



***Public Company Accounting Oversight Board  
Strategic Plan:***

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

***2013 – 2017***

NOVEMBER 26, 2013

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## **Chairman's Message**

The Board's mission statement captures a dual purpose of our oversight of the audit, which encompasses both investor protection *and* the public interest in preparation of informative, accurate and independent audit reports. The statutory basis of our mission statement constitutes legislative declaration of the ultimate beneficiaries of our work, both investors and the informed public users of financial reporting. The benefits, often intangible, flow from the audit as a basic, formative premise for efficient capital markets, essential to their ability to properly allocate capital. To fulfill our mission, we seek both to identify and counter practices that undercut audit integrity and to move the audit ever in the direction of enhanced quality. Our strategic goals have been formulated to that end.

Since November, 2012, when the Board updated its five-year strategic plan, we have continued to refine our strategies and review our approach to the developments and circumstances that affect our programs, operations, and resource needs. What follows reflects that process and progress.

**Investor Protection and the Global Inspection Regime:** Access for cross-border inspections has expanded, through concluding bilateral cooperative arrangements with regulators in other jurisdictions, such as France and Finland, and substantial progress on concluding such arrangements with Belgium, Brazil, Denmark, Luxembourg, and Sweden. Renewal of the European Commission's adequacy determination in June 2013, reflects the interest of the European Union in continuing audit oversight cooperation with the PCAOB and the vitality of the emerging regime of cooperative cross-border audit regulation. The U.S. has an enhanced role in the leadership of the International Forum of Independent Audit Regulators, with our Board Member Lewis H. Ferguson chairing that organization until April 2015, Board Member Steven B. Harris continuing to chair the organization's Investor Working Group, and the Director of our Division of Enforcement and Investigations, Claudius B. Modesti, serving as Vice Chair of the organization's Enforcement Working Group. The PCAOB's inspection program adapts and expands to provide needed focus on global network firm-wide audits.

We, as with audit regulators worldwide, remain concerned over the continued high number of audit deficiencies. While there are some indications of improving audit performance, PCAOB inspections continue to find high rates of audit deficiencies at global network firms, underscoring the need for the continued vigilance of our inspection teams, a continued focus by auditors on identifying and remediating root causes of deficiencies, monitoring supervision within the firms, and the importance of our standard-setting and enforcement programs.

To be effective in advancing audit quality, we must pay attention to how firm practice, culture and remediation can affect the core values of independence, objectivity, and professional skepticism. I believe we must remain engaged with our counterparts around the world, who share these concerns, and aware of their efforts to

enhance independence, objectivity, and professional skepticism. Protecting these core values of the audit will require that investors and the market reasonably expect both greater transparency and accountability. In this country, we have extolled our Federal system as a constantly evolving "laboratory of democracy" in which experiments were conducted and evaluated. Now, the world is a "laboratory of audit improvement" in which many such experiments are in process for us to monitor and evaluate, making appropriate use of economic analysis.

The public expectation that audits be inspected by an independent regulator has registered in jurisdictions around the world. Although still unable to engage in joint inspections in China, the PCAOB was included there in 2012 as an observer to a quality control review by their regulators, the China Securities Regulatory Commission and China's Ministry of Finance. In May 2013, the PCAOB concluded a significant Memorandum of Understanding on Enforcement Cooperation with those authorities conferring access to audit workpapers of Chinese audit firms responsive to enforcement document demands. Perhaps more significantly, delivery of documents under this MOU commenced in July of this year. There remains, however, a need for progress on PCAOB access to work papers as we plan and execute on inspections.

**Broker-Dealer Auditor Oversight Framework:** In July 2013, the SEC adopted final rule amendments requiring audits of registered brokers and dealers to be conducted under PCAOB standards, and the Board subsequently adopted attestation and audit standards for audits of brokers and dealers. As a result, broker-dealer audits will be performed under new auditing standards beginning in 2014. As part of the interim inspections program, we will be inspecting audits under these new standards for the first time which will help inform the development of the permanent program of inspections of audits of brokers and dealers. Once we evaluate the implementation of these new standards, we will be in a position to propose rules, including any appropriate exemptions, for a permanent program.

**Informative, Accurate and Independent Audit Reports:** Proposed standards and rules on potential changes to the auditor's reporting model reflect the "demand pull" of investors in capital markets for information, including the critical audit matters that underlie the "pass/fail" opinion, traditional in the audit report. The PCAOB's proposal to improve transparency of the actual audit execution, through identification of audit partners and other accounting firms participating in the audit, is part of that response to market demand. This, along with a new standard expected in 2014 on auditing related parties and significant unusual transactions, contribute to both investor protection and more reliable information in the interests of investors.

Working from insights and information coming from our public meetings on auditor independence and audit firm rotation, we issued Audit Practice Alert No. 10, *Maintaining and Applying Professional Skepticism in Audits* in December 2012. We receive confirming comments that our release on *Information for Audit Committees About the PCAOB Inspection Process* and Auditing Standard No. 16, *Communications*

with *Audit Committees* further investor protection and audit quality by empowering and informing audit committees on their critical role under the Sarbanes-Oxley Act.

**Progress on Near-Term Priorities:** Through extraordinary effort and enhanced processes, the staff achieved a "current period" status through the issuance of "aged" reports for annual and triennial firms, bringing report issuance into reasonable and predictable timeframes. This focus on clearing backlogs included reaching conclusion on critical remediation determinations for several large U.S. firms whose submissions had been received by the Board in the last several years. More important, the relevant portions of the inspection report become public sooner than they otherwise would. In an effort to increase transparency about the remediation process, additional information on the PCAOB remediation process has been developed, made available to the firms and posted on the PCAOB website.

Engagement in outreach on ways to make inspection reports more useful, including expansion on the information of potential value to investors and audit committees, continues. Work on audit quality indicators has begun with substantial research and outreach. A proposal for reorganization and reordering of PCAOB standards was issued, and audit committee outreach has been expanded. We are now implementing the near-term priorities and have embedded this important program work into enhanced strategies into this strategic plan. We will continue to track progress on these initiatives through progress measures appended to this plan.

On a related front, we have also issued a *Policy Statement on Extraordinary Cooperation in Connection with Board Investigations*. Extraordinary cooperation can help streamline and expedite PCAOB investigations, which allows the Board to turn its attention and resources to other potential auditor misconduct. The policy offers benefits to the public by earlier recognition of our charges, and tangible incentives to firms and associated persons.

**Economic Analysis:** A major effort is underway at the PCAOB for the effective integration of the analytical tools of economic analysis, including behavioral economic analysis, into the programs of the PCAOB. Over time, this will include baseline analysis of the role of the audit in financial market phenomena, post-implementation review of new auditing and professional practice standards, and related issues germane to audit regulation. A key part of this effort in 2013 was development of internal guidance on use of economic analysis in standard setting.

**Updating:** The format of the 2012-2016 Strategic Plan, issued in November 2012, has been generally retained, but with some "tweaking" to reflect nuanced reflection on the goals and objectives, review and adjustment of some of the strategies, and recasting of some of the ongoing activities to reflect where we see ourselves. The SWOT Analysis, which made its debut in the 2011-2015 Strategic Plan (issued in November 2011) has been schematically presented. Such reassessment is an implicit part of strategic planning. Finally, we have broadened the plan's discussion on performance measurement to include not only performance measures and indicators

but also accomplishments and progress measures on the Board's near-term priorities described in the 2012-2016 Strategic Plan.

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With all of our activities, as reflected and summarized in the foregoing, we take pride in the accomplishments and commitment of our staff and our confidence in the sense of mission exhibited throughout the PCAOB.

James R. Doty  
Chairman

## **Organizational Background**

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

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

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

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

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<sup>1</sup> 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 Securities and Exchange Commission or are otherwise subject to its reporting requirements.

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

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

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

**Goal 3: Dedicated People: Establish a workplace culture that promotes excellence, integrity, diversity, respect, fairness, accountability, continuous learning and careful stewardship of our resources in execution of our mission**

## **Mission**

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

## **Core Values**

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

- ◆ **Public Interest and Stewardship:** We are committed to protecting investors and serving the public interest when carrying out our responsibilities in a manner that demonstrates careful stewardship over our resources.
- ◆ **Excellence, Integrity and Fairness:** We are committed to quality and continual learning in an environment that demands the highest personal and professional conduct exercised in a consistent, equitable and balanced manner. In exercising our oversight authority, the PCAOB strives to treat registered public accounting firms and associated persons in a fair, impartial and consistent manner.
- ◆ **Teamwork and Diversity:** We are committed to maintaining a collaborative work environment based upon a culture of openness, cooperation, trust and respect. We are committed to enhancing our practice of inclusiveness and to seeking to enrich our programs through a staff that brings a diversity of experience, skills, cultures, and backgrounds.

## ***Matrix of Strengths, Weaknesses, Opportunities and Threats***

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In developing this Strategic Plan, we have taken into consideration the environment in which we operate, including both the environment in which financial reporting and auditing take place as well as the PCAOB's own internal and operational environment. As part of this process, we have considered the PCAOB's *strengths* (characteristics that should endure and can be used for the PCAOB to achieve its mission), *weaknesses* (characteristics or obstacles that can be addressed or improved upon for the PCAOB to achieve its mission), *opportunities* (external factors and situations that could allow the PCAOB to further its mission) and *threats* (external challenges that may adversely affect the PCAOB's programs and operations or prevent the PCAOB from achieving its mission).<sup>2</sup>

The Board's goals, objectives, and strategies in this plan are designed to take advantage of the opportunities presented to the PCAOB by using its strengths, recognizing and, where possible, addressing its weaknesses, making appropriate use of opportunities and addressing and minimizing its threats ("SWOT analysis").

We are monitoring these issues and are continually adjusting our goals, objectives, and strategies, as necessary and appropriate, in light of changes in the environment.

The Board included a detailed description of its SWOT analysis in its 2011-2015 plan, issued on November 30, 2011. That analysis was updated in its 2012-2016 plan, issued on November 30, 2012. This matrix builds on and provides an update -- in a schematic format -- to the components of the SWOT from prior years.

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<sup>2</sup> While we have categorized these issues into these four areas, there may be overlap between these categories. For example, certain weaknesses and threats present opportunities for the PCAOB to further its mission to protect investors. Also, certain issues may be viewed as both a strength and an opportunity or both a weakness and a threat.

**Strengths**  
**(Internal Factors)**

- PCAOB's independence and institutional credibility
- Experienced and knowledgeable staff who are committed to our mission
- Foundation for a robust auditor oversight program
- Unique data and analysis related to audits based on knowledge gained through ten years of inspection and enforcement experience
- Close working relationship with other regulators and standard setters, including the SEC, Financial Accounting Standards Board ("FASB"), Financial Industry Regulatory Authority ("FINRA") and other U.S. and non-U.S. regulators and standard setters

**Weaknesses**  
**(Internal Challenges)**

- Non-public nature of the Board's disciplinary process under the Sarbanes-Oxley Act, which would require legislative action to remedy
- Restrictions on public reporting of our analysis of inspection results to the investing public, including audit committees
- Developing career and leadership opportunities for PCAOB staff
- Information technology enterprise architecture

**Opportunities**  
**(External Factors and Situations)**

- Continual interaction among our standard-setting, inspections, research and analysis, and enforcement programs
- Global debate on improving the relevance and quality of the audit
- Market's interest in PCAOB information and the PCAOB's potential to enhance competition on the basis of audit quality
- Availability of sophisticated information, data management and analysis technology
- Our oversight authority over broker-dealer audits and enhancement of knowledge base for effective oversight, in light of the SEC's recent adoption of rule amendments on audits of broker and dealers, the Board's recent adoption of final standards for broker and dealer audits, and experience from the PCAOB's interim inspection program
- Building upon our regulatory experience to identify and respond to environmental risks, such as emerging markets, continuing effects of the global financial crisis (including pressures on European Union economic growth), audits of financial statements under International Financial Reporting Standards ("IFRS"), the growth of consulting and other business practices at large firms
- Using our global network firm inspection program to address certain impediments posed by the structure of global networks in identifying and analyzing systemic root causes of audit failures in firms that are affiliated with these networks and sharing that information where appropriate with non-U.S. regulators
- Building on relationships with renowned economists to further enhance our economic analysis
- Regulatory effort to deepen the PCAOB's understanding of audit quality through analyzing the changing and evolving business models of the major audit firms to understand the implications of such models for audit quality
- Continued and enhanced cooperation with non-U.S. regulators in Europe, in light of the renewal of the European Commission's adequacy determination
- PCAOB's Memorandum of Understanding on Enforcement Cooperation with Chinese regulators
- Interest by audit committees in the work of the PCAOB

**Threats**  
**(External Challenges)**

- Competitive market for hiring and retaining experienced auditors
- Lack of access to certain non-U.S. firms
- Potential disengagement by non-U.S. regulators from a meaningful joint inspection process
- Ongoing risk related to audit failures
- Ongoing pressures facing the global economy
- Fiscal restrictions, in light of the sequester, on U.S. federal government departments and agencies
- Cybersecurity threat to protection of PCAOB data

## **Goals, Objectives and Strategies**

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

### **Objectives:**

#### **A. Effectively and efficiently respond to emerging audit risks and trends**

##### **Strategies**

- ***Use Knowledge from Oversight.*** Use the knowledge gained from our oversight activities and outreach by issuing standards, publishing audit practice alerts, consultation papers, summary reports, research notes, policy statements, interpretative releases, speeches and other means, making greater use of observations on current and emerging trends, exploring more effective distribution networks, and considering the particular needs of and desired effects on different constituencies.
- ***Enhance Economic Analysis.*** Continue to enhance and effectively employ our economic analysis tools, adding capabilities in this area to support the PCAOB's identification and analyses of historical and emerging audit risks and trends and studying the potential effects of these risks and trends on standard setting and related activities, including developing techniques of baseline analysis, post-implementation review and pilot programs, and effective use of risk analysis in guiding standard setting and by bringing behavioral science to bear in developing improvements in performance standards.
- ***Improve Transparency into the Audit Process.*** Improve transparency into the audit process, through, among other initiatives, initiatives related to identification of audit partners and other accounting firms participating in audits, standards and rules to implement changes in the audit report, and a concept release related to audit quality indicators and consideration of related public comment.
- ***Engage with Others on PCAOB Standard Setting.*** Engage the full participation of a broad cross-section of investors, preparers, auditors, academics and the public, including the Standing Advisory Group, Investor Advisory Group, the academic conference and other members of the academic community, economists and others on key audit issues, such as improving auditor performance (including with respect to audits

involving related parties, use of other auditors and specialists, fair value measurements, and estimates), audit firm quality controls (including failure to supervise), auditor's reporting model, auditor independence, objectivity and professional skepticism, and transparency of the audit.

- ***Develop New Standards, Publish Guidance, and Assess Implementation of New Standards.*** Assess and respond to audit risk to enhance investor protection through improved audit quality by (1) developing new and updating current audit and related professional standards (by focusing attention on those standard-setting projects on the PCAOB's published standard-setting agendas and incorporating appropriate economic analysis into the standard-setting process); (2) publishing appropriate implementation and other guidance; (3) publishing timely staff practice alerts in response to identified audit and financial reporting risks; and (4) assessing the effectiveness of the implementation of the Board's new standards on engagement quality review, risk assessment, and audit committee communications, and conveying the results of these reviews and addressing any issues identified, as appropriate.
- ***Engage Effectively with Other Regulators' Standard Setting.*** Engage effectively in the standard-setting projects of other U.S. and non-U.S. standard setters and regulators, share information, insight and concerns among regulators as appropriate, and continue to evaluate the changes in standards suggested by inspection results, data assembly and analysis, and other observable trends.
- ***Participate in Meetings to Contribute to Audit Issues Debate.*** Participate in and, where appropriate, take a lead in regional, national and international meetings and conferences to share knowledge and contribute to the debate on issues relevant to auditor oversight, focusing, as appropriate, on the functional importance of the roles of the audit committee, auditor, regulator and the audit market in promoting audit quality.
- ***Continue to Implement Internal Guidance on Economic Analysis in PCAOB Standard Setting.*** Continue to implement internal guidance on economic analysis on the standards, including as applicable to audits of emerging growth companies and provide support to the SEC for its determination about whether new standards should apply to those companies.

**B. Through inspections and enforcement actions and initiatives, respond to audit risks, understand root causes of, and learn from, deficiencies, and communicate insights on audit practices**

**Strategies**

- ***Build on Global Network Firm Inspection Program to Reinforce Root-Cause Analysis and Effective Remediation.*** Build on the strategy and structure of the global network firm inspection program, the capabilities of and the techniques used by its teams, in order to advance across all global networks the importance of root-cause analysis of systemic issues and the need for global firm-wide commitment to effective remediation.
- ***Enhance Non-Affiliate Firm Inspection Program through Expansion of Remediation Resources and Refinement of Root-Cause Analysis, Using a Scaled Approach.*** Engage firms early in the remediation process to review draft submissions and provide feedback and advice on remediation submissions.
- ***Assess and Respond to Audit Risk with Comparative Analysis.*** Assess and respond to known or potential trends in audit risk through evaluating comparatively, across firm and issuer categories, (1) firms' actions to identify root causes of audit failures and quality control deficiencies, (2) firms' policies for internal inspections, (3) firms' remediation efforts, and (4) global network firm inspections' effectiveness, and refining inspection policies and procedures, where appropriate.
- ***Provide Additional Information on Remediation Process.*** Provide additional information to the investing public and registered public accounting firms by updating the PCAOB's 2006 release describing the process for evaluating firms' responses to quality control criticisms included in inspection reports, including specific communications to registered firms and other communications designed to enhance public understanding of the Board's criteria and process for evaluating the firms' remedial actions. This will be in addition to the detailed information that began to be provided to all firms in connection with their inspection reports in 2013 and made publicly available on the PCAOB's website.
- ***Analyze Root Causes of Quality Control and Audit Deficiencies.*** Collect and analyze the root causes of quality control and audit deficiencies identified by the PCAOB and the firms, consulting and facilitating academic research, as appropriate. Issue information to firms and the public in conducting root-cause analysis of systemic issues.

- **Conduct Investigations and Proceedings.** Assess and respond to audit deficiencies, as appropriate, by conducting investigations and disciplinary proceedings to achieve deterrence, accountability, and remediation, making use of available technology and tools, and collaborating with U.S. and non-U.S. regulators.
- **Update Areas of Audit Risk.** Continue to be alert to current events and emerging trends that may lead to increased audit risk, such as, for example, changes in economic conditions, new types of accounting standards, and cybersecurity risks which could affect financial reporting including practices relating to issuer audit client cybersecurity risks in financial institution audits. Consider internal task force and practice alert related to cybersecurity risks and its impact on audits.
- **Use Risk Analysis to Guide Inspections and Investigations.** Use risk analysis to guide inspections and investigations, with a focus on addressing risks associated with (1) global networks of firms, (2) foreign markets, including China, (3) effects of the global financial crisis, including pressures on European Union stability and growth prospects, (4) audits of financial statements under IFRS, and (5) growth of consulting practices at the largest firms, as well as considering where new areas of inspection or enforcement focus should be added in light of major risk to audit integrity.
- **Build on Relationships with Non-U.S. Counterparts Through Joint Inspection Regimes.** Build upon and foster effective relationships of PCAOB inspections, enforcement, and international staff with counterpart regulators and appropriate involvement in and innovation of the joint inspection regime, for both global networks and other audit regulators' inspection regimes.

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

- **Plan for a Permanent Inspection Program by Continuing to Gather and Analyze Information through the Interim Inspection Program.** Gather and analyze information from the interim inspection program to help inform the Board's determinations about the scope and elements of a permanent inspection program, including developing the approach to inspections under a permanent program.
- **Continue to Report on the Progress of the Interim Inspection Program.** Issue annually a report on the progress of the interim inspection program that describes the observations from inspections, addresses matters related to the development of a permanent inspection program, and provides an overview of anticipated future actions.

- **Monitor the Implementation of New Standards for Audits of Brokers and Dealers.** Monitor the implementation of the Board's recently adopted standards for attestation engagements related to broker and dealer compliance or exemption reports required by the SEC and related amendments to PCAOB standards.
- **Monitor the Transition to Conducting Audits of Brokers and Dealers under PCAOB Standards.** Monitor the transition to PCAOB standards for the financial statement audit.
- **Modify PCAOB Forms in the Registration, Annual and Special Reporting System ("RASR") to Encompass Audits of Brokers and Dealers.** Revise the electronic registration and reporting forms in the RASR system to reflect amendments to Board rules to conform to the Dodd-Frank Act and to obtain relevant information regarding auditors of brokers and dealers.

**D. Communicate to investors, preparers, auditors and other public constituencies analyses and results of PCAOB oversight activity, consistent with the framework of the Act**

**Strategies**

- **Collect and Analyze Unique Data and Knowledge and Communicate Findings.** Collect and analyze relevant data and unique knowledge gained from the PCAOB's inspections, enforcement and other activities and communicate our findings as appropriate to the accounting profession and the public.
- **Enhance Processes and Systems for Analysis and Usefulness of PCAOB Actions.** Enhance the PCAOB's processes and systems to improve analysis and usefulness of PCAOB regulatory actions, including comparative analysis across firms over time, in order to better understand audit quality in firms and better inform the PCAOB's regulatory activities and initiatives.
- **Make Current Use of and Supplement Materials to Reflect Audit Trends and Risks.** Make current use of firm inspection reports, remediation releases, audit practice alerts, research and analytical studies and supplement such materials, as appropriate, with additions to reflect the audit trends and risks, and consider ways to improve the audit process.
- **Manage Knowledge, Leveraging IT, to Improve Analysis and Communication.** Manage knowledge across the PCAOB's programs and operations, leveraging IT systems under an enhanced IT governance

framework and building on the scope and capabilities of the Board's research and analysis function, in an effort to improve analysis and enhance communication to public constituencies.

- ***Continue Work on Developing Audit Quality Indicators.*** Continue the audit quality indicator project – through issuance of a concept release and otherwise – with the aim of identifying quantifiable criteria for analyzing key aspects of public company auditing, both at the firm and engagement level, in terms of quality and exploring the potential uses of these indicators of audit quality by audit committees, investors, audit firms and the Board to evaluate the quality of audits performed by registered public accounting firms. This project is a comprehensive attempt to measure elements of audit quality in ways that permit those elements to be compared. If successful in identifying appropriate audit quality indicators the Board may develop concise, summary-level reporting on the state of audit quality and other relevant information about auditing for use by those in corporate governance.

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

**Strategies**

- ***Complete Statements of Protocol with Remaining European Regulators.*** Complete statements of protocol with the remaining European Union audit regulators in light of the recent renewal of the European Commission's adequacy determination.
- ***Build on the Enforcement Memorandum of Understanding and the Strategic and Economic Dialogue to Engage in Joint Inspections with China.*** Continue to use the Memorandum of Understanding on Enforcement Cooperation with Chinese regulators and build on such agreement as well as the U.S.-China Strategic and Economic Dialogue discussions to engage in joint inspections in China.
- ***Facilitate Financial Reporting and Audit Initiatives.*** Cooperate with and facilitate financial reporting and auditing initiatives with appropriate U.S. and non-U.S. regulators and standard setters.
- ***Participate as Leaders in IFIAR.*** Participate as leaders in the International Forum of Independent Audit Regulators ("IFIAR") to share PCAOB's relevant data and unique knowledge, as appropriate, with non-U.S. regulators to further investor protection globally.
- ***Coordinate Cross-Border Investigations, Regulatory Policy and Trend Analysis.*** Coordinate cross-border investigations, regulatory policy and trend analysis with the SEC and interact effectively and

appropriately with other U.S. and non-U.S. regulators and auditing standard setters, to foster better audit quality globally, including identifying and reporting implementation problems to accounting standard setters and sharing possible challenges related to auditability of new or proposed accounting standards.

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

**Objectives:**

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

**Strategies**

- ***Seek Insight on Changes to Audit Report and Adopt Standards and Rules.*** Seek insight through research, roundtables, consultation, economic analysis and public exposure into potential changes to the auditor's reporting model; and adopt appropriate standards and rules to implement changes to the audit report to provide investors with a more informative and meaningful audit report.

**B. Enhance auditors' professional skepticism, independence and objectivity**

**Strategies**

- ***Monitor and Hold Auditors Accountable Through Inspections and Enforcement.*** Monitor and hold auditors accountable to high standards of professional skepticism, independence and objectivity through inspections and, where necessary, disciplinary proceedings.
- ***Seek Insight on Developing Approaches to Enhance Professional Skepticism, Independence and Objectivity.*** Seek insight through research, roundtables, consultation, economic analysis, and public exposure on developing approaches to enhance professional skepticism, independence and objectivity of auditors, including consideration of the effects emerging in other jurisdictions of, and the continuing expansion of academic attention to, mandatory audit firm rotation, and other possible solutions.
- ***Use International Consensus on Concerns relating to Firm Culture.*** Acting through IFIAR, make effective use of a view shared by certain non-U.S. regulators that the issue of firm culture is a necessary global concern with other regulators bilaterally and directly with global firm leadership.
- ***Stress Importance of Firms' Focus on Root Causes for Audit Deficiencies, Supervision within the Firms, and Enhance the PCAOB's Analysis and Communication related to Professional Skepticism, Independence and Objectivity.*** Stress to accounting firms through the remediation process and other venues the importance of

focusing on root-cause analysis, supervision within the firms, and reevaluation of professional skepticism, independence and objectivity and enhance the PCAOB's analysis and communication to public constituencies through audit practice alerts and standard-setting projects in this area.

**C. Improve transparency related to the PCAOB's activities and registered accounting firms, including members of large global networks, smaller public accounting firms, and broker-dealer accounting firms**

**Strategies**

- ***Improve the Timeliness, Content and Readability of Inspection Reports and General Reports.*** Improve the timeliness, content and readability of inspection reports and general reports, including incorporation of outreach results from the Board's advisory groups and at the Board's Forums on Auditing in the Small Business Environment and other venues on ways to improve the usefulness of reports.
- ***Improve Transparency into the Audit Process.*** Improve transparency into the audit process, through, among other initiatives, initiatives related to identification of audit partners and other accounting firms participating in audits, standards and rules to implement changes in the audit report, and a concept release related to audit quality indicators and consideration of related public comment.
- ***Inform on Benefits of Public Enforcement Proceedings.*** Continue to inform interested constituencies about the benefits of public enforcement and the concurrent limitations of the confidentiality of PCAOB-filed enforcement proceedings and related legislative proposals.
- ***Inform Auditors Through Forums.*** Inform auditors of smaller issuers and brokers and dealers through Forums on Auditing in the Small Business Environment and on Auditing Smaller Broker-Dealers.
- ***Enhance the Usefulness of the PCAOB's Website for Dissemination of Information about Registered Firms.*** Disseminate appropriate and useful information about registered public accounting firms to the public in a timely and meaningful manner, including through reviewing and enhancing the PCAOB's website to make it more useful for the investing public and audit committees.
- ***Conduct Research to Inform Audit Quality with Market Analysis.*** In connection with work on developing audit quality indicators, conduct systematic research, through economic and behavioral analysis, on the question of how to align the market for audit services with the PCAOB's work, and develop concise, summary-level reporting on the state of audit

quality and other relevant information about auditing for use by those in corporate governance.

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

**Strategies**

- ***Enhance Interaction with Audit Committees.*** Enhance the PCAOB's outreach to and interaction with audit committees to constructively engage in areas of common interest, including auditor independence, objectivity and professional skepticism and audit quality, by engaging the Board's advisory groups and others in discussion to further explore areas of common interest; developing materials to provide information about PCAOB activities; and holding roundtables, seminars or other forums to facilitate dialog with audit committee members.
- ***Monitor Firms' Implementation of the Audit Committee Communication Standard.*** Monitor the implementation and effectiveness of the new standard enhancing communications between auditors and audit committees.

**E. Contribute leadership to establish effective and practical cross-border oversight of auditing to the global economy**

**Strategies**

- ***Build upon Relationships with Non-U.S. Regulators and IFIAR to Reinforce PCAOB Mission.*** Build upon the PCAOB's relationships with non-U.S. regulators and IFIAR to reinforce the PCAOB's mission, oversight programs and near-term priorities, and develop a lasting institutional foundation at IFIAR to further the PCAOB's programs and priorities over the longer term.
- ***Determine Next Steps Related to Audits in Jurisdictions Not Allowing PCAOB Inspections.*** Analyze and consider whether additional steps should be taken to protect investors in U.S. public companies that are audited by registered firms located in jurisdictions that do not allow the Board to conduct inspections.
- ***Continue to Execute Longer-Term Approaches on Cooperation Model.*** Continue to implement longer-term approaches that further the PCAOB's model of cooperation with non-U.S. regulators.
- ***Host and Participate in Programs for Other Regulators.*** Continue to host and participate in educational and technical assistance programs for

other regulators, including non-U.S. audit regulators on a bilateral and multilateral basis.

**F. Establish a Center for Economic Analysis to focus on integration of economic analysis throughout PCAOB programs**

**Strategies**

- ***Establish an Internal Center for Economic Analysis.*** An internal Center for Economic Analysis would (1) render advice on how economic theory and analysis can be used and further developed to enhance the effectiveness of PCAOB programs, (2) foster economic research on audit-related topics, including the role and relevance of the audit in capital markets, and (3) develop empirical tools for use in the PCAOB's oversight programs.
- ***Staff the Center.*** Attract highly skilled economists to perform the work of the Center, including a staff of economists as well as PhD candidate and post doctorate fellows.
- ***Continue Role of Economic Analysis at PCAOB.*** Develop the programmatic basis of a continuing role of economic analysis within the PCAOB, including implementation of internal guidance on economic analysis.
- ***Develop Economic Analysis that Focuses on External Economic Factors that Cause Potential Fraud Pressures and Risks.*** Use economic analysis (including behavioral analysis and game theory) and information from PCAOB's oversight activities, to analyze the economic conditions and business patterns which heighten the risk of fraud and the resulting implications for the role of the audit and PCAOB oversight.
- ***Develop Post-Adoption Review Capability.*** Develop, in coordination with inspections staff, a framework for post-implementation review of audit and related professional practice standards.
- ***Plan and Hold an Economic Conference.*** Plan and hold an economic conference with leading economists to present and discuss scholarly papers on audit-related topics, including trends in the profession and the future direction of the profession.

**Goal 3: Dedicated People: Establish a workplace culture that promotes excellence, integrity, diversity, respect, fairness, accountability, continuous learning and careful stewardship of our resources in execution of our mission**

**Objectives:**

**A. Attract, retain and develop highly qualified individuals with the utmost integrity**

**Strategies**

- ***Emphasize Integrity and Effectiveness of Programs and Operations.*** Emphasize to staff and potential recruits the importance of integrity and effectiveness of the PCAOB's programs and operations by continuously maintaining robust ethics, compliance, and internal oversight functions, including by making technology upgrades and enhancing cybersecurity awareness.
- ***Recruit from Diverse Backgrounds.*** Recruit experienced and knowledgeable individuals with diverse backgrounds to encourage underrepresented groups to consider a career at the PCAOB.
- ***Develop Employee Satisfaction and Retention Tools.*** Develop and implement appropriate employee satisfaction and retention tools based on the PCAOB's evaluations of its compensation and benefit program and employee satisfaction, including career and leadership development, cross-divisional training opportunities, succession planning, work-life balance components, competitive performance-based compensation and performance-management improvements, among others; implement appropriate initiatives to support workplace satisfaction through team-building and other activities.
- ***Conduct Workplace Surveys.*** Conduct, as appropriate, periodic surveys to support maintaining a successful workplace and to evaluate approaches to employee retention.

**B. Foster intellectual, technical, and leadership growth by developing high caliber training programs for the PCAOB**

**Strategies**

- ***Enhance Technical Skills Training.*** Enhance the PCAOB's training programs and develop initiatives to deepen technical skills in accounting and auditing, including IFRS, fair value, and new PCAOB standards.
- ***Refine Career and Development Opportunities.*** Refine career and leadership development and cross-divisional training opportunities for

PCAOB staff, including exploring, a range of career tools, including the use of professional enhancement study years (e.g., specialized cross-divisional rotations) to expand staff's skills.

**C. Create a diverse, team-oriented, collaborative workforce that responds thoughtfully and rapidly to emerging audit issues and risks with an appropriate mix of resources and effective processes**

**Strategies**

- ***Further Develop Internal Communication Mechanisms.*** Develop mechanisms to foster meaningful internal communications, including opportunities for an exchange of diverse views, among and within PCAOB's divisions and offices and between the Board and PCAOB staff, such as further development of the PCAOB intranet, outside speaker series, employee forums on key topics facing the PCAOB, and town hall meetings.
- ***Assess Mix of Resources.*** Continue to assess and adjust, as necessary, the mix of resources – including staffing, information technology, specialized knowledge and services – in the PCAOB's programs and operations.
- ***Monitor and Improve Budget and Internal Control Processes.*** Continue to monitor and improve our internal processes and systems in budgeting and internal control functions to maintain updated, sound financial and risk management principles for the most effective stewardship of PCAOB resources, in an effort to further develop effective processes to support the PCAOB's workforce.

***Progress and Performance:  
Accomplishments and Progress Measures and  
Performance Measures and Indicators*** 

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

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

As our organization gains more experience, we also will continue to seek additional ways – both qualitative and quantitative – to measure our accomplishments and progress in achieving our mission. Towards this end, we plan to assess the value of these measures to the oversight of the PCAOB's programs and to the public more broadly and add to, delete or adjust them accordingly.

## ***Accomplishments and Progress Measures – Near-Term Priorities from November 2012 Strategic Plan***

<p><b>Near-Term Priority: Inspection Reports</b></p>
<p><b>Description:</b> Improving the timeliness, content and readability of inspection reports, including through outreach designed to improve usefulness of reports</p>
<p><b>Actions Taken since November 2012:</b></p> <ul style="list-style-type: none"> <li>• Conducted outreach to the Standing Advisory Group ("SAG"), academic community through the PCAOB academic conference, Investor Advisory Group ("IAG"), Forums on Auditing in the Small Business Environment, and other venues on improvements to the usefulness of PCAOB inspections reports. As part of these outreach efforts, the PCAOB began to collect valuable feedback on the content of the PCAOB's inspections reports.</li> <li>• Maintained an operational focus on the timely issuance of inspection reports.</li> <li>• Developed and implemented timeline and process improvements with a continued focus on maintaining quality.</li> <li>• Revised PCAOB's inspection report formats to reference inspection findings in inspection reports to PCAOB auditing and quality control standards or other rules and consolidated standardized language in certain inspection reports to one area of the report.</li> <li>• Solicited and began evaluating feedback from various constituencies on inspection reports related to references to PCAOB auditing and quality control standards or other rules, and developed options for providing additional linkage of findings in inspection reports to such standards and rules in subsequent inspection reports.</li> </ul>
<p><b>Status:</b> Efforts made with respect to this priority in 2013 have resulted in new processes and program work, which are now incorporated into enhanced strategy, Goal 2.C.1 (<i>Improve the Timeliness, Content and Readability of Inspection Reports and General Reports</i>) that the Board will further pursue in 2014.</p>

<p><b>Near-Term Priority: Timeliness of Remediation Determinations and Information on Process</b></p>
<p><b>Description:</b> Improving the timeliness of remediation determinations and providing additional information on the PCAOB's remediation process</p>
<p><b>Actions Taken since November 2012:</b></p> <ul style="list-style-type: none"> <li>• Implemented process changes, in particular the addition of dedicated resources, which have resulted in the finalization of many remediation determinations.</li> <li>• Provided additional information on the PCAOB's remediation process at Forums on Auditing in the Small Business Environment.</li> <li>• Increased communication with domestic global network firms to achieve a better understanding by firms of the PCAOB's remediation determinations and the actions expected of the firms.</li> <li>• Detailed information on the remediation process to accompany inspection</li> </ul>

<p>reports has been developed, provided to firms and made available on the PCAOB website.</p> <ul style="list-style-type: none"> <li>• Maintained an operational focus on the timeliness of remediation determinations.</li> </ul>
<p><b>Status:</b> Efforts made with respect to this priority in 2013 have resulted in new processes and program work, which are now incorporated into enhanced strategy, Goal 1.B.4 (<i>Provide Additional Information on Remediation Process</i>) that the Board will further pursue in 2014.</p>

<p><b>Near-Term Priority: Audit Quality Indicators</b></p>
<p><b>Description:</b> Initiating a project to identify audit quality measures, with a longer-term goal of tracking such measures with respect to domestic global network firms and reporting collective measures over time</p>
<p><b>Actions Taken since November 2012:</b></p> <ul style="list-style-type: none"> <li>• Surveyed existing work on audit quality indicators, developed a preliminary framework for the continuing project on potential audit quality indicators.</li> <li>• Solicited feedback from the SAG, IAG, the PCAOB academic conference, and other groups.</li> </ul>
<p><b>Status:</b> Efforts made with respect to this priority in 2013 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2014: Goal 1.D.5 (<i>Continue Work on Developing Audit Quality Indicators</i>) and Goals 1.A.3 and 2.C.2 (<i>Improve Transparency into the Audit Process</i>).</p>

<p><b>Near-Term Priority: Analysis of Inspections Findings</b></p>
<p><b>Description:</b> Enhancing the PCAOB's processes and systems to improve analysis and usefulness of PCAOB inspections findings, including comparative analysis across firms over time, in order to better understand audit quality in firms and better inform the PCAOB's standard-setting and its other regulatory activities</p>
<p><b>Actions Taken since November 2012:</b></p> <ul style="list-style-type: none"> <li>• Issued <i>Observations from 2010 Inspection of Domestic Annually Inspected Firms Regarding Deficiencies in Audits of Internal Control Over Financial Reporting</i>.</li> <li>• Reinforced continual interaction among our standard setting, inspections, research and analysis, and enforcement programs to discuss inspection findings and trends.</li> <li>• Developed a compendium of domestic global network firm inspection report findings for internal use and analysis.</li> <li>• Allocated resources to expand the compendium to include all registered firm inspection report findings.</li> <li>• Used compendium of inspection report findings to assist research for certain</li> </ul>

<p>standard-setting projects.</p> <ul style="list-style-type: none"> <li>• Enhancements to the PCAOB's Inspections Information System for the 2013 inspections cycle are underway to further support collection of inspections information.</li> <li>• A Rule 4010 report on results of firms' implementation of the auditing standard on engagement quality review is in process.</li> </ul>
<p><b>Status:</b> Efforts made with respect to this priority in 2013 have resulted in new processes and program work, which are now incorporated into enhanced strategy, Goal 1.D.2 (<i>Enhance Processes and Systems for Analysis and Usefulness of PCAOB Actions</i>) that the Board will further pursue in 2014.</p>

<p><b>Near-Term Priority: Standard-Setting Process</b></p>
<p><b>Description:</b> Enhancing the framework for the PCAOB's standard-setting process in order to improve the effectiveness of the process as well as the standard-setting project tracking information provided to the investing public</p>
<p><b>Actions Taken since November 2012:</b></p> <ul style="list-style-type: none"> <li>• Developed enhanced standard-setting framework.</li> <li>• Proposed reorganization of PCAOB standards.</li> <li>• Augmented economic analysis capabilities.</li> <li>• Published project updates on a quarterly basis.</li> </ul>
<p><b>Status:</b> Efforts made with respect to this priority in 2013 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2014:</p> <p>Goal 1.A.5 (<i>Develop New Standards, Publish Guidance, and Assess Implementation of New Standards</i>); Goal 1.A.4 (<i>Engage with Others on PCAOB Standard Setting</i>); Goal 1.A.2 (<i>Enhance Economic Analysis</i>); Goal 1.A.8 (<i>Continue to Implement Internal Guidance on Economic Analysis in PCAOB Standard Setting</i>); Goal 2.F.3 (<i>Continue Role of Economic Analysis at PCAOB</i>); Goal 2.C.5 (<i>Enhance the Usefulness of the PCAOB's Website for Dissemination of Information about Registered Firms</i>)</p>

<p><b>Near Term Priority: Audit Committee Outreach</b></p>
<p><b>Description:</b> Enhancing PCAOB's outreach to and interaction with audit committees to constructively engage in areas of common interest, including auditor independence and audit quality</p>
<p><b>Actions Taken since November 2012:</b></p> <ul style="list-style-type: none"> <li>• Developed materials, such as Audit Practice Alerts Nos. 10 and 11, summary reports on inspections observations on internal control over financial reporting audits and triennial inspections to engage audit committees in areas of common interest.</li> <li>• Engaged the SAG, IAG and other groups, in discussion to further explore areas</li> </ul>

of common interest, including an extended discussion at the May 2013 SAG meeting.

- Enhanced participation by Board Members and staff in outreach events focused on audit committee members.
- Updated the PCAOB website to include information tailored for audit committee members.

**Status:** Efforts made with respect to this priority in 2013 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2014: Goal 2.D.1 (*Enhance Interaction with Audit Committees*) and Goal 2.C.5 (*Enhance the Usefulness of the PCAOB's Website for Dissemination of Information about Registered Firms*)

## ***Performance Measures and Indicators***

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

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

<b>Measure 1-1: Global Network Firm Inspections Program Performance</b>					
<b>Relevance of Measure:</b> This measure reflects the PCAOB's performance in conducting inspections in the PCAOB's global network firm inspections program, which includes inspections of the largest domestic registered firms and their non-U.S. affiliates.					
<b>Measure 1-1.1: Global Network Firm Inspections Program – Number of Inspections Conducted and Portions of Issuer Audits Inspected</b>					
Performance Measure	2012		2013		2014 Projected
	Projected <sup>3</sup>	Actual	Projected	Estimate	
<b>Number of Inspections Conducted:</b>					
Domestic	7	7	6	6	6
Non-U.S.	65	60	59	39	57
<b>Portions of Issuer Audits Inspected:</b>					
Domestic	301	273	283	284	274
Non-U.S.	223	190	197	130	192
<b>Overview of Changes in Inspections Activities:</b>					
<b><u>Number of Inspections Conducted:</u></b>					
<b>Domestic</b> – The decrease in the number of domestic firms in 2013 is a result of					

<sup>3</sup> For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2012, 2013, and 2014 budgets.

transferring one firm previously included in this category to the non-affiliate firm inspections program. This program realignment was made based on an assessment of the relative issuer practice of the firm compared to other annually inspected firms. The number of domestic firm inspections to be conducted in 2013 is consistent with the 2014 projection.

**Non-U.S.** – The decrease in the number of non-U.S. firms in the 2013 estimate as compared to the 2013 projection is primarily due to the PCAOB's expected inability to establish cooperative arrangements with certain non-U.S. jurisdictions in time to conduct such inspections in 2013. The 2014 projection is generally consistent with the 2013 projection and reflects the assumption that cooperative agreements will be reached in time to conduct such inspections in 2014.

**Portions of Issuer Audits Inspected:**

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

**Non-U.S.** – The decrease in the number of portions of non-U.S. issuer audits in the 2013 estimate as compared to the 2013 projection is primarily due to the decrease in the number of non-U.S. firms to be inspected in 2013. The 2014 projection is generally consistent with the 2013 projection and reflects the assumption that cooperative agreements will be reached in time to conduct such inspections in 2014. In addition, the number of portions of non-U.S. issuer audits inspected or to be inspected for the periods presented vary due to the types of audit engagements selected for inspection and related fluctuations in the level of resources required.

**Measure 1-1.2: Global Network Firm Inspections Program – Number of Reports Issued and Reports Aging**

Performance Measure	2012		2013		2014 Projected <sup>4</sup>
	Projected	Actual	Projected	Estimate	
<b>Reports Issued:</b>					
Domestic	10	9	8	7	7
Non-U.S.	50	41	60	56	51
<b>Reports Aging:</b>					
Domestic					
Reports aged greater than 12 months outstanding	–	1	–	1	–
Non-U.S.					
Reports aged greater than 12 months outstanding	11	18	23	24	12

**Reports Issued:**

**Domestic** – The decrease in the number of domestic reports issued from 2012 to 2014 is a result of a decrease in backlog. In 2013, the Division of Registration and Inspections ("DRI") transferred one global network firm ("transferred firm") to the non-affiliate firm inspections program. The 2013 estimate is consistent with the 2014 projection and includes the issuance of a report in each period related to the transferred firm for inspection years prior to the transfer.

**Non-U.S.** – The decrease in the number of non-U.S. reports issued in 2012 as compared to the 2012 projection is attributable to the number of inspections conducted and the accelerated issuance of reports in 2011 that were projected for 2012. The decrease in the number of non-U.S. reports to be issued in 2014 as compared to the 2013 estimate is due to a decrease in the number of firms inspected in 2013 as compared to 2012.

**Reports Aging:**

**Domestic** – The 2012 actual reports aged greater than 12 months outstanding is consistent with the 2013 estimate. The decrease in the PCAOB's inspections reports aged greater than 12 months outstanding in 2014 as compared to 2012 and 2013 is a result of the anticipated improvement in the timeliness of inspection reports.

**Non-U.S.** – The overall general increase in the non-U.S. reports aged greater than 12

<sup>4</sup> For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2012, 2013, and 2014 Budgets.

months outstanding in 2013 as compared to 2012 directly relates to the increase in the number of non-U.S. inspections in 2012 as compared to 2011. The decrease in the PCAOB's inspection reports aged greater than 12 months outstanding in 2014 as compared to 2013 is a result of a decrease in the number of non-U.S. inspections conducted in 2013 and anticipated improvement in the timeliness of inspection reports.

<b>Measure 1-1.3: Global Network Firm Inspections Program – Number of Remediation Submissions Finalized<sup>5</sup></b>					
<b>Performance Measure</b>	<b>2012</b>		<b>2013</b>		<b>2014 Projected<sup>6</sup></b>
	<b>Projected</b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	
<b>Remediation:</b>					
Domestic:					
Submissions Received	4	4	9	9	7
Submissions Finalized	11	2	13	11	16
Non-U.S.:					
Submissions Received	34	42	29	22	47
Submissions Finalized	24	40	42	33	29

**Overview of Changes in Inspections Activities:**

**Remediation:**

**Domestic** – The 2012 actual results differ from the 2012 projection since it took longer than anticipated to process certain submissions, in particular certain partially negative determinations. The increase in 2013 submissions finalized as compared to the 2012 actual results is due to a focused effort to clear DRI's backlog of aged remediation submissions. By the end of 2013, DRI expects to finalize the remaining backlog of remediation submissions with remediation periods ending in 2010 and 2011. The 2014 projection assumes DRI will finalize remediation submissions for some firms within ten months of the open remediation period.

**Non-U.S.** – The total projected number of submissions received during the 2012 and 2013 combined period of 63 is consistent with total expected number of submissions to be received of 64 during the same period. During 2012 and 2013, DRI expects to finalize a total of 73 remediation determinations for the combined period as compared to a projection of 66 submissions finalized. The increase in the number of remediation determinations finalized is a result of increasing staff in the remediation area during the two-year period.

The number of submissions received in 2014 is expected to increase (as compared to 2013) due to the expected volume of inspection reports to be finalized in 2013. The number of submissions finalized in 2014 is expected to decrease given the number of 2013 inspection reports that are expected to be issued in the last quarter of 2013.

<sup>5</sup> Submissions Finalized represent remediation recommendations approved by the Board during the year presented.

<sup>6</sup> For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2012, 2013, and 2014 Budgets.

**Measure 1-2: Non-Affiliate Firm Inspections Program Performance**

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

**Measure 1-2.1: Non-Affiliate Firm Inspections Program – Number of Inspections Conducted and Portions of Issuer Audits Inspected**

Performance Measure	2012		2013		2014
	Projected <sup>7</sup>	Actual	Projected	Estimate	Projected
<b>Number of Inspections Conducted:</b>					
Domestic	184	169	174	169	168
Non-U.S.	25	17	27	14	27
<b>Portions of Issuer Audits Inspected:</b>					
Domestic	513	421	518	452	452
Non-U.S.	45	36	49	24	42

**Overview of Changes in Inspections Activities:**

**Number of Inspections Conducted:**

**Domestic** – The downward trend in the number of domestic inspections is primarily attributable to the withdrawal of registered firms and/or firms that remain registered but have not issued audit opinions since their last inspection.

**Non-U.S.** – The decrease in the number of non-U.S. firms in the 2013 estimate as compared to the 2013 projection is primarily due to the PCAOB's inability to conduct certain inspections due to continued obstacles to the PCAOB's review of audit work papers concerning issuers with operations in the People's Republic of China. The number of firms projected to be inspected in 2014 is consistent with the 2013 projection.

**Portions of Issuer Audits Inspected:**

**Domestic and Non-U.S.** – The fluctuations in the number of portions of issuer audits inspected directly relate to the number and mix of the firms inspected.

<sup>7</sup> For purposes of this measure, the term "projected" is synonymous with what is assumed in the 2012, 2013, and 2014 budgets.

<b>Measure 1-2.2: Non-Affiliate Firm Inspections Program – Number of Reports Issued and Reports Aging</b>					
<b>Performance Measure</b>	<b>2012 Actual</b>		<b>2013</b>		<b>2014 Projected<sup>8</sup></b>
	<b>Projected</b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	
<b>Reports Issued:</b>					
Domestic	187	188	170	177	177
Non-U.S.	22	19	20	18	18
<b>Reports Aging:</b>					
Domestic					
Reports aged greater than 12 months outstanding	13	13	10	3	–
Non-U.S.					
Reports aged greater than 12 months outstanding	4	4	3	4	2
<b>Overview of Changes in Inspections Activities:</b>					
<b><u>Reports Issued:</u></b>					
<b>Domestic and Non-U.S.</b> –The number of reports issued or to be issued for all periods presented is generally consistent and are directly related to the number of inspections conducted or to be conducted and DRI's efforts to continue to focus on improving the timeliness of its inspections reports.					
<b><u>Reports Aging:</u></b>					
<b>Domestic</b> – The expected decrease in 2013 and 2014 in the PCAOB's reports aged greater than 12 months outstanding is a result of the PCAOB's focused efforts to decrease its backlog of inspections reports.					
<b>Non-U.S.</b> – The number of reports aged greater than 12 months outstanding for all periods presented is generally consistent.					

<sup>8</sup> For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2012, 2013, and 2014 Budgets.

<b>Measure 1-2.3: Non-Affiliate Firm Inspections Program – Number of Remediation Submissions Finalized<sup>9</sup></b>					
<b>Performance Measure</b>	<b>2012</b>		<b>2013</b>		<b>2014 Projected<sup>10</sup></b>
	<b>Projected</b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	
<b>Remediation:</b>					
Domestic:					
Submissions Received	125	116	136	114	116
Submissions Finalized	133	117	130	100	95
Non-U.S.:					
Submissions Received	22	25	14	16	14
Submissions Finalized	17	24	22	23	11
<b>Overview of Changes in Inspections Activities:</b>					
<b><u>Remediation:</u></b>					
<p><b>Domestic</b> – In 2012, the number of submissions finalized was fewer than the 2012 projection due to a decrease in remediation submissions received. In 2013, the number of submissions received is expected to be fewer than projected due to the issuance in 2012 of fewer reports requiring remediation. The number of submissions finalized in 2013 is expected to be fewer than projected due to the expected decrease in the number of submissions received, longer than anticipated time to process certain remediation submissions, and the decision to delay action on certain submissions due to other pending regulatory matters. DRI expects the number of remediation submissions to be finalized in 2014 to be generally consistent with the 2013 estimate.</p>					
<p><b>Non-U.S.</b> – Remediation submissions finalized in 2012 and 2013 are generally consistent. In 2013, DRI made substantial progress in reducing its remediation backlog. The decrease in remediation submissions finalized in 2014 as compared to the 2013 estimate is a result of the progress DRI made in 2013 in reducing its remediation backlog.</p>					

<sup>9</sup> Submissions Finalized represent remediation recommendations approved by the Board during the year presented.

<sup>10</sup> For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2012, 2013, and 2014 Budgets.

**Measure 1-3: Broker-Dealer Firm Inspections Program Performance**

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

Performance Measure	2012		2013		2014
	Projected <sup>11</sup>	Actual	Projected	Estimate	Projected
<b>Number of Inspections Conducted</b>	43	45	60	60	60
<b>Portions of Broker-Dealer Audits Inspected</b>	60	64	90	90	100

**Overview of Changes in Broker-Dealer Inspections Activities:**

**Number of Inspections Conducted** – The number of firms in the 2014 projection is consistent with DRI's 2013 projection and 2013 estimate. The increase in the number of inspections to be conducted in 2013 and 2014 as compared to 2012 reflects the planned growth of the interim broker-dealer firm inspections program.

**Portions of Broker-Dealer Audits Inspected** – The number of portions of broker-dealer audits to be inspected in the 2014 projection represents an 11 percent increase compared with DRI's 2013 projection and 2013 estimate. The increase in the number of portions of broker-dealer audits to be inspected in 2013 and 2014 as compared to 2012 reflects (1) the number of audits considered necessary for the interim program to achieve its objectives as the interim program continues through 2014, (2) the anticipation that changes to the rules and audit standards applicable to the audits may become effective during 2014, and (3) enhanced resources in anticipation of the development of a permanent inspection program.

<sup>11</sup> For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2012, 2013 and 2014 Budgets.

<b>Measure 1-4: Audit Firm Registration Performance</b>					
<b>Relevance of Measure:</b> This measure reflects the PCAOB's performance in reviewing registration applications and requests to withdraw from registration.					
<b>Performance Measure</b>	<b>2012</b>		<b>2013</b>		<b>2014</b>
	<b>Projected<sup>12</sup></b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	<b>Projected</b>
<b>Percentage of Received Applications Acted Upon within the Statutory Time Frame</b>	100%	100%	100%	100%	100%
<b>Percentage of Received Withdrawal Requests Acted Upon Within the Time Frame Specified in PCAOB Rule 2107(a)</b>	100%	100%	100%	100%	100%
<b>Overview of Changes in Audit Firm Registration Activity:</b>					
<p>In 2012, the PCAOB considered and approved registration applications of 110 accounting firms, including 41 non-U.S. firms. The PCAOB disapproved three registration applications. The PCAOB also considered and granted 129 requests to withdraw from registration in 2012. Similarly, the 70 registration applications and 91 withdrawal requests processed between January 1, 2013, and September 30, 2013, were acted upon within the statutory time frame. No changes to this rate of action are currently anticipated. Should there be a significant change in the number of firms seeking to register or withdraw; the PCAOB intends to adjust its registration resources accordingly to allow action to continue to occur on a timely basis.</p>					

<sup>12</sup> For purposes of this measure, the term "projected" is synonymous with what is assumed in the 2012, 2013, and 2014 budgets.

**Measure 1-5: Timely Resolution of Formal Investigations**

**Relevance of Measure:** This measure identifies the percentage of formal investigations ordered by the Board that have been resolved within three years of the opening of the formal investigation.<sup>13</sup>

<b>Performance Measure</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Projected Percentage Resolved Within 3 Years of Formal Start of Investigation</b>	66%	66%	66%
<b>Actual Percentage Resolved Within 3 Years of Formal Start of Investigation</b>	75%	–	–

**Overview of Changes in Activities:**

In 2010, the PCAOB exceeded its performance measure goal of 66 percent for the year. Of the formal investigations resolved in 2010, 69 percent were resolved within the three-year time frame. In 2011 and 2012, the PCAOB also exceeded its performance measure goal of 66 percent. Of the formal investigations resolved in 2011 and 2012, 91 percent (2011) and 75 percent (2012) were resolved within the three-year time frame. In 2013, the PCAOB expects to continue meeting its performance measure of 66% for the year. This projection, though, will depend on the Division of Enforcement and Investigations' ("DEI") workload of litigated matters, current investigations, including the complexity and breadth of those investigations, and whether ongoing investigations for which disciplinary proceedings are appropriate will be contested. As the PCAOB conducts a greater number of investigations and disciplinary proceedings, it will assess whether its target for resolving formal investigations within three years remains appropriate.

<sup>13</sup> 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.

<b>Indicator 1-1: Percentage of Formal Investigations Arising within the PCAOB</b>			
<b>Relevance of Indicator:</b> This indicator emphasizes the PCAOB's goal of continuing to draw upon the experience and expertise of internal sources (e.g., DRI and the Office of Research and Analysis ("ORA")) to identify potential audit failures and other potential auditor misconduct for investigation. The indicator measures the percentage of new formal investigations that DEI initiates each year based on internal referrals from DRI and ORA.			
<b>Performance Indicator</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Projected Percentage of Enforcement Cases Arising within the PCAOB</b>	50%	50%	50%
<b>Actual Percentage of Enforcement Cases Arising within the PCAOB</b>	91%	–	–
<b>Overview of Changes in Activities:</b>			
<p>The PCAOB's investigations arise from a number of sources, including inspections of registered firms, ORA,<sup>14</sup> other regulators, public disclosures of restatements and auditor changes, news reports, and confidential tips. In DEI's experience, internal sources have generated a significant percentage of investigations in which DEI has identified failures by registered public accounting firms and associated persons to conduct audits of the required quality. In 2013, DEI intends to continue to look for opportunities to refine the process through which it receives referrals from DRI.</p> <p>DEI also will continue to consider carefully external sources of investigations and will focus on "high priority" matters (see Indicator 1-2) arising out of those sources.</p>			

<sup>14</sup> Certain referrals from DRI to DEI have originated with referrals from ORA to DRI.

**Indicator 1-2: Percentage of Formal Investigations Deemed "High-Priority"**

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

<b>Performance Indicator</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Projected Percentage of "High-Priority" Investigations</b>	75%	75%	75%
<b>Actual Percentage of "High-Priority" Investigations</b>	73%	–	–

**Overview of Changes in Activities:**

The Board exercises its enforcement authority strategically, focusing on serious violations of PCAOB standards or securities laws by auditors. "High-priority" investigations involve significant investor protection considerations such as improving audit quality by strengthening skepticism, objectivity and independence of the audit profession, as well as the protection of Board regulatory processes. In 2013, the PCAOB intends to continue to deploy its resources strategically while monitoring emerging areas of risk to investors.

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

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

<b>Measure 2-1: Feedback from Forums on Auditing in the Small Business Environment</b>			
<b>Relevance of Measure:</b> This measure shows the extent to which participants in Forums believe that Forum sessions meet the stated learning objectives by a score of 4.0 or higher (on a scale of 1.0-5.0), as rated by attendees.			
<b>Performance Indicator</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Projected Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0</b>	90%	90%	90%
<b>Actual Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0</b>	100%	100%	–
<b>Number of survey respondents</b>	404	384	–
<b>Number of Attendees</b>	693	554	–
<b>Overview of Changes in Activities:</b>			
<p>The results of this measure are used to shape the content and focus of future Forums. In 2011, the PCAOB held seven Forums and all of the sessions at the Forums were rated 4.0 or higher, exceeding the projected performance measure of 90%. A total of 762 people attended the Forums; 503 responded to a participant survey, with 100% of respondents rating the Forums 4.0 or higher.</p> <p>In 2012, the PCAOB held seven Forums updated to reflect comments and observations during the preceding year. The PCAOB maintained its target rating of 4.0 or higher for a minimum of 90% of its sessions during the year. A total of 693 people attended the seven Forums held in 2012; 404 responded to the survey, with 100% of respondents rating the Forums 4.0 or higher.</p> <p>The PCAOB had planned to hold seven Forums during 2013. In light of sequestration considerations, the PCAOB currently plans to hold six Forums, which are following a</p>			

format similar to that of prior years. The PCAOB plans to maintain its target rating of 4.0 or higher for a minimum of 90% of its sessions during the year. Five of the six forums have been held as of November 15, 2013. A total of 554 people attended the five Forums held through November 15, 2013; 384 responded to the survey, with 100% of respondents rating the Forums 4.0 or higher.

The PCAOB plans to hold seven Forums, following a format similar to that of prior years, during 2014. The PCAOB plans to maintain its target rating of 4.0 or higher for a minimum of 90% of its sessions during the year.

**Measure 2-2: Feedback from Forums on Auditing Smaller Broker-Dealers**

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

<b>Performance Measure</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Projected Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0</b>	85%	85%	85%
<b>Actual Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0</b>	100%	100%	–
<b>Number of survey respondents</b>	732	197	–
<b>Number of Attendees</b>	1199	293	–

**Overview of Changes in Activities:**

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

As a result of the implementation of the Dodd-Frank Act amendments to the Act, the PCAOB, as part of its outreach to auditors of brokers-dealers, held two Forums targeted specifically to newer registrants with non-public broker-dealer clients in 2011. The PCAOB targeted a rating of 4.0 or higher for a minimum of 85% of its sessions during the year. A total of 321 people attended the two Forums on Auditing Smaller Broker-Dealers in 2011. A total of 158 responded to the survey, with 100% of respondents rating the Forums 4.0% or higher.

In 2012, the PCAOB held four Forums on Auditing Smaller Broker-Dealers. The format of these events was similar to the 2011 Forums and the PCAOB planned to maintain a target rating of 4.0 or higher for a minimum of 85% of the sessions during the year. A total of 1199 people attended the four Forums held during 2012; 732 responded to the survey, with 100% rating the Forums 4.0 or higher.

The PCAOB had planned to hold four Forums on Auditing Smaller Broker-Dealers in 2013. In light of sequestration considerations, the PCAOB currently plans to hold two Forums in 2013. One of the two Forums has been held as of November 15, 2013. A total of 293 people attended one Forum held through November 15, 2013; 197 responded to the survey, with 100% rating the Forums 4.0 or higher.

The PCAOB plans to hold four Forums on Auditing Smaller Broker-Dealers in 2014, which will follow a format similar to that of 2011 and 2012 forums. The PCAOB plans to maintain its target rating of 4.0 or higher for a minimum of 85% of its sessions during 2014.

**Measure 2-3: Progress in Establishing Relationships with Audit Oversight Bodies or Other Relevant Authorities in Jurisdictions Where PCAOB Should Inspect**

**Relevance of Measure:** This measure shows the cumulative number of jurisdictions with which the PCAOB has either established or maintained contact, a working relationship or a cooperative arrangement in those non-U.S. jurisdictions where the PCAOB should inspect. In 2013, the number of such non-U.S. jurisdictions was 55.

<b>Performance Measure</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Establish or Maintain Contact</b>				
Projected Number of Oversight Bodies	14	14	15	15
Actual Number of Oversight Bodies	14	14	–	–
<b>Establish or Maintain Working Relationship</b>				
Projected Number of Oversight Bodies	11	9	12	12
Actual Number of Oversight Bodies	14	27	–	–
<b>Establish or Maintain Cooperative Arrangement</b>				
Projected Number of Oversight Bodies	30	32	28 <sup>15</sup>	28
Actual Number of Oversight Bodies	10	14	–	–

**Overview of Changes in Activities:**

The PCAOB develops relationships with non-U.S. regulators to facilitate its inspections of registered non-U.S. firms and exchange confidential information with regard to firms that fall within the jurisdiction of the PCAOB and the foreign regulator.

In 2011, the PCAOB concluded bilateral arrangements with the audit regulators in the United Kingdom, Switzerland, Norway, Japan, Israel, Dubai and Taiwan. Cooperative arrangements remained under negotiation with the authorities in 14 other European Union countries, Brazil, China, Malaysia and Thailand.

In 2012, the PCAOB concluded bilateral agreements with the Netherlands, Germany, and Spain and continued its negotiations with respect to cooperative arrangements with a number of countries in the European Union, Latin America, Asia-Pacific and the Middle East. The PCAOB also concluded observations guidelines with China providing for an initial PCAOB observation of a Chinese audit inspection, which was carried out in October 2012.

In 2013, the PCAOB concluded bilateral agreements with France and Finland, has nearly concluded such agreements with Belgium, Denmark, Greece, Luxembourg, Sweden, and Brazil, and, after an extension of the European Commission's adequacy determination until 2016, renewed bilateral agreements with the United Kingdom, the Netherlands, Germany, Spain, France, Finland, and Norway.

<sup>15</sup> This projection has been revised from the PCAOB's 2012-2016 Strategic Plan.

In 2014, the PCAOB plans to maintain its existing contacts and working relationships and will seek to conclude cooperative arrangements with as many of the following countries as possible: Chile, China, Cyprus, Czech Republic, Greece, Hungary, Ireland, Italy, New Zealand, Poland, Portugal, and Turkey.

**Measure 2-4: International Auditor Regulatory Institute Feedback**

**Relevance of Measure:** This measure shows the percentage of participants who agree or strongly agree that the Institute was effective in meeting its learning objectives.

<b>Performance Measure</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Projected Institute participants that agree or strongly agree (rated it 4.0 or higher out of 5.0)</b>	90%	90%	90%
<b>Actual Percentage of Institute participants that agree or strongly agree (rated it 4.0 or higher out of 5.0)</b>	100%	100%	–
<b>Number of survey respondents</b>	37	–	–
<b>Number of attendees</b>	80	95	–

**Overview of Changes in Activities:**

The PCAOB hosted the sixth PCAOB International Auditor Regulatory Institute on November 5-7, 2012. One hundred percent of survey respondents indicated agreement or strong agreement that the Institute was effective in meeting its objectives. The survey asks whether the respondents believed that, overall, the program presented useful information about the structure and operations of the PCAOB and general considerations relevant to auditor oversight. This percentage rating is comparable to that which the Institute received in 2011. The PCAOB hosted the seventh Institute on November 18-20, 2013. The level of participation was comparable to that in 2012. It will host the eighth Institute in the fall of 2014.

**Indicator 2-1: Number of Participants and Countries/Jurisdictions that Attend the International Auditor Regulatory Institute**

**Relevance of Indicator:** This indicator shows the amount of interest by other countries and jurisdictions in the activities, responsibilities, and mission of the PCAOB.

<b>Performance Indicator</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Projected Number of Participants</b>	75	80	80
<b>Actual Number of Participants</b>	80	95	–
<b>Projected Number of Countries/Jurisdictions</b>	36	35	35
<b>Actual Number of Countries/Jurisdictions</b>	37	35	–

**Overview of Changes in Activities:**

The PCAOB hosted the sixth International Auditor Regulatory Institute for non-U.S. regulators and government officials on November 5-7, 2012. Approximately 80 representatives from 37 jurisdictions attended. These numbers represent a 3% increase in representatives attending, and a 1% increase in jurisdictions represented relative to 2011.

The PCAOB hosted the seventh International Auditor Regulatory Institute for non-U.S. regulators and government officials on November 18-20, 2013, with attendance of 95 representatives from 35 jurisdictions. The PCAOB also plans to host the eighth Institute in the fall of 2014.