provide the investing public with appropriate information about registered public accounting firms

- ***Act Timely on Confidential Treatment Requests.*** Act timely on confidential treatment requests related to registration applications and annual and special reports
- ***Provide Access to Applications and Reports.*** Design and maintain an automated system to provide internal, and as appropriate public, access to registration applications and annual and special reports
- ***Disseminate Information about Registered Firms.*** Disseminate appropriate information about registered public accounting firms to the public in a timely, efficient and informative manner, including by maintaining a Web site that displays a Web page on each registered

firm and provides information about the extent of the PCAOB's oversight of such firm, as appropriate, by category of oversight, as well as the firm's (and any predecessor's) registration application, all past inspection reports (including, if applicable, the portion of such reports describing quality control deficiencies that were not remediated within twelve months of the report), any public disciplinary sanctions against the firm or its associated persons

- ***Publish Summary Reports.*** Publish, pursuant to PCAOB Rule 4010, summaries, compilations, and other general reports concerning PCAOB inspections for public awareness or identified audiences
- C. **Maintain a program to obtain input from investors, public companies, registered public accounting firms, the academic community and other interested parties on the PCAOB's proposals and emerging issues related to its work**
- ***Enhance Transparency of Standard-setting.*** Enhance the transparency of standard-setting and other rulemaking initiatives by developing clear releases and other statements describing the objectives, methods and intent of each proposal in a manner that allows the investing public and other interested parties to understand the import and effect of the proposal and facilitates meaningful public comment
 - ***Use Standing Advisory Group to Obtain Input on Standard-setting.*** Use the PCAOB's Standing Advisory Group (the "SAG"), ad hoc task forces and working groups to obtain input on standards-setting projects, as well as other developments in financial reporting
 - ***Use Investor Advisory Group to Obtain Input on Appropriate Topics.*** Use the PCAOB's Investor Advisory Group to obtain input on appropriate topics related to the PCAOB's programs
 - ***Monitor Use of Advisory Groups.*** Monitor the role, composition and format of the PCAOB's advisory groups to ensure that the PCAOB obtains input from a wide variety of sources

Goal 4: Strengthen the coordination of financial reporting or auditing initiatives in the United States and abroad, to the extent consistent with the PCAOB's mission

Objectives:

A. Facilitate implementation of financial reporting and auditing initiatives administered by other regulators, standards-setters and others, as appropriate

- ***Collaborate with Others.*** Maintain relationships and collaborate with the SEC, the FASB, the International Accounting Standards Board, and state and other appropriate regulators on initiatives that further the PCAOB's strategic goals
- ***Identify and Report Implementation Problems to Accounting Standard-setters.*** Analyze information obtained in inspections and other oversight activities to identify problems related to the implementation of applicable accounting and financial reporting requirements that may affect the reliability of financial reporting under such standards or other requirements and report any such problems to appropriate standards-setters
- ***Coordinate Investigations.*** Coordinate investigations, as appropriate, with the SEC, state or other appropriate regulators, including by sharing appropriate information with such regulators as permitted by the Act and the PCAOB's rules
- ***Monitor Work of Other Standard-setters.*** Continue to participate in regular meetings with and among the U.S. Government Accountability Office, the AICPA's ASB, and the International Federation of Accountants' IAASB, to share information regarding audit and related professional practice risks and obtain information as to whether those bodies' have developed standards that could fill new or emerging gaps, or address other weaknesses, the PCAOB has identified in its auditing and related professional practice standards

B. Work effectively with non-U.S. 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 Relationships with Non-U.S. Authorities.*** Develop and maintain effective bilateral and multilateral relationships with appropriate non-U.S. authorities
- ***Coordinate with Non-U.S. Regulators.*** Work with appropriate non-U.S. regulators pursuant to PCAOB Rule 4012, to implement the PCAOB's cooperative approach to oversight of non-U.S. firms

C. Participate in international efforts to improve auditor oversight and auditing practices worldwide

- ***Participate in International Meetings of Audit Regulators.*** Participate in the International Forum of Independent Audit Regulators to improve coordination and oversight
- ***Host Conferences for Non-U.S. Audit Regulators.*** Continue to host educational and technical assistance conferences for non-U.S. audit regulators and government representatives
- ***Monitor the Work of Other Standard-setters.*** Monitor the work of other auditing standard-setting bodies to benefit from, and as appropriate incorporate, new developments and techniques into the PCAOB's standard-setting initiatives

Goal 5: Operate the PCAOB in a manner that demonstrates careful stewardship over its resources consistent with the public interest nature of its mission

Objectives:

A. Maintain, and as appropriate adjust, an approach to attract, retain and develop highly qualified individuals to fulfill the PCAOB's goals and objectives

- **Reevaluate Recruitment Plan, Including Diversity and Geographic Expansion.** Reevaluate the PCAOB's recruitment plan and adjust it as appropriate to meet hiring objectives established by the PCAOB's budgets, including by considering initiatives to enhance the diversity of the PCAOB's recruiting pool and to include applicants for new locations
- **Evaluate Compensation and Benefit Plans.** Evaluate the PCAOB's compensation and benefit plans and adjust them as appropriate to meet the PCAOB's goals and objectives
- **Assess Mix of Resources.** Conduct annual, and as appropriate interim, assessments of whether the PCAOB's programs and operations have an appropriate mix of resources dedicated to achieving its goals and objectives, including support staff, information technology, and access to specialized services
- **Minimize Disruption to Programs and Operations.** Develop a plan to minimize disruptions to PCAOB programs and operations related to turnover of Board and staff positions or related to uncontrollable events, including by establishing a disaster planning system
- **Enhance Training.** Continue to enhance training, including training related to technical and management skills, and career development programs

B. Utilize information technology to support the PCAOB's programs and operations

- **Meet Technology Needs.** Meet the PCAOB's technology needs in a timely and cost-effective manner, among other ways by developing a system to collect, distribute and analyze appropriate information derived from inspections, investigations and other research
- **Enhance IT Governance.** Develop and implement a governance system for IT projects, including more formal processes that provide for appropriate prioritization, funding, and oversight of new and continuing projects
- **Maintain IT Security.** Maintain appropriate IT security consistent with applicable confidentiality and other requirements and in light of IT industry best practices

- C. **Continue to align the PCAOB's programs and operations with the Act and the PCAOB's strategic goals and objectives**
- ***Build and Refine Rules.*** Continue to build and refine the framework of rules necessary for the PCAOB to exercise its statutory authority
 - ***Maintain the Ethics Program.*** Maintain, and as appropriate adjust, the PCAOB ethics program, including by further integrating the principles of the PCAOB's Ethics Code into PCAOB's programs and operations
 - ***Consider Cost/Benefit Methodologies.*** Consider potential methodologies to assess the nature and magnitude of the effects (cost/benefit) of PCAOB initiatives on investors, public companies, and audit firms
 - ***Develop a Merit Scholarship Program.*** Develop and implement 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
 - ***Enhance Programs Based on Reviews.*** 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

Performance Measurement

The PCAOB 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 appropriate 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 has established 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 provide the PCAOB 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 PCAOB 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 seek ways – both qualitative and quantitative – to measure its progress in achieving its mission. The PCAOB also will 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: Protect the interests of the investing public in informative, fair and independent audit reports on the financial statements of public companies through effective oversight of registered public accounting firms

Measure 1-1(a): Number of Annual and Triennial Inspections Completed			
	2008	2009	2010
Projected Number of Annual Inspections	11	11	10
Actual Number of Annual Inspections	12		
Projected Number of Triennial Inspections	295	295	287
Actual Number of Triennial Inspections	243		

Relevance of Measure: This measure reflects the PCAOB's performance in fulfilling its statutory requirement to inspect registered firms, annually or triennially. Recognizing its limited inspections resources, the PCAOB scheduled triennial inspections to allow a relatively consistent mix of firms by size and complexity each year.

2008 Results: The projected number of triennial inspections in 2008 was not reached, due to the delays discussed in Measure 1-1(b) for some non-U.S. firms, and the withdrawal from registration by firms scheduled for 2008 inspections. The PCAOB completed inspections of all other firms.

2009 Plan: As of November 15, 2009, the PCAOB expects to conduct 10 annual firm inspections and 277 triennial inspections (including 82 non-U.S. triennial inspections) in 2009. The PCAOB does not expect to conduct the number of annual inspections previously projected since one of the annual firms is no longer registered with the PCAOB. The PCAOB does not expect to conduct the projected number of triennial inspections due to matters discussed in Measure 1-1(b) for some non-U.S. firms, and the withdrawal of registration by firms scheduled for 2009 inspections.

2010 Plan: In 2010, the PCAOB expects to conduct 10 annual firm inspections and 287 triennial inspections (including 90 non-U.S. triennial inspections).

Measure 1-1(b): Number of Non-U.S. Inspections Completed			
	2008	2009	2010
Projected Number of Non-U.S. (Triennial) Inspections	72	101	90
Actual Number of Non-U.S. (Triennial) Inspections	49		
<p>Relevance of Measure: This measure reflects the PCAOB's performance in fulfilling its statutory requirement to inspect non-U.S. registered public accounting firms.</p>			
<p>2008 Results: In 2008, while 49 non-U.S. firms were inspected on the triennial cycle, 23 other non-U.S. triennial inspections that were scheduled did not occur, and the Board adopted a rule amendment extending the inspection deadline for several of these firms to 2009, for the reasons described in the Board's December 2008 release, <i>Rule Amendments Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms</i> (PCAOB Release No. 2008-007, December 2008).</p>			
<p>2009 Plan: As noted above, in June 2009, the PCAOB adopted a rule change entitled, <i>Rule Amendments Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms</i> (PCAOB Release No. 2009-003). This rule, which is pending before the Commission for approval, amends the inspection frequency requirements of Rule 4003 to give the Board the ability to postpone, for up to three years, certain inspections of non-U.S. registered public accounting firms that the PCAOB is otherwise required to conduct before the end of 2009.</p> <p>In 2009, the PCAOB expects to conduct 82 non-U.S. firm inspections (the "2009 Estimate"). The 2009 Estimate differs from the 2009 Projection in that (1) it is based on the sequencing of certain non-U.S. inspections set forth in the December 2008 and June 2009 PCAOB releases accompanying the amendments to Rule 4003; (2) certain firms that were included in the 2009 Projection (prepared in 2008) were later inspected in 2008 and so are no longer in the 2009 Estimate; and (3) 32 firms were pulled forward into 2009 (and now included in the 2009 Estimate) that were originally projected for inspection years beyond 2009.</p>			
<p>2010 Plan: In 2010, the PCAOB expects to conduct 90 non-U.S. triennial inspections.</p>			

Measure 1-2: Timely Issuance of Inspections Reports					
	Number of Firms Inspected or Projected	Reports Issued Pre-2009	Reports Issued by Calendar Year		
			2008 Actual	2009 Actual	2010 Projected
Annual Firms – Inspections Year					
2003-2006	30	30	N/A	N/A	N/A
2007	10	10	10	N/A	N/A
2008	12	1	1	10	1
2009 (projected)	11	N/A	N/A	0	10
2010 (projected)	10	N/A	N/A	N/A	0
Total Reports		41	11	10	11
Triennial Firms – Inspections Year					
2004-2005	363	363	N/A	N/A	N/A
2006	162	151	47		5
2007	226	156	100		23
2008	243	101	101		68
2009 (projected)	295	N/A	N/A		124
2010 (projected)	287	N/A	N/A	N/A	80
Total Reports		771	248		300
Relevance of Measure: This measure reflects the PCAOB's performance in issuing inspection reports on a timely basis.					
2008 Results: In 2008, the PCAOB issued 11 annual inspection reports and 248 triennial inspections reports.					
2009 Progress: The PCAOB has issued ten annual inspection reports and expects to issue no more in 2009. As of November 15, 2009, the PCAOB has issued 163 triennial inspections reports and expects to issue a total of 207 triennial inspection reports by the end of 2009.					
2010 Plan: The PCAOB expects to issue eleven annual and 300 triennial inspection reports in 2010.					

Measure 1-3: Standards-setting Activities					
Current Projections					
	Projected Proposal	Projected Adoption	2008 Results	2009 Plan	2010 Plan
Evaluating Consistency of Financial Statements	2007	2008	Adopted	N/A	N/A
Ethics and Independence Rules 3523 and 3526	2007	2008	Adopted	N/A	N/A
Engagement Quality Review	2008	2009	Proposed	Re-proposed; Adopted	N/A
Risk Assessment, including fraud risk assessment	2008	2010	Proposed	Re-propose	Adopt
Audit Confirmations	2009	2010	Under Consideration	Issued Concept Release	Propose; Adopt
Signing the Auditor's Report	2009	2010	--	Issued Concept Release	Propose; Adopt
Application of the Sarbanes-Oxley Act's Provision on "Failure to Supervise"	2009	2010	--	Issue Concept Release	Propose; Adopt
Accounting Estimates, Fair Value Measurements, and Specialists	2010	2010/2011	Under Consideration	Under Consideration	Propose; Adopt or Re-propose
Communications with Audit Committees	2010	2010/2011	---	Under Consideration	Propose; Adopt or Re-propose
Related Parties	2010	2010/2011	Under Consideration	Under Consideration	Propose; Adopt or Re-propose
Global Quality Control, including Control Over Work of Affiliated Firms	2010	2010/2011	--	Under Consideration	Propose; Adopt or Re-propose

Measure 1-3: Standards-setting Activities					
Current Projections					
	Projected Proposal	Projected Adoption	2008 Results	2009 Plan	2010 Plan
Principal Auditor	2010	2010/2011	--	Under Consideration	Propose; Adopt or Re-propose
Going Concern	2010	2010/2011	---	Under Consideration	Under Consideration
Subsequent Events	2010	2010/2011	---	Under Consideration	Propose; Adopt or Re-propose
Applicability of SECPS Requirements	2010	2010/2011	---	Under Consideration	Propose
<p>Relevance of Measure: This measure reflects a reasonable expectation of when the Board may issue a concept release related to a particular topic, propose or re-propose a new standard, or adopt a final standard. The projected project milestones are contingent on the Board's determination, based on its own assessment or comments received, that the staff should pursue a standards-setting project in each area. Priorities can change over time and the development and completion of a standard is dependent on many internal and external factors.</p>					
<p>2008 Results: The Board adopted Auditing Standard No. 6, <i>Evaluating Consistency of Financial Statements</i>, as well as independence-related rules 3523 and 3526. The Board also proposed for public comment seven new auditing standards related to the auditor's assessment of and response to risk (including conforming amendments), and a new auditing standard on engagement quality review. At the close of 2008, the Board's projects on accounting estimates, fair value measurements, specialists, audit confirmations and related parties were under consideration by the Board's Office of the Chief Auditor.</p>					
<p>2009 Plan: To date, the Board has re-proposed for public comment and adopted an auditing standard on engagement quality review. The Board has also issued concept releases for public comment on possible revisions to the standard on audit confirmations and whether to require the engagement partner signature in the auditor's report. By the end of the year, the Board intends to re-propose the auditing standards relating to the auditor's assessment of and response to risk and issue a concept release on the application of the Act's provision on "failure to supervise."</p> <p>Other active projects under consideration by the PCAOB staff include: accounting estimates, including fair value measurements and specialists; communications with audit committees; related parties; global quality control, including control over use of affiliated firms; principal auditor; going concern; subsequent events; and the applicability of SECPS requirements to all registered firms.</p>					

2010 Plan: The Board will consider adopting the auditing standards relating to the auditor's assessment of and response to risk. Additionally, the Board will consider proposing standards in the following areas: audit confirmations; accounting estimates, including fair value measurements and specialists; application of the Act's provision on "failure to supervise"; signing the auditor's report; communications with audit committees; related parties; global quality control, including control over work of affiliated firms; principal auditor; subsequent events; and applicability of SECPS requirements. If the Board proposes standards in these areas, the Board will also consider adopting the standards as final in mid to late 2010 (and early 2011 for applicability of SECPS requirements). For each of these projects, depending on comments received and other factors, the Board may issue a re-proposed standard before adopting a final standard.

Measure 1-4: Timely Resolution of Formal Investigations			
	2008	2009	2010
Projected Percentage Resolved Within 3 Years of Formal Start of Investigation	66%	66%	66%
Actual Percentage Resolved Within 3 Years of Formal Start of Investigation	89%		
<p>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. 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. As the PCAOB conducts a greater number of investigations, it will assess whether its target for resolving formal investigations within three years remains the appropriate goal.</p>			
<p>2008 Results: The PCAOB exceeded its performance measure for the year. Of the formal investigations resolved in 2008, 89 percent were resolved within the three-year time frame.</p>			
<p>2009 Plan: Based on the current projection, the PCAOB expects to meet its performance measure of 66% for the year. This projection, though, is dependent on the workload impact of the litigated matters on current investigations and whether ongoing investigations for which disciplinary proceedings are appropriate will be contested.</p>			
<p>2010 Plan: In 2010, the PCAOB expects to meet its performance measure of 66% for the year. This projection, though, is dependent on the workload of litigated matters on current investigations and whether ongoing investigations for which disciplinary proceedings are appropriate will be contested.</p>			

Measure 1-5/2-1: Timely Processing of Registration Applications and Requests for Withdrawal			
	2008	2009	2010
Projected Percentage of Received Applications Acted Upon within the Statutory Time Frame	100%	100%	100%
Actual Percentage of Received Applications Acted Upon within the Statutory Time Frame	100%		
Projected Percentage of Received Withdrawal Requests Acted Upon Within the Time Frame Specified in PCAOB Rule 2107(a)	100%	100%	100%
Actual Percentage of Received Withdrawal Requests Acted Upon Within the Time Frame Specified in PCAOB Rule 2107(a)	100%		
<p>Relevance of Measure: This measure reflects the PCAOB's timeliness in acting on registration applications and withdrawal requests, including applications received from public accounting firms with non-public broker-dealer audit clients. Should there be a significant change in the number of firms seeking to register or withdraw, the PCAOB will adjust its registration resources accordingly.</p>			
<p>2008 Results: The PCAOB met its goals by acting on registration applications and withdrawal requests in accordance with the required timelines.</p>			
<p>2009 Plan: The PCAOB expects to continue its practice of acting on registration applications and withdrawal requests in a timely manner.</p>			
<p>2010 Plan: The PCAOB expects to continue its practice of acting on registration applications and withdrawal requests in a timely manner.</p>			

Goal 3: Inform, educate and obtain input from a broad cross-section of the public, including auditors, investors, the academic community and other interested parties about the PCAOB's oversight activities

Measure 3-1: Feedback from Forums on Auditing in the Small Business Environment

	2008	2009	2010
Projected Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0	85%	85%	90%
Actual Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0	100%		
Number of survey respondents	483		
Number of Attendees	658		

Relevance of Measure: This measure shows the percentage of sessions of Forums on Auditing in the Small Business Environment that 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. This information is used, in turn, to shape the content and focus of future forums.

2008 Results: During the 2008 series, seven one-day Forums were offered to members of triennially inspected registered auditing firms while two one-day Forums were offered to directors and financial officers of smaller public companies. These events were held in seven different cities around the country, each providing six to eight separate sessions. These sessions received an average rating of 4.12 to 4.52 from the participants attending the Forums offered to registered auditing firms. The Forums offered to the directors and financial officers received ratings of 4.02 to 4.56. As a result, the Forum series for 2008 achieved a performance rating of 100 percent, exceeding the projected performance measure of 85 percent of Forum sessions rated 4.0 or higher.

2009 Plan: In 2009, the PCAOB will strive to attain the projected target rating of 4.0 or higher for a minimum of 85% of its Forum sessions delivered during the year. Through November 15, 2008, five of the Forums had been held with one more remaining. This compares to a total of seven one-day Forums and two two-day Forums held in 2008. A total of 500 people attended the five Forums to-date; 354 attendees responded to the survey, with 100% of respondents rating the Forum 4.0 or higher.

2010 Plan: In 2010, the PCAOB will target a rating of 4.0 or higher for a minimum of 90% of its sessions delivered during the year.

Indicator 3-1: Usage of the PCAOB Web Site			
	2008	2009	2010
Projected Visits to the PCAOB Web Site	1.1 million	1.3 million	1.1 million
Actual Visits to the PCAOB Web Site	0.96 million		
<p>Relevance of Measure: This indicator tracks the number of visits to the Web site by external parties. It is an indicator of the level of outside interest in, and questions about, the PCAOB's regulatory activities.</p>			
<p>2008 Results: There were approximately 963,000 visits to the Web site, an increase of approximately 8 percent over the prior year.</p>			
<p>2009 Plan: The PCAOB expects approximately 1.0 million hits to its Web site in 2009, roughly the same amount as occurred in 2008. This amount is lower than originally projected in the March 2008 strategic plan, because that plan was based on the assumption that the redesigned Web site would be deployed in 2008.</p>			
<p>2010 Plan: The PCAOB projects 1.1 million visits to the PCAOB Web site by interested parties as the PCAOB increases its activities, particularly the registration of non-public broker-dealer auditors and the implementation of firm annual and special reporting filings.</p>			

Indicator 3-2 Input from PCAOB Standing Advisory Group				
SAG Meetings during 2006 – 2009		Resulting or Projected PCAOB Standards-Setting or Other Activities		
Topics Discussed	Date(s)	2008	2009	2010
Auditing fair value	June 2007; October 2009	Under Consideration	Under Consideration	Proposed Standard; Adopt Final Standard or Re-Propose Standard
Specialists	February 2006; October 2009	Under Consideration	Under Consideration	Propose Standard; Adopt Final Standard or Re-Propose Standard
Communications with Audit Committees	October 2009	Under Consideration	Under Consideration	Proposed Standard; Adopt Final Standard or Re-Propose Standard
Related Parties	June 2007; October 2009	Under Consideration	Under Consideration	Proposed Standard; Adopt Final Standard or Re-Propose Standard
Audit Confirmations	April 2009	Under Consideration	Issued Concept Release	Propose Standard; Adopt Final Standard
Engagement Quality Review	April 2009	Proposed Standard	Re-Proposed Standard; Adopted Final Standard	N/A
Going Concern	April 2009	N/A	Under Consideration	Under Consideration
Audit Considerations in the Current Environment	October 2008	Staff Audit Practice Alert Issued	N/A	N/A
Feasibility of audit quality indicators	October 2008	Not a Standards-Setting Project	Not a Standards-Setting Project	Not a Standards-Setting Project
Signing the auditor's report	October 2008	Under Consideration	Issued Concept Release	Propose Standard; Adopt Final Standard

Indicator 3-2 Input from PCAOB Standing Advisory Group				
SAG Meetings during 2006 – 2009		Resulting or Projected PCAOB Standards-Setting or Other Activities		
Topics Discussed	Date(s)	2008	2009	2010
Accounting firms' and auditors' responsibility to supervise	February 2008	Under Consideration	Issue Concept Release	Propose Standard; Adopt Final Standard
CiFiR proposal relating to judgments made by financial statement preparers and auditors	February 2008	Not a Standards-Setting Project ⁷	Not a Standards-Setting Project	Not a Standards-Setting Project
Global quality control practices	February 2008	Under Consideration	Under Consideration	Proposed Standard; Adopt Final Standard or Re-Propose Standard
Audit implications of IFRS Financial Statements in U.S. SEC Filings	October 2007	Pending Review of Interim Standards	Pending Review of Interim Standards	Pending Review of Interim Standards
Engagement team performance	June 2007	Pending Review of Interim Standards	Pending Review of Interim Standards	Pending Review of Interim Standards
Discussion of forensic audit procedures	February 2007	Not a Standards-Setting Project	Not a Standards-Setting Project	Not a Standards-Setting Project
Discussion of implementation of Section 404	June 2006; February 2007	Under Consideration	Issued Staff Guidance	N/A
Independence and Indemnification/Limitation of Liability	February 2006	Not a Standards-Setting Project	Not a Standards-Setting Project	Not a Standards-Setting Project
Risk assessment	February 2006	Proposed Standard	Re-Propose Standard	Adopt Final Standard
<p>Relevance of Indicator: This indicator shows how the PCAOB uses input from its SAG. Specifically, it tracks whether a discussion has led or is expected to lead to an identifiable contribution to an initiative or activity. This allows the PCAOB to evaluate whether its planning for the discussion was effective or whether changes in planning based on lessons learned are appropriate. Although this indicator is useful to consider how to improve the effectiveness of the PCAOB's planning for discussions, the PCAOB does not intend for every discussion to lead to identifiable results. For example, an effective discussion may appropriately lead to no action, depending on the nature of the advice received (and assuming that advice was sound). Moreover, the</p>				

⁷ A portion of the CiFiR recommendation relates to a recommendation that the SEC adopt a policy statement regarding accounting judgments. If the SEC implements this recommendation, the PCAOB will evaluate the portion of the recommendation relating to auditing judgments.

PCAOB intends to experiment with content in ways that may justify discussion topics that do not lead to or require follow-up. Nevertheless, tracking this information allows the PCAOB, with hindsight, to learn valuable lessons about how to make effective use of the SAG.

Any projected project milestones are contingent on the Board's determination, based on its own assessment of any comments received, that staff should pursue a standards-setting or other project in this area. Priorities can change over time and the development and completion of a standard or other project is dependent on many internal and external factors.

2008 Results: The PCAOB held two SAG meetings in 2008, which included a discussion of six topics. As a result of the audit considerations in the current economic environment discussion, the staff issued Staff Audit Practice Alert No. 3, *Audit Considerations in the Current Economic Environment*. Three discussion topics resulted in current standards-setting projects: signing the auditor's report, registered firms' and auditors' responsibility to supervise (application of the Act's provision on "failure to supervise"), and global quality control practices. The SAG also discussed one recommendation from the Advisory Committee on the Auditing Profession to the U.S. Department of Treasury (feasibility of audit quality indicators) and one recommendation from the Advisory Committee on Improvements to Financial Reporting to the U.S. Securities and Exchange Commission (judgments made by financial statement preparers and auditors). These topics are currently not standards-setting projects.

2009 Plan: In response to two 2008 SAG discussions, the Board issued a concept release for public comment regarding signing the auditor's report and plans to issue a concept release on registered firms' and auditors' responsibility to supervise (application of the Act's provision on "failure to supervise").

In 2009, the PCAOB held two SAG meetings. At the April meeting, the SAG discussed three topics: audit confirmations, engagement quality review, and the going concern assumption. As a result of the engagement quality review discussion, the Board adopted Auditing Standard No. 7, *Engagement Quality Review*. Additionally, as a result of the audit confirmations discussion, the Board issued a concept release for public comment. The Board also added going concern as a standards-setting project in light of the SAG discussion.

At the October meeting, the SAG discussed three topics: accounting estimates, fair value measurements, and use of specialists; communications with audit committees; and related parties.

2010 Plan: The PCAOB plans to hold three SAG meetings in 2010, covering seven to ten topics with the SAG in 2010. These topics will likely include discussion regarding standards-setting projects as well as other topics that may result in standards-setting projects.

Goal 4: Strengthen the coordination of financial reporting and auditing in the United States and abroad, to the extent consistent with the PCAOB's mission

Measure 4-1: Progress in Establishing Relationships with Non-U.S. Audit Oversight Bodies

	2008	2009	2010
Establish or Maintain Contact			
Projected Number of Oversight Bodies	N/A	25	21
Actual Number of Oversight Bodies	30		
Establish or Maintain Working Relationship			
Projected Number of Oversight Bodies	N/A	13	14
Actual Number of Oversight Bodies	14		
Establish or Maintain Cooperative Arrangement			
Projected Number of Oversight Bodies	N/A	16	19
Actual Number of Oversight Bodies	6		

Relevance of Measure: This new measure shows the cumulative number of countries/jurisdictions with which the PCAOB established or maintained contact, a working relationship or a cooperative arrangement. The PCAOB develops relationships with non-U.S. regulators to facilitate its inspections of registered non-U.S. firms.

2008 Results: Through efforts started in 2005, the PCAOB established contact or made progress toward dialogue and cooperation with 50 countries/jurisdictions. From 2005 to 2008, the PCAOB conducted inspections (either PCAOB-only or jointly) in 26 of those countries/jurisdictions.

2009 Plan: As of November 15, 2009, the PCAOB plans to develop certain existing contacts into working relationships and certain existing working relationships into cooperative arrangements.

2010 Plan: In 2010, the PCAOB plans to develop certain existing contacts into working relationships and certain existing working relationships into cooperative arrangements.

Measure 4-2: International Auditor Regulatory Institute Feedback			
	2008	2009	2010
Projected Institute participants that rated it 4.0 or higher out of 5.0	85%	85%	85%
Actual Percentage of Institute participants that rated it 4.0 or higher out of 5.0	93%	90%	
Number of survey respondents	65	40	
Number of attendees	115	103	
<p>Relevance of Measure: This measure shows the percentage of participants who strongly agree that the Institute was effective in meeting its learning objectives.</p>			
<p>2008 Results: The PCAOB hosted its second International Auditor Regulatory Institute for non-U.S. regulators and government officials in 2008. After each panel, meeting attendees completed evaluations of the panel's effectiveness. Ninety-three percent of survey respondents indicated strong agreement (4.0 or higher) that the Institute was effective in meeting its objectives.</p>			
<p>2009 Plan: The PCAOB hosted its third International Auditor Regulatory Institute for non-U.S. regulators and government officials in 2009. After each panel, meeting attendees completed evaluations of the panel's effectiveness. Ninety percent of survey respondents indicated strong agreement (4.0 or higher) that the Institute was effective in meeting its objectives.</p>			
<p>2010 Plan: The PCAOB plans to host a fourth PCAOB International Auditor Regulatory Institute in 2010. OIA anticipates receiving feedback rates at levels similar to those experienced in 2009.</p>			

Indicator 4-1: Number of Participants and Countries/Jurisdictions That Attend the International Auditor Regulatory Institute			
	2008	2009	2010
Projected Number of Participants	100	132	132
Actual Number of Participants	115	103	
Projected Number of Countries/Jurisdictions	50	53	53
Actual Number of Countries/Jurisdictions	48	42	
<p>Relevance of Measure: This indicator shows the amount of interest by other countries and jurisdictions in the activities, responsibilities, and mission of the PCAOB.</p>			
<p>2008 Results: The PCAOB hosted its second International Auditor Regulatory Institute for non-US regulators and government officials in 2008. Approximately 115 representatives of 48 countries/jurisdictions attended. These numbers represent a 50 percent increase in participation from 2007, and a 20 percent increase in countries/jurisdictions represented, with many new participants coming from developing countries in Africa and Asia.</p>			
<p>2009 Plan: The PCAOB hosted its third International Auditor Regulatory Institute for non-US regulators and government officials in 2009. Approximately 103 representatives of 42 countries/jurisdictions attended. These numbers represent a 10% percent decrease in representatives attending and a 12% decrease in countries/jurisdictions represented, which the PCAOB believes is attributable to budgetary constraints resulting from the global financial crisis.</p>			
<p>2010 Plan: For 2010, the PCAOB expects to maintain the level of attendance from the 2009 Institute.</p>			

Goal 5: Operate the PCAOB in a manner that demonstrates careful stewardship over its resources consistent with the public interest nature of its mission

Measure 5-1: Progress related to Programmatic Information Technology Initiatives		
	Projected Completion (March 2008 Strategic Plan)	New Projected Completion (For 2010 Budget)
Registration, Annual and Special Reporting	2008	2010
Inspections Information System	2009	2011
PCAOB Web Site Redesign	2008	2010
<p>Relevance of Measure: This measure gauges the PCAOB's progress in implementing significant program-related IT initiatives, against its implementation plans.</p>		
<p>2008 Results: Development of a new registration system, and an annual and special reporting system commenced in 2008. The development of the Inspection Information System was in progress in 2008. Redesign of the Web site, including a new content management system, design and layout, navigation, search, content, and graphics, commenced in 2008.</p>		
<p>2009 Plan: As of November 15, 2009, the core functionality of the registration, annual and special reporting system is expected to be completed in 2009. The PCAOB expects to make further progress on the Inspection Information System, including procurement and initial setup of the hosting environment of a commercial audit management system, in 2009. The PCAOB expects the redesigned Web site to be deployed in 2010.</p>		
<p>2010 Plan: Additional development on the registration, annual and special reporting system will be carried out in 2010 relating to the registration of non-public broker-dealer auditors. Development, implementation and pilot testing of the Inspections Information System are expected to take place during 2010, with full deployment of the system in 2011.</p>		

Indicator 5-1(a): Percentage of Staff Hired by Year			
Duration of Current Employees' Employment: Percentage of Employees Who Commenced Employment In	December 31, 2008	December 31, 2009 (Projected)	December 31, 2010 (Projected)
2003	15	12	10
2004	18	14	11
2005	26	22	17
2006	16	12	10
2007	15	12	9
2008	10	8	7
2009	N/A	20	16
2010	N/A	N/A	20
<p>Relevance of Measure: This indicator shows the percentage of staff hired by year, and thus shows when the PCAOB experienced significant changes in staff tenure.</p>			
<p>2008 Results: Results for 2008 reflect the slowdown in the pace of hiring in 2006-2008.</p>			
<p>2009 Plan: The PCAOB expects that the increase in hiring in 2009 will affect the distribution of staff hired by year, and that approximately 20 percent of staff will have less than one year of tenure with the organization by year end.</p>			
<p>2010 Plan: The 2010 budget assumes that additional staff will need to be hired in 2010 to support the growing needs of the organization. Combined with anticipated turnover, this hiring will further shift the distribution of staff hired by year. Projections will need to be adjusted if the PCAOB receives new authorities over registered firms with non-public broker-dealer audit clients.</p>			

Indicator 5-1(b): Percentage of Staff by Years of Experience			
Duration of Current Employees' Employment: Percentage of Employees with Given Years of Experience	December 31, 2008	December 31, 2009 (Projected)	December 31, 2010 (Projected)
Five or More Years	15	26	38
Three or More Years	59	60	57
One or More Years	90	80	80
Less Than One Year	10	20	20
<p>Relevance of Measure: This indicator arrays the PCAOB staff by years of experience, and thus permits comparison among years of relative experience of the staff in place during that year.</p>			
<p>2008 Results: At the end of 2008, ninety percent of PCAOB staff had one year or more experience with the organization. Those with five years or more experience accounted for 15 percent of the population.</p>			
<p>2009 Plan: The PCAOB continues to assess retention to determine who goes and when they leave. Lower retention may indicate an increase in recruiting resource requirements, weaknesses in the PCAOB's Total Rewards package and/or a decrease in work environment satisfaction. Higher retention may indicate an increase in internal training resource requirements and/or softening in relevant markets for specialized skills, among other things.</p>			
<p>2010 Plan: The PCAOB will continue to monitor retention and will continue to compare years of relevant staff experience each year.</p>			

Indicator 5-2(a): Internal Training Hours Offered to the PCAOB's Division of Registration and Inspections			
	2008	2009 (Projected)	2010 (Projected)
Inspection Methodology and Technical Courses	47.50	51.50	52.00
Inspector Development Courses	47.50	42.00	62.00
Identified Self-Study Courses	31.00	29.00	33.00
Total Hours	126.0	122.5	147.0
<p>Relevance of Indicator: This indicator shows the number of internal training hours offered to the inspectors within the Division of Registration and Inspections (Division). This indicator is evaluated against the minimum number of continuing professional education hours (40 hours) required by each Inspector in order to maintain their certification as a certified public accountant. This information is used to ensure that Inspectors meet the continuing education of state boards of accountancy and to serve as a key input to the allocation of training resources. All Inspectors are required to attend Inspection Methodology and Technical Courses. Certain Inspectors within the Division are required to attend Inspector Development Courses based on their unique role.</p>			
<p>2008 Results: During 2008, the PCAOB delivered 47.5 internal training hours related to inspections methodology and technical courses and 78.5 hours related to inspector development courses and self-study courses.</p>			
<p>2009 Plan: In 2009, the PCAOB delivered 51.5 internal training hours related to inspections methodology and technical courses and 71 hours related to inspector development courses and self-study courses.</p>			
<p>2010 Plan: In 2010, the PCAOB expects to deliver 52 internal training hours related to inspections methodology and technical courses and 95 hours related to inspector development courses and self-study courses.</p>			

Indicator 5-2(b): Internal Training Hours Offered to the PCAOB's Division of Registration and Inspections (by Content Area)

	2008	2009 (Projected)	2010 (Projected)
Profession or Industry Specific	79.0%	64.9%	59.9%
New Employee Orientation	5.6%	5.7%	4.1%
Processes, Procedures, Business Practices	9.1%	15.5%	16.3%
Managerial and Supervisory	0.0%	7.3%	14.3%
Basic Skills	6.3%	6.5%	5.4%
Total Hours	100.0%	100%	100.0%

Relevance of Indicator: This indicator evaluates the content area of the internal training hours offered to the Inspectors within the Division of Registration and Inspections (Division). Due to the technical nature of the role of an inspector, it is expected that a majority of the training hours offered each year will be in the categories of (1) Profession or Industry Specific and (2) Processes, Procedures, and Business Practices. The training hours offered in these categories will fluctuate each year depending on the anticipated needs of Inspectors.

2008 Results: In 2008, the Division offered 88.1% of its learning hours in the Profession or Industry Specific and Processes, Procedures, and Business Practices categories with the remaining hours in the other categories as noted above.

2009 Plan: In 2009, the Division expects to offer 80.4% of its learning hours in the Profession or Industry Specific and Processes, Procedures, and Business Practices categories with the remaining hours in the other categories as noted above.

2010 Plan: In 2010, the Division expects to offer 76.2% of its learning hours in the Profession or Industry Specific and Processes, Procedures, and Business Practices categories with the remaining hours in other categories as noted above.

Appendix: Planning, Budgeting and Reporting Framework

There are three key stages of the PCAOB's strategic planning process: reviewing and updating the plan; implementing the plan; and reporting on progress on achieving the goals and objectives and completing initiatives under the plan. Given the SEC's oversight role, the SEC is involved in each of these stages.

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. The Board consults with the SEC and its staff on both its long-term strategic goals as well as its short-term objectives and initiatives, periodically as well as before adopting changes.

This Strategic Plan builds on prior plans 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 last year's plan was completed. As part of this discussion, the Board and senior staff identified the organization's strengths and weaknesses, and considered the significant factors that may affect the achievement of the PCAOB's goals and objectives. The factors and risks identified by this review, as well as subsequent reviews, 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 and provided to the SEC as part of the PCAOB's preliminary budget submission for 2010. These strategies are reflected in the initiatives that correspond to each objective. To help track its progress in meeting its objectives, staff also reviewed the organization's performance measures and indicators. Based on the results associated with these measures and indicators over time, and other factors, the PCAOB will determine whether there are areas where the organization is in a position to improve its 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 as well as specific comments from the SEC.⁸

⁸ See Amendments to the Informal and Other Procedures; Public Company Accounting Oversight Board Budget Approval Process, Securities Exchange Act Release 54168 (July 18, 2006).

Implementing the Strategic Plan

The Board uses its Strategic Plan as the starting point for formulating its resource needs. In particular, the PCAOB'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 is monitored through periodic meetings among the Board and division and office heads.

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, which is required, under Title I of the Act, to be submitted to the SEC for transmission to certain Congressional committees. This information also is used to help ascertain the extent to which certain goals, objectives or initiatives need to be updated, or organizational resources need to be added or reallocated in the subsequent year.