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# PCAOB

Public Company Accounting Oversight Board

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

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

***2015 – 2019***

NOVEMBER 30, 2015

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## ***Chairman's Message***

The PCAOB continues to make substantial progress on the objectives and initiatives described in our strategic plan, which was last updated in November 2014. Over the course of the year, we have continued to monitor, review and refine our strategies in light of developments and circumstances that affect our programs, operations, and resource needs, and consider improvements and enhancements as appropriate.

### **Updates to the Plan**

This new plan supports the Board's 2016 budget and includes updates from the November 2014 plan to reflect progress and evolution in the goals and objectives, as well as some presentation changes. In particular, we have updated the discussion of changes in the internal and external environment in which the PCAOB operates, to acknowledge strengths related to direct and timely communications with individual firms through the PCAOB's inspection process, to identify opportunities to enhance the relevance, efficiency and effectiveness of our standard-setting process, and to improve communication with audit committees. We have also revised the plan to add or refine strategies relating to (i) the Board's review of the performance and management of the PCAOB's standard-setting, (ii) the further development of the broker-dealer inspection program, (iii) the need for analysis of the firm business model, and (iv) the further development of audit quality indicators and outreach to audit committees, including through issuing brief publications, such as Audit Committee Dialogues. The plan has also been revised to refine the initiatives of our Center for Economic Analysis to further align the Center's work with the Board's mission and to include performance measures related to the Center's activities. We have also updated the plan to emphasize the PCAOB's efforts to enhance our cyber-security.

### **Near-Term Focus**

While the updated plan lays out the PCAOB's goals, objectives and strategies over the next five years, and we will continue to work to undertake those strategies to meet stated objectives and goals to achieve our mission, I view the following as priority projects for 2016 –

- further improvements in our standard-setting program, including commencement of work on additional processes, including when and how we conduct research and analysis and obtain public comment, all to advance the PCAOB's standard-setting agenda and achieve the most effective outcomes in this area;
- further integration of economic analysis into the PCAOB's programs; and
- further building on the work done on the near-term priorities originally set out in our November 2012 Strategic Plan, such as by exploring ways to promote two-way interactive communication between the PCAOB and audit committees and advancing thought and practice in the area of audit quality indicators.

With respect to advancing our standard-setting agenda to further protect investors, in 2016 we plan to implement an important new standard to provide investors with disclosure on the identification of audit partners and other accounting firms participating in the audit, for the first time in the United States. In addition, consistent with the PCAOB's mission to further the public interest in the preparation of informative, accurate and independent audit reports, we will also continue to consider changes to the standard form audit report to enhance the relevance of audit reports and better serve investors. This would be the first significant change to the standard pass-fail audit report in more than 70 years. Consistent with the need to improve standards to address the globalization of the audit, we will move forward with a substantive standard on supervision of other auditors.

In focusing on improving our standard-setting program and further integrating economic analysis into the PCAOB's programs, we will explore changes designed to improve and integrate these processes and identify the actions that work well (and those that need improvement) and continue to refine our processes to achieve the most effective outcomes to further investor protection and enhance audit quality.

For example, our new tools in economics will help us build a program to conduct post-implementation review of new standards and explore the use of random selection in the selection of audits. We also plan to find ways to better capture, organize and analyze information from our own programs, among other reasons to bring it to bear in standard-setting. More broadly, we will also look for ways we can build more data collection and analysis into our processes and coordinate the data collection function across the organization. Finally, as part of our efforts to improve our standard-setting program, we plan to review and assess the role, composition and format of the PCAOB's Standing Advisory Group to ensure that we are engaging the full participation of a broad cross-section of investors, preparers, auditors, academics and others.

While the Board continues to evaluate its work and find ways to improve and enhance its programs, it remains steadfastly focused on critical initiatives to serve investors. In all of these activities, and those described herein, we take pride in the accomplishments and commitment of our staff and our confidence in the sense of mission exhibited throughout the PCAOB.

James R. Doty  
Chairman

## **Organizational Background**

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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.

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 –

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<sup>1</sup> This plan uses the term "public companies" as shorthand for the companies that are "issuers" under the Act and the Board's rules. This includes domestic public companies, whether listed on an exchange or not, and foreign private issuers.

- Goal 1: Effective Oversight: Foster effective use of our unique knowledge and insight into audit practices, risks, and trends to design and implement the most effective audit oversight programs and regulatory activities that will further investor protection and the public interest in informative, accurate and independent audit reports**
- Goal 2: Constructive Impact: Make a positive difference in the market for audit services and advance trends for quality financial reporting by enhancing the relevance, quality, and transparency of the audit and strengthening independence, objectivity, professional skepticism and accountability in audit firm culture for the benefit of the investing public**
- Goal 3: Dedicated People: Establish a collaborative workplace culture that supports our mission by promoting excellence, integrity, fairness, diversity, accountability, and careful stewardship of our resources**

## ***Mission***

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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, accountability and respect. We are committed to enhancing our practice of inclusiveness and to seeking to enrich our programs through a staff that brings a diversity of experience, skills, cultures, and backgrounds.

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

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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. Commencing in 2011, we have considered the PCAOB's *strengths* (characteristics that should endure and can be used for the PCAOB to achieve its mission), *weaknesses* (characteristics or obstacles that can be mitigated or addressed for the PCAOB to achieve its mission), *opportunities* (factors and situations, both internal and external, that could allow the PCAOB to further its mission) and *threats* (challenges that may adversely affect the PCAOB's programs and operations or prevent the PCAOB from achieving its mission).

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

<p style="text-align: center;"><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>• PCAOB's independence and role in capital markets</li> <li>• Experienced and knowledgeable staff who are committed to our mission, providing a foundation for a robust auditor oversight program</li> <li>• Unique knowledge and information related to audit practices gained through more than ten years of inspection and enforcement experience</li> <li>• Direct and timely communication with individual audit firms related to such firms' inspection results and remediation progress</li> <li>• 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</li> </ul>	<p style="text-align: center;"><b><u>Weaknesses</u></b></p> <ul style="list-style-type: none"> <li>• Non-public nature of the Board's disciplinary process under the Sarbanes-Oxley Act deprives the public of the Board's views about potentially serious departures from applicable rules and standards and impedes broader compliance. This weakness is structural and would require legislative action to remedy.</li> <li>• Restrictions on public reporting of certain inspections information and our analysis of inspection results to the investing public, including audit committees</li> <li>• Competition for talent</li> <li>• Necessity to continue to update outdated information technology systems, which were implemented in the early years of the PCAOB's existence and may not fully address future risks or current programmatic needs</li> </ul>
<p style="text-align: center;"><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>• Leverage the market's interest in information about the audit, including through developing audit quality indicators, to enhance the relevance of the audit, and engage with interested parties to enhance an understanding of the inspection process and the benefits of timely remediation to improve future audits</li> <li>• Use our Center for Economic Analysis ("Center") to further enhance our economic analysis throughout the PCAOB's oversight programs, including standard setting</li> <li>• Leverage our knowledge and experience from our interim broker-dealer audit inspection program to establish an effective broker and dealer auditor oversight program</li> <li>• Enhance the relevance, efficiency and effectiveness of standard setting to spur appropriate changes in auditor behavior and performance</li> <li>• Build on our regulatory experience to address changing circumstances, such as growth of consulting and other emerging developments and business practices at large firms</li> <li>• Use inspections to address certain organizational impediments posed by the separate ownership structure of the affiliates of global networks in identifying and analyzing systemic root causes of unsupported audit opinions across these networks and share that information where appropriate with non-U.S. regulators</li> <li>• Leverage advances in our understanding of audit risk, financial reporting and audit practices, and emerging developments, such as advances in technology, to update audit performance standards</li> <li>• Enhance relationships, including through the exchange of information, with regulators and international organizations around the world to improve the relevance and quality of the audit and to improve investor protection</li> <li>• Enhance the PCAOB's outreach to audit committees through its new Audit Committee Dialogue communication tool as well as explore ways to further promote two-way interactive communication between the PCAOB and audit committees</li> <li>• Strengthen our internal analyses and processes as well as the effectiveness of our programs and operations by making use of information, data management and analysis technology</li> <li>• Develop and mature our administrative operations, including human resources, financial and risk management, to further support our mission and short- and long-term goals and initiatives</li> </ul>	<p style="text-align: center;"><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>• Lack of access to certain non-U.S. firms for purposes of inspections or investigations</li> <li>• Potential disengagement by non-U.S. regulators from a meaningful joint inspection process</li> <li>• Challenges of anticipating the implications of the expansion of consulting on auditor independence and audit quality</li> <li>• Technology viruses, hackers and other cyber-attacks, together with the complex, fragmented and in some cases, limited nature of existing cybersecurity solutions, as an organizational threat to the PCAOB. The information technology security threat landscape is evolving rapidly, exposing the PCAOB to the types of risks that affect other similar organizations.</li> </ul>

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

#### **Strategies**

- ***Use Knowledge from Oversight.*** Use the knowledge gained from our oversight activities and outreach to identify emerging risks and trends and develop appropriate responses through issuing standards, publishing audit practice alerts, consultation papers, summary reports, research notes, policy statements, interpretative releases, speeches and other means.
- ***Enhance Economic Analysis.*** Continue to enhance and effectively employ economic analysis and tools throughout the PCAOB's programs, including by continuing to implement the staff guidance on economic analysis in PCAOB standard setting, fostering informative economic research on audit-related topics, developing empirical tools for use in PCAOB oversight programs including post-implementation reviews of PCAOB rulemakings, and developing and maintaining the infrastructure needed for high quality economic and statistical analysis.
- ***Continue to Evaluate and Implement Technological Capabilities to Support Enhanced Risk Analysis.*** Continue to support the data aggregation and analysis efforts of the Office of Research and Analysis, and evaluate and implement technological capabilities to enhance quantitative and qualitative analyses to support the PCAOB's inspection, enforcement and standard-setting programs, including by establishing effective and efficient data aggregation and tools.
- ***Improve Transparency into the Audit Process including the Audit Report and Firm Business Model.*** Improve transparency into the audit process, through, among other efforts, (1) implementation of initiatives related to the identification of audit partners and other accounting firms participating in audits, (2) changes in the audit report, (3) evaluating the potential of audit quality indicators from comments on the Board's concept release, (4) coordination with the SEC's initiatives, and (5) analysis of firm business models and monitoring of related developments in the European Union ("EU").

- ***Implement Measures for More Efficient Standard Setting.*** Make effective use of the PCAOB's review of the performance and management of the standard-setting agenda by developing, implementing and monitoring progress under a process improvement plan, including internal processes for deliberating on standard-setting matters as well as processes for engaging external constituencies.
- ***Seek Insight on PCAOB Standard Setting.*** Facilitate evidence gathering and research by exploring and developing new mechanisms to engage the full participation of a broad cross-section of investors, preparers, auditors, academics and the public, including the Standing Advisory Group, Investor Advisory Group, members of the academic community, economists and others. Seek input on key projects, such as those improving auditor performance (including with respect to use of other auditors and specialists; accounting estimates, including fair value measurements; and going concern), audit firm quality controls (including failure to supervise); and auditor's reporting model.
- ***Engage Effectively with Other Standard Setters and Regulators.*** Engage effectively in the standard-setting projects of other U.S. and non-U.S. standard setters and regulators, share information, insight and concerns among regulators as appropriate. Share observations and possible challenges related to the implementation and auditability of new or proposed accounting standards.
- ***Develop Risk-Based Performance and Reporting Standards.*** Develop new and update current audit and related professional practice standards that (1) reflect an evaluation of the need to develop new or update current standards, (2) are clear, concise and enforceable, adequately describe the PCAOB's expectations for auditors, are risk-based, and can be implemented by all registered public accounting firms, regardless of firm size or location, (3) reflect consideration of comments received from public rulemaking documents, meetings with members of PCAOB advisory groups, and other outreach activities, (4) take into account relevant observations from PCAOB oversight activities and relevant research and analysis, including economic analysis, and (5) consider the work of other standard setters, including the International Auditing and Assurance Standards Board ("IAASB").
- ***Assess Implementation of New Standards and Publish Guidance on New Standards.*** Improve audit quality by monitoring and assessing the effectiveness of the Board's standards and, as needed, publishing timely staff audit practice alerts and general inspection reports.

- **Analyze Potential Emerging Areas of Audit Risk.** Analyze current events and emerging trends that may lead to increased audit risk, such as, for example, changes in economic conditions, new accounting standards, and cybersecurity risks which could affect financial reporting. Consider appropriate responses to events or trends that affect audit risk.
- **Contribute to Audit Issues Debate.** Contribute to the debate on issues relevant to auditor oversight by participating in and, where appropriate, taking a lead in regional, national and international meetings and conferences to share knowledge. Focus, as appropriate, on roles of the regulator, auditor, audit committee, and the audit market in maximizing enhancements to audit quality.

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

**Strategies**

- **Improve the Quality of Audits Through the Inspections Process.** Perform inspections that are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits. Respond to detected weaknesses and deficiencies by issuing inspection reports and assessing remedial actions taken. Strive to conduct inspections, issue inspection reports and review remedial efforts in a timely manner, maintaining high standards of thoroughness, consistency and technical accuracy.
- **Analyze Root Causes of Quality Control and Audit Deficiencies.** Collect and analyze the root causes of quality control and audit deficiencies identified by the PCAOB and the firms. Issue information to firms and the public about root-cause analysis of systemic issues.
- **Reinforce Quality Control in the Global Network Firms.** Through the global network firm inspection program, advance across all global network firms (1) the effective use of root-cause analysis of systemic issues and (2) global firm-wide commitment to effective remediation.
- **Promote Quality Control Among the Non-Affiliate Firms.** Continue to refine the process to engage firms early in the remediation process to review and provide feedback on firms' draft remediation submissions and to discuss root cause analysis.
- **Assess and Respond to Audit Risk.** Assess and respond to known or potential trends in audit risk, including fraud, by, among other things, evaluating comparatively, across firm and issuer categories, firms' actions

to identify root causes of audit and quality control deficiencies. Refine inspection policies and procedures as needed.

- ***Provide Additional Information on Remediation Process.*** Provide information to the registered public accounting firms and the investing public 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.
- ***Monitor and Analyze the Business Models of Audit Firms.*** Collect and analyze information describing the business models for registered accounting firms, with a focus on identifying and responding to potential audit quality risks posed by such business models, including consideration of potential policy options that could mitigate such risks. Building on such analysis, report on the evolution and structure of and audit and non-audit services offered by larger accounting firms and implications of their multi-disciplinary business model on independence and audit quality.
- ***Achieve Deterrence and Accountability Through Investigations and Disciplinary Proceedings.*** Respond to non-compliance with applicable laws and standards by conducting investigations and disciplinary proceedings and imposing sanctions, as appropriate. Prioritize matters involving elevated potential risk of harm to investors or to Board processes. Strive to conduct investigations and disciplinary proceedings in a timely manner to enhance deterrence and accountability, maintaining high standards of thoroughness and fairness.
- ***Use Risk Analysis to Guide Inspections and Investigations.*** Use risk analysis to guide inspections and investigations, with a focus on addressing risks associated with (1) global networks of firms, (2) foreign markets, including China, (3) effects of global economic trends and issues, including for example audit issues regarding fair value, estimates and impairment, and analyzing potential future risks, (4) audits of financial statements under IFRS, and (5) growth of consulting practices at the largest firms. Consider whether new areas of inspection or enforcement focus should be added in light of major risk to audit integrity.
- ***Build on Relationships with Non-U.S. Counterparts Through Joint Inspection Regimes.*** Continue to build upon and foster effective relationships with counterpart regulators, including through joint task forces, joint inspections, cooperation on investigations, resource sharing and training. Facilitate appropriate involvement in and innovation of the joint inspection regime, for both global networks and other audit regulators' inspection regimes.

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

**Strategies**

- ***Plan for and Propose a Permanent Inspection Program by Continuing to Gather and Analyze Information through the Interim Inspection Program.*** Continue to expand the scope of the information and analysis from the interim inspection program to help inform the Board's determinations about the scope and elements of a permanent inspection program, including developing the approach to inspections under a permanent program and issuing proposed rules, informed by economic analysis.
- ***Continue to Report on the Progress of the Interim Inspection Program.*** Report on the progress of the interim inspection program to describe significant observations from inspections, address matters related to the development of a permanent inspection program, and provide an overview of anticipated future actions.
- ***Monitor the Transition to Conducting Broker-Dealer Audits under PCAOB Standards as well as the Implementation of Standards for Audits of Brokers and Dealers.*** Monitor the transition to PCAOB standards for the financial statement audit, as well as the implementation of the Board's standards for attestation engagements related to broker and dealer compliance and/or exemption reports required by the SEC and related amendments to PCAOB standards.
- ***Respond to Audit Deficiencies.*** Consider and take appropriate actions in response to deficiencies identified by inspectors in broker-dealer audits, including observations relating to independence violations. Emphasize inspection findings generally in communication, and in coordination, with the SEC as needed, and take disciplinary actions where appropriate.

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

**Strategies**

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

- ***Develop Audit Quality Indicators to Advance Information and Knowledge About Audit Quality.*** Continue the development of audit quality indicators, following the Board's issuance of a concept release and consideration of public comment on the subject, to enable interested parties to more effectively discuss, compare, and analyze key aspects of public company auditing, at both the engagement and firm level.

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

**Strategies**

- ***Complete Bilateral Cooperative Arrangements with Remaining European Regulators and Strengthen Existing Cooperative Relationships.*** Complete bilateral cooperative arrangements with audit regulators in the remaining EU jurisdictions in which there are registered public accounting firms that are subject to PCAOB inspection because the firms have issued an audit opinion or have played a substantial role in the preparation or furnishing of an audit report with respect to an issuer, while registered with the PCAOB. Continue to provide appropriate disclosure and consider other practical options should limitations on the PCAOB's access to inspect registered firms in the remaining EU jurisdictions persist. Strengthen relationships with audit regulators in EU jurisdictions with which the PCAOB has existing cooperative arrangements and engage in discussions with EU member states and the European Commission toward renewal of the 2013 adequacy decision which expires in 2016. Consider practical options in the event that the adequacy decision were not renewed in 2016 and new obstacles to continued inspections in these EU jurisdictions result.
- ***Follow Through on the Outcomes of the U.S.-China Strategic and Economic Dialogue and Address Inability to Inspect China-Based Registered Firms.*** Continue to strive for a bilateral protocol for the PCAOB to conduct a pilot inspection program of a Chinese firm. If a pilot inspection program occurs, strive to use the results to develop, and reach an agreement on, a permanent inspection program. However, if agreement on either a pilot inspection program or a permanent inspection program cannot be reached, pursue practical options to address the PCAOB's inability to inspect registered public accounting firms located in China.
- ***Participate as Leaders in IFIAR.*** Through interaction in the organization's governance as a member of its Advisory Council, leadership positions in working groups, and participation in planning and executing workshops, including the annual inspections workshop, engage as leaders in the International Forum of Independent Audit Regulators

("IFIAR") to facilitate the sharing of relevant data and unique knowledge among independent audit regulators around the world to further investor protection globally.

- ***Coordinate Cross-Border Information Sharing, Investigations, Regulatory Policy and Trend Analysis.*** Coordinate cross-border investigations, regulatory policy and trend analysis with the SEC and interact and share information effectively and appropriately with other U.S. and non-U.S. regulators, international organizations, and auditing standard setters, to foster better audit quality globally.

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

**Objectives:**

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

**Strategies**

- **Analyze Comments and Views Received on How the Audit Report Could be Made More Relevant and Useful and Adopt Standards and Rules.** Continue to analyze insights from research, roundtables, consultation, economic analysis and public comment regarding potential changes to the auditor's reporting model; and adopt appropriate standards and rules to implement changes to the audit report to provide investors with a more informative and meaningful audit report.
- **Monitor Developments in Other Jurisdictions relating to Auditor Reporting.** Monitor auditor reporting requirements around the world, consider approaches adopted in other jurisdictions, and engage with other standard setters.

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

**Strategies**

- **Monitor and Hold Auditors Accountable Through Inspections and Enforcement.** Monitor and hold auditors accountable to high standards of independence, objectivity and professional skepticism through inspections and, where necessary, disciplinary proceedings.
- **Monitor Developing Approaches to Enhance Independence, Objectivity, and Professional Skepticism.** Monitor approaches to enhance independence, objectivity and professional skepticism of auditors, including consideration of the effects emerging in other jurisdictions of mandatory audit firm rotation, with a focus on the EU experience. Consider the work product resulting from increasing academic attention to auditor independence and firm rotation, and take into account the effects of the firms' business models.
- **Identify and Discuss Regulators' Views on Firm Culture and Respond to Such Views.** Through our participation in IFIAR, bilateral engagement with non-U.S. regulators, and interaction with global leadership of global network firms, identify and discuss across jurisdictions how firm culture

may affect auditor independence, objectivity, and professional skepticism, and implement effective ways, both at home and internationally, to respond as necessary.

- ***Stress Importance of Focus on Root Causes for Audit Deficiencies.*** Enhance the PCAOB's analysis and communication to public constituencies of root causes for audit deficiencies, including supervision within the firm, professional skepticism and objectivity through, among other things, audit practice alerts and standard-setting projects.
- ***Monitor Emerging Threats to Independence and Develop Appropriate Responses.*** Monitor audit practice for emerging threats to independence and develop appropriate responses, including PCAOB reporting on the evolution and structure of and audit and non-audit services offered by larger accounting firms and possible implications of their multi-disciplinary business model to independence and audit quality.

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

**Strategies**

- ***Improve the Content and Readability of Inspection Reports and Provide Information on Inspection Activities and Results through General Reports and Inspection Briefs.*** Continue to enhance the content and readability of inspection reports and general reports and provide information on a regular basis related to inspection activities and results for all categories of registered firms. Develop and issue general reports and/or inspection briefs to provide timely information and transparency on the inspection process.
- ***Communicate the Benefits of Public Enforcement Proceedings.*** Continue to inform interested constituencies about the benefits of public enforcement proceedings and the concurrent limitations of the confidentiality of PCAOB-filed enforcement proceedings and related legislative proposals.
- ***Provide PCAOB Information and Related Training for Auditors of Smaller Firms and Broker-Dealer Firms Through Forums.*** Provide PCAOB information, training, and access to PCAOB personnel for auditors of smaller issuers and brokers and dealers through Forums on Auditing in the Small Business Environment and for Auditors of Broker-Dealers.
- ***Expand Outreach through Targeted Webcasts.*** Use webcasts to educate and inform broker-dealer auditors about important performance topics and other relevant, emerging issues.

- ***Enhance the Usefulness of the PCAOB's Website as an Effective and Efficient Tool to Communicate with Stakeholders.*** Disseminate appropriate and useful information about the PCAOB's regulatory activities relating to registered public accounting firms to the public in a timely and meaningful manner. Continue to identify ways to make the PCAOB's website more useful for the investing public and audit committees, including enabling investors to identify, via ticker symbol and company name, an issuer's auditor, engagement partner, and other firms that participated in the audit.
- ***Conduct Research to Inform Audit Quality with Market Analysis.*** In connection with developing audit quality indicators, conduct systematic research, through economic and behavioral analysis, on the drivers of competition based on audit quality.

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

**Strategies**

- ***Extend Outreach to Audit Committees.*** Extend the PCAOB's outreach to and interaction with audit committees to constructively engage in areas of common interest, including auditor independence, objectivity and professional skepticism and audit quality. Engage the Board's advisory groups and others in discussion to further explore areas of common interest; develop materials to provide information about PCAOB activities; enhance the PCAOB website and develop and issue regular Audit Committee Dialogues to provide better, targeted access to information for audit committees; and consider roundtables, seminars or other forums to facilitate dialog with audit committee members.
- ***Consider Effects on Corporate Governance of Audit Practice, Audit Trends, and Potential Regulatory Actions.*** Through economic analysis, other research and outreach to stakeholders, consider the effects on corporate governance of audit practice, audit trends and potential regulatory actions.

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

**Strategies**

- ***Build upon Relationships with Non-U.S. Regulators, IFIAR and Other International Organizations to Reinforce PCAOB Mission.*** Build upon the PCAOB's relationships with non-U.S. regulators, IFIAR and other international organizations to reinforce the PCAOB's mission, oversight

programs and near-term priorities, and develop a lasting institutional foundation at IFIAR to further the PCAOB's programs and priorities over the longer term, including improving audit quality and investor protection.

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

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

**Strategies**

- ***Prepare Economic Analyses for Standard-Setting Initiatives and Other PCAOB Rulemakings.*** Ensure that regulatory decisions, including whether to adopt new requirements and impose corresponding burdens, are informed by a rigorous review and analysis of the best information available. Help tailor solutions to identified problems and allow the Board, the SEC, and the public to compare the relative merits of different approaches.
- ***Foster Economic Research on Topics Relevant to the PCAOB's Mission by Maintaining a Fellowship Program, Holding Economic Conferences, and Maintaining an Internal Seminar Series.*** Develop a vibrant fellowship program that generates high quality, independent, publishable economic research on topics that are of direct relevance to the mission of the PCAOB and provides a way to carefully and credibly analyze data collected by the PCAOB through its oversight activities. Plan and hold economic conferences with leading economists and other academics to present and discuss scholarly papers on audit-related topics and promote a better understanding of the role and importance of audits in capital markets and the impact of the PCAOB. Provide access to, and develop long-term relationships with highly skilled scholars who have studied issues directly relevant to the PCAOB's mission.
- ***Analyze Evidence, Research and Data Related to Financial Statement Fraud.*** Analyze evidence, research, and data related to the auditor's

approach to detecting financial statement fraud, economic impacts of financial statement fraud, and trends in financial statement fraud and seek to encourage further academic research in these areas.

- ***Develop and Maintain a Program to Conduct Post-Implementation, or Retrospective, Reviews of PCAOB Rulemakings.*** Study the overall effect of PCAOB standards and rules including by evaluating whether a rule or standard is accomplishing its intended purpose; identifying, wherever possible, costs and benefits; and identifying unanticipated consequences, either positive or negative.
- ***Enhance the Use of Economic Analysis and Tools in the PCAOB's Oversight Programs.*** Enhance the use of economic analysis throughout the PCAOB's programs, including by (1) working with inspections staff to explore the feasibility of use of random selection in addition to a risk-based approach in the selection of audits; (2) applying economic and statistical analyses to help measure the effectiveness of the PCAOB oversight activities and identify and implement opportunities to improve the PCAOB's critical processes; and (3) leveraging the Center's technical expertise to study and test the informational content of potential audit quality indicators.
- ***Identify, Organize, Structure and Analyze Data Required for Economic Research, Standard Setting and Other Internal Programmatic Needs.*** Through cross-divisional coordination, determine and understand the programmatic needs for data and the scope of data available for analysis and then develop a data management strategy to facilitate its use in statistical, econometric and other programmatic analyses. Explore third-party data sources that, in combination with PCAOB nonpublic information, could improve economic analyses for standard-setting initiatives, post-implementation reviews and other internal programmatic needs.
- ***Establish a Process on PCAOB Data Needs.*** Establish a process to review and analyze PCAOB data needs.
- ***Maintain an Inspections Fellowship Program and Explore Developing an Enforcement Fellowship Program.*** Maintain fellowship programs to provide practical audit and oversight experience in support of the Center's work and facilitate collaboration between the Center and other offices and divisions

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

**Objectives:**

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

**Strategies**

- ***Maintain a Culture that Emphasizes Integrity, Effectiveness and Accountability of Programs and Operations.*** Emphasize to staff and potential recruits the importance of integrity, effectiveness, fairness and accountability of the PCAOB's programs and operations by continuously promoting robust ethics, compliance and internal oversight functions, and by regularly communicating the importance of these matters.
- ***Recruit from Diverse Backgrounds.*** Recruit experienced and knowledgeable individuals with diverse backgrounds, including by encouraging underrepresented groups to consider a career at the PCAOB.
- ***Further Develop Highly-Skilled Staff.*** Enhance the PCAOB's training programs and support other training opportunities with (1) initiatives to deepen technical skills, and (2) career and leadership development opportunities for PCAOB staff, including cross-divisional development opportunities such as rotations to other divisions and offices.
- ***Engage Staff.*** Continue to develop and implement appropriate employee engagement and retention tools based on evaluations of compensation and benefits programs and the PCAOB's engagement survey. Opportunities include providing career and leadership development, cross-divisional training opportunities, succession planning, work-life balance, market competitive benefits, performance-based compensation, enhanced performance-management programs, and non-monetary rewards such as recognition programs and awards.
- ***Develop a Human Capital Strategic Plan.*** Develop a robust Human Capital Strategic Plan that, in addition to articulating the PCAOB's approach to utilizing its human capital, focuses on developing mechanisms for assessing the Board's diversity and inclusion efforts and monitoring the engagement levels of staff.

## B. Promote the careful stewardship of PCAOB resources

### Strategies

- **Strengthen Resources and Expertise.** Adjust workforce mix, information technology, tools, and methodologies to support programmatic and administrative operations and to ensure accountability is maintained.
- **Strengthen Operational and Reporting Processes.** Continue to improve our internal processes in programmatic and administrative areas, using technology as applicable.
- **Evaluate and Modernize Information Systems that Support Core Human Resources and Finance Processes.** Continue to evaluate and modernize information systems that support core Human Resources and Finance processes, with a view to increasing process efficiencies, reducing system complexity, and enhancing automation.
- **Reassess and Align the PCAOB's Office Space with Business Needs.** Continue to reassess the type, quantity and location of office spaces required to enhance employee effectiveness and support the PCAOB's initiatives, including undertaking renovation projects as needed.
- **Continue to Enhance Employee Safety in PCAOB Facilities and While on Travel.** Continue to enhance employee safety in PCAOB facilities and while on travel by assessing risks, monitoring effective practices, evaluating opportunities to improve safety, and developing and implementing appropriate measures to continue to promote safety.
- **Continue to Enhance the PCAOB's Ability to Respond to Cybersecurity Threats.** Continue to evaluate cybersecurity threats by leveraging both internal and external assessments of risk and implement solutions to address the risks identified in the process.

***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 (i) represent specific actions that result in progress toward certain priorities that were set out in our recent Strategic Plans, and (ii) are built into our subsequent plans. Qualitative measures include discussions such as those found in our general purpose inspection reports, and other descriptive summaries of registered firms' audit practices that demonstrate the effect of the PCAOB's oversight activities. Quantitative measures demonstrate an objective assessment of our ability to achieve results.

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

As our organization gains more experience and with guidance from our Center for Economic Analysis, we will continue to seek additional ways – both qualitative and quantitative – to evaluate our processes and progress in achieving our mission. Towards this end, we continue to pursue the strategy on evaluating and refining the PCAOB's performance measures.

## ***Accomplishments and Progress Measures – Certain Priorities from Recent Strategic Plans<sup>2</sup>***

<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>• 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>• 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> <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>• Solicited views and began evaluating feedback from certain audit committee members on how the Board may improve the usefulness of its publicly issued inspection reports.</li> <li>• Revised PCAOB's inspection report formats to –             <ul style="list-style-type: none"> <li>• reference inspection findings in inspection reports to PCAOB auditing and quality control standards or other rules and consolidated standard language in certain inspection reports to one area of the report; and</li> <li>• add tables and data in inspection reports to provide additional information and transparency related to the inspection findings and issuers inspected. The data and tables include, for example, the industries and revenue ranges of the issuers inspected and the industry and financial statement areas related to inspection findings.</li> </ul> </li> </ul>
<p><b>Status:</b> Efforts made with respect to this priority in 2013, 2014 and 2015 have resulted in new processes and program work, which are now incorporated into enhanced strategy, Goal 2.C.1 (<i>Improve the Content and Readability of Inspection Reports and Provide Information on Inspection Activities and Results through General Reports and Inspection Briefs</i>) that the Board will further pursue in 2016.</p>

<sup>2</sup> These measures track progress with respect to certain priorities identified in the PCAOB's recent strategic plans, including the near-term priorities from the November 2012 Strategic Plan and economic analysis integration and improvements in the PCAOB's standard-setting program in the November 2013 and November 2014 Strategic Plans. The priority project on improvements in the standard-setting program from the November 2014 Strategic Plan replaces and supersedes the near-term priority on the standard setting from the November 2012 Strategic Plan.

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

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

**Actions Taken since November 2012:**

- Implemented process changes, in particular the addition of dedicated resources, which have resulted in the finalization of many remediation determinations.
- Provided additional information on the PCAOB's remediation process at Forums on Auditing in the Small Business Environment.
- Increased communication with domestic global network firms to achieve a better understanding by firms of the PCAOB's remediation determinations and the actions expected of the firms.
- Detailed information on the remediation process to accompany inspection reports has been developed, provided to firms and made available on the PCAOB website.
- Maintained an operational focus on the timeliness of remediation determinations.

**Status:** Efforts made with respect to this priority in 2013, 2014 and 2015 have resulted in new processes and program work, which are now incorporated into enhanced strategy, Goal 1.B.6 (*Provide Additional Information on Remediation Process*) that the Board will further pursue in 2016.

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

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

**Actions Taken since November 2012:**

- Surveyed existing work on audit quality indicators, developed a preliminary framework for the continuing project on potential audit quality indicators.
- Solicited feedback from the SAG, IAG, the PCAOB academic conference, and other groups.
- Evaluated data currently available from inspections process that could inform the audit quality indicators project and held ongoing discussions with inspections on the nexus between root cause analysis and audit quality indicators.
- Issued and obtained public comment on the *Concept Release on Audit Quality Indicators*.

**Status:** Efforts made with respect to this priority in 2013, 2014 and 2015 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2016: Goal 1.D.2 (*Develop Audit Quality Indicators to Advance Information and Knowledge About Audit Quality*) and Goal 1.A.4 (*Improve Transparency into the Audit Process including the Audit Report and Firm Business Model*).

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

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

**Actions Taken since November 2012:**

- Issued *Observations from 2010 Inspection of Domestic Annually Inspected Firms Regarding Deficiencies in Audits of Internal Control Over Financial Reporting*.
- Issued *Observations Related to the Implementation of the Auditing Standard on Engagement Quality Review*.
- Published a general report on observations related to the PCAOB's "Risk Assessment" auditing standards.
- Developed a new series of publications, "Staff Inspection Briefs", and published two reports – *Information about 2015 Inspections of Auditors of Brokers and Dealers* and *Information about 2015 Inspections*.
- Reinforced continual interaction among our standard-setting, inspections, research and analysis, and enforcement programs to discuss inspection findings and trends.
- Enhanced the PCAOB's Inspections Information System to improve and facilitate inspection process workflow and analysis.
- Developed a compendium of domestic global network firm inspection report findings for internal use and analysis.
- Allocated resources to expand the compendium to include all registered firm inspection report findings.
- Used compendium of inspection report findings to assist research for certain standard-setting projects.

**Status:** Efforts made with respect to this priority in 2013, 2014 and 2015 have resulted in new processes and program work, which are now incorporated into enhanced strategies, Goal 1.D.1 (*Collect and Analyze Data and Knowledge and Communicate Findings*), Goal 2.F.5 (*Enhance the Use of Economic Analysis and Tools in the PCAOB's Oversight Programs*), Goal 2.F.6 (*Identify, Organize, Structure and Analyze Data Required for Economic Research, Standard Setting and Other Internal Programmatic Needs*), and Goal 2.F.7 (*Establish a Process on PCAOB Data Needs*) that the Board will further pursue in 2016.

**Near-Term Priority: Audit Committee Outreach**

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

**Actions Taken since November 2012:**

- Developed materials, such as Audit Practice Alerts Nos. 10, 11, 12, 13, summary reports on inspections observations on internal control over financial reporting audits, triennial inspections, engagement quality review, and risk assessment to engage audit committees in areas of common interest.
- Included focused guidance to audit committees in inspection reports, general reports and audit alerts on using the reports and alerts.
- Engaged the SAG, IAG and other groups, in discussion to further explore areas of common interest, including an extended discussion at the May 2013 SAG and October 2014 IAG meetings.
- Engaged small firm auditors through the Forums on Auditing in the Small Business Environment on the relationship between the auditors and audit committees.
- Monitored certain non-U.S. regulators' respective plans for audit committee outreach initiatives and results.
- Enhanced participation by Board members and staff in outreach events focused on audit committee members.
- Updated the PCAOB website to include information tailored for audit committee members.
- Solicited views and began evaluating feedback from certain audit committee members on how the Board may improve the usefulness of its publicly issued inspection reports.
- Issued a communication to audit committees -- *Audit Committee Dialogue* -- the first in a series intended to provide insights from inspections of public company auditors that may be helpful to audit committee members in their oversight of auditors. (The *Dialogue* highlights key areas of recurring concern in PCAOB inspections of large audit firms as well as certain emerging risks to the audit and provides targeted questions that committee members may ask their auditors on each topic.)

**Status:** Efforts made with respect to this priority in 2013, 2014 and 2015 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2016: Goal 2.D.1 (*Extend Outreach to Audit Committees*) and Goal 2.C.5 (*Enhance the Usefulness of the PCAOB's Website as an Effective and Efficient Tool to Communicate with Stakeholders*)

**Major Effort/Priority Project: Integration of Economic Analysis into PCAOB Programs**

**Description:** Effective integration of economic analysis and tools into the programs of the PCAOB, including by implementing the staff guidance on economic analysis in standard setting, fostering informative economic research on audit-related topics, conducting post-implementation reviews of PCAOB rulemakings, and otherwise using economics to enhance the PCAOB's programs and its ability to oversee auditors and further enhance investor protection

**Actions Taken since November 2013:**

- Established Center for Economic Analysis, which began operations in early 2014, to study the role and relevance of the audit in capital formation and investor protection, and to encourage related economic research.
- The Board approved the statement of mission, governance and activity plan of the Center.
- Hired staff, including financial economists, research fellows, and other specialists, to work on the Center's initiatives outlined in its activity plan in furtherance of the Board's mission.
- Integrated into the Center all economists already employed by the PCAOB to enhance coordination among economists.
- Developed the basic infrastructure required for high-quality economic and statistical analysis.
- Established an Economic Research Fellows Program to conduct economic research on auditing matters that will inform the oversight activities of the PCAOB and solicited fellows for the 2014-15, 2015-16, and 2016-17 academic years.
- Established an Inspections Fellowship Program to offer experienced staff from the PCAOB's Division of Registration and Inspections the opportunity to interact with economic research fellows, sharing their knowledge of auditing while learning and developing new skills.
- Released *Staff Guidance on Economic Analysis in PCAOB Standard Setting*.
- In conjunction with the *Journal of Accounting Research*, held two annual economic conferences on Auditing and Capital Markets.
- Launched an internal seminar series at which academics present research on topics pertinent to the mission of the PCAOB.
- Released five research papers authored by Economic Research Fellows.
- Presented to the Board the outlines of a post-implementation review program for the PCAOB and began work on a post-implementation review of Auditing Standard No. 7, *Engagement Quality Review*.
- Presented to the Board the Center's plans to analyze evidence and data related to financial statement fraud.
- Developed a preliminary outline regarding potential goals of randomization and associated implications for inspections.
- Developed performance measures for the Center for inclusion in the PCAOB's 2015-2019 Strategic Plan.

**Status:** Actions taken with respect to this effort in 2014 and 2015 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2016: Goal 1.A.2 (*Enhance Economic Analysis*); Goal 2.F.1 (*Prepare Economic Analyses for Standard-Setting Initiatives and Other PCAOB Rulemakings*); Goal 2.F.2 (*Foster Economic Research on Topics Relevant to the PCAOB's Mission by Maintaining a Fellowship Program, Holding Economic Conferences, and Maintaining an Internal Seminar Series*); Goal 2.F.3 (*Analyze Evidence, Research and Data Related to Financial Statement Fraud*); Goal 2.F.4 (*Develop and Maintain a Program to Conduct Post-Implementation, or Retrospective, Reviews of PCAOB Rulemakings*); Goal 2.F.5 (*Enhance the Use of Economic Analysis and Tools in the PCAOB's Oversight Programs*); Goal 2.F.6 (*Identify, Organize, Structure and Analyze Data Required for Economic Research, Standard-Setting and Other Internal Programmatic Needs*); Goal 2.F.7 (*Establish a Process on PCAOB Data Needs*); Goal 2.F.8 (*Maintain an Inspections Fellowship Program and Explore Developing an Enforcement Fellowship Program*)

**Priority Project: Improvements in the Standard-Setting Program**

**Description:** Reflecting on the PCAOB's experience in setting auditing and related professional practice standards, identify the actions that worked well (and those that did not) and refine the PCAOB's processes to achieve the most effective outcomes

**Actions Taken since November 2014:**

- Began evaluation of the PCAOB's standard-setting process
- Established an internal cross-divisional working group to support the review of the PCAOB standard-setting process
- Engaged a consultant to facilitate review of the PCAOB standard-setting process
- Incorporated new deliberative processes in the standard-setting program in conjunction with such review

**Status:** Efforts made with respect to this priority in 2015 have resulted in the development of certain new processes and program work and commencement of additional processes and related tools, which are now incorporated into the following new strategy that the Board will further pursue in 2016: Goal 1.A.5 (*Implement Measures for More Efficient Standard Setting*)

**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 "higher-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	2014		2015		2016 Projected
	Projected <sup>3</sup>	Actual	Projected	Estimate	
<b>Number of Inspections Conducted:</b>					
Domestic	6	6	6	6	6
Non-U.S.	57	39	49	57	46
<b>Portions of Issuer Audits Inspected:</b>					
Domestic	274	274	274	274	274
Non-U.S.	192	128	161	181	148

<sup>3</sup> For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2014, 2015, and 2016 Budgets.

## **Overview of Changes in Inspections Activities:**

### **Number of Inspections Conducted:**

**Domestic** – The number of domestic firms inspected in 2014 is consistent with the number of domestic firm inspections to be conducted in 2015 and 2016.

**Non-U.S.** – The decrease in the number of inspections performed in 2014 as compared to the 2014 projection is primarily due to the PCAOB's inability to establish cooperative arrangements with certain non-U.S. jurisdictions in time to conduct such inspections in 2014. The 2015 estimate is higher than the 2015 projection and 2016 projection because the 2015 estimate includes inspections where cooperative arrangements have recently been established or are anticipated to be established in time to conduct inspections in those jurisdictions in 2015; the 2015 and 2016 projections do not include inspections in jurisdictions where the PCAOB does not currently have cooperative arrangements.

### **Portions of Issuer Audits Inspected:**

**Domestic** – The number of portions of domestic issuer audits inspected or to be inspected for the periods presented are consistent.

**Non-U.S.** – The decrease in the number of portions of non-U.S. issuer audits inspected in 2014 as compared to the 2014 projection is primarily due to the PCAOB's inability to establish cooperative arrangements with certain non-U.S. jurisdictions in time to conduct such inspections in 2014. The number of portions of non-U.S. issuer audits projected and estimated in 2015 and 2016 are generally consistent.

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

Performance Measure	2014		2015		2016
	Projected	Actual	Projected	Estimate	Projected <sup>4</sup>
<b>Reports Issued:</b>					
Domestic	7	7	6	6	6
Non-U.S.	51	53	45	41	47
<b>Reports Aging:</b>					
Domestic					
Reports aged greater than 12 months outstanding	–	–	–	–	–
Non-U.S.					
Reports aged greater than 12 months outstanding	12	10	11	13	12

**Reports Issued:**

**Domestic** – In 2013, the Division of Registration and Inspections ("DRI") transferred one global network firm ("transferred firm") to the non-affiliate firm inspections program. The 2014 projected and actual reports include the issuance of the report related to the transferred firm for the inspection year prior to the transfer. The 2015 estimate and 2015 and 2016 projections are consistent and only include firms remaining in the global network firm inspections program.

**Non-U.S.** – The decrease in the number of non U.S. reports estimated to be issued in 2015 as compared to 2014 is primarily due to the decrease in the number of inspections performed in 2014 due to the inability to establish cooperative arrangements with certain non-U.S. jurisdictions. The increase in the number of non-U.S. reports projected to be issued in 2016 as compared to 2015 is primarily due to the increase in the number of inspections estimated to be performed in the latter half of 2015, which includes inspections where cooperative arrangements have recently been established or are anticipated being established in time to complete inspections in those jurisdictions in 2015.

**Reports Aging:**

**Domestic** – No reports were aged in 2014 or are expected to be aged in 2015 and 2016.

**Non-U.S.** – The number of non-U.S. reports aged greater than 12 months estimated and projected to be outstanding at the end of 2015 and 2016 as compared to 2014 has remained generally consistent and relates to the timing as well as the nature and expected complexity of scheduled inspections during each period. In general, the nature of coordinating with other non-U.S. regulators to conduct inspections in other jurisdictions contributes to a longer (compared to domestic inspections) timeline to issue an inspection report.

<sup>4</sup> For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2014, 2015, and 2016 Budgets.

<b>Measure 1-1.3: Global Network Firm Inspections Program – Number of Remediation Submissions Finalized<sup>5</sup></b>					
<b>Performance Measure</b>	<b>2014</b>		<b>2015</b>		<b>2016 Projected<sup>6</sup></b>
	<b>Projected</b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	
<b>Remediation:</b>					
Domestic:					
Submissions Received	7	7	7	7	5
Submissions Finalized	16	9	11	12	7
Non-U.S.:					
Submissions Received	47	46	49	46	26
Submissions Finalized	29	38	43	48	24
<b>Overview of Changes in Inspections Activities:</b>					
<b><u>Remediation:</u></b>					
<b>Domestic</b> – The 2014 actual results in submissions finalized as compared to the 2014 projection decreased due to delays in finalizing certain remediation submissions in 2014, which resulted in those submissions being finalized in 2015. The 2015 estimate is generally consistent with the projection. The 2016 projection assumes that DRI will receive and finalize almost an equal number of remediation submissions.					
<b>Non-U.S.</b> – The 2014 actual results in submissions finalized as compared to the 2014 projection increased due to timing of submissions received and the nature of certain submissions received. The number of submissions finalized in the 2015 estimate is consistent with the projection. The 2016 projection is based on the expected timing of the report issuances and the nature of the reports.					

<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 2014, 2015, and 2016 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	2014		2015		2016
	Projected <sup>7</sup>	Actual	Projected	Estimate	Projected
<b>Number of Inspections Conducted:</b>					
Domestic	168	156	153	148	144
Non-U.S.	27	18	12	11	13
<b>Portions of Issuer Audits Inspected:</b>					
Domestic	452	357	388	380	381
Non-U.S.	42	28	23	18	23

**Overview of Changes in Inspections Activities:**

**Number of Inspections Conducted:**

**Domestic** – The downward trend in the number of domestic inspections is primarily attributable to firm mergers, 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 inspected in 2014 as compared to the 2014 projection is primarily due to the PCAOB's inability to establish cooperative arrangements in certain non-U.S. jurisdictions. The 2015 projection and estimate and 2016 projection are generally consistent.

**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 of firms inspected and the nature of the audit practice at each firm.

<sup>7</sup> For purposes of this measure, the term "projected" is synonymous with what is assumed in the 2014, 2015, and 2016 Budgets.

<b>Measure 1-2.2: Non-Affiliate Firm Inspections Program – Number of Reports Issued and Reports Aging</b>					
<b>Performance Measure</b>	<b>2014</b>		<b>2015</b>		<b>2016 Projected<sup>8</sup></b>
	<b>Projected</b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	
<b>Reports Issued:</b>					
Domestic	177	180	150	156	143
Non-U.S.	18	18	15	16	11
<b>Reports Aging:</b>					
Domestic					
Reports aged greater than 12 months outstanding	–	2	–	–	–
Non-U.S.					
Reports aged greater than 12 months outstanding	2	2	2	2	2
<b>Overview of Changes in Inspections Activities:</b>					
<b><u>Reports Issued:</u></b>					
<b>Domestic and Non-U.S.</b> – Overall, the number of reports issued for all periods presented is directly related to the number of inspections conducted (based on the number of registered firms subject to inspection) or to be conducted and reflects the results of DRI's efforts to improve the timeliness of its inspections reports.					
<b>Domestic</b> – The 2014 actual results reflect an increase in the number of reports issued from the 2014 projection due to an increase in the number of issued reports related to 2014 inspections not included in the 2014 projection. The decrease in the number of reports issued in the 2015 and 2016 projection as compared to the 2014 projection is due to a downward trend in the overall number of firms subject to inspection.					
<b>Non-U.S.</b> – The decrease in the number of reports issued in the 2015 and 2016 projections as compared to the 2014 projection is due to a downward trend in the overall number of firms subject to inspection and located in jurisdictions where the Board can conduct inspections.					
<b><u>Reports Aging:</u></b>					
<b>Domestic</b> – DRI does not expect any reports aged greater than 12 months outstanding at the end of 2015 or 2016 as a result of DRI's successful 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 2014, 2015, and 2016 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>2014</b>		<b>2015</b>		<b>2016</b>
	<b>Projected</b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	<b>Projected<sup>10</sup></b>
<b>Remediation:</b>					
Domestic:					
Submissions Received	116	115	100	83	93
Submissions Finalized	95	113	107	117	72
Non-U.S.:					
Submissions Received	14	9	13	12	13
Submissions Finalized	11	12	8	13	8
<b>Overview of Changes in Inspections Activities:</b>					
<b><u>Remediation:</u></b>					
<b>Domestic</b> – The number of submissions finalized in the 2014 actual results exceeded the projection due to finalization of submissions that were previously projected to be finalized in 2013. The excess of submissions finalized in 2015 compared to the projection reflects the Division’s continued efforts to improve the timeliness of remediation determinations. The 2016 projection is based on the expected timing of the issuance of reports, the decrease in estimated 2015 submissions received, and the acceleration of submissions finalized during 2015.					
<b>Non-U.S.</b> – The number of submissions finalized in the 2014 actual results is generally consistent with the 2014 projection. The excess of submissions finalized in 2015 compared to the projection reflects the Division’s continued efforts to improve the timeliness of remediation determinations. The number of submissions projected to be finalized in 2016 is a function of the expected timing of the report issuances in 2015.					

<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 2014, 2015, and 2016 Budgets.

<b>Measure 1-3: Broker-Dealer Firm Inspections Program Performance</b>					
<b>Relevance of Measure:</b> 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.					
<b>Performance Measure</b>	<b>2014</b>		<b>2015</b>		<b>2016 Projected</b>
	<b>Projected<sup>11</sup></b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	
<b>Number of Inspections Conducted</b>	60	66	75	75	75
<b>Portions of Broker-Dealer Audits Inspected<sup>12</sup></b>	100	118	115	115	115
<b>Overview of Changes in Inspections Activities:</b>					
<p><b>Number of Inspections Conducted</b> – The increase in the number of inspections conducted in 2014 as compared to the 2014 projection represent increases in coverage for the broker-dealer firm interim inspections program before the establishment of a permanent inspection program. The increase in the 2015 projection as compared to the 2014 projection is to increase coverage before the establishment of the permanent inspection program. The 2015 projection and estimate and 2016 projection are consistent.</p>					
<p><b>Portions of Broker-Dealer Audits Inspected</b> – The increase in the number of portions of broker-dealer audits in the 2014 actual results as compared to the 2014 projection reflects an increase in coverage of audits inspected before the establishment of a permanent inspection program and includes portions of five broker-dealer audit and attestation engagements that were required to be conducted for the first time in accordance with PCAOB standards. The number of portions of broker-dealer audit and attestation engagements to be inspected in the 2015 projection and estimate represents a 15 percent increase compared with the 2014 projection in order to increase coverage before the establishment of a permanent inspection program. The 2015 projection and estimate and 2016 projection are consistent.</p>					

<sup>11</sup> For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2014, 2015 and 2016 Budgets.

<sup>12</sup> For 2015 and 2016, includes audit and attestation engagements.

<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>2014</b>		<b>2015</b>		<b>2016</b>
	<b>Projected<sup>13</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>Overview of Changes in Audit Firm Registration Activity:</b>					
<p>In 2014, the PCAOB considered and approved registration applications of 71 accounting firms, including 28 non-U.S. firms, within the statutory time frame. The PCAOB disapproved four registration applications. Similarly, the 64 registration applications processed between January 1, 2015 and September 30, 2015, were acted upon within the statutory time frame. No changes to this rate of action are currently anticipated. Should there be a significant change in the number of firms seeking to register, the PCAOB intends to adjust its registration resources accordingly to allow action to continue to occur on a timely basis.</p>					

<sup>13</sup> For purposes of this measure, the term "projected" is synonymous with what is assumed in the 2013, 2014, and 2015 Budgets.

<b>Measure 1-5: Timely Resolution of Formal Investigations</b>			
<b>Relevance of Measure:</b> 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>14</sup>			
<b>Performance Measure</b>	<b>2014</b>	<b>2015</b>	<b>2016</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>	71%		
<b>Overview of Changes in Activities:</b>			
<p>In each year between 2011 and 2014, the PCAOB exceeded its performance measure goal of resolving at least 66% of its formal investigations within three years of opening:</p> <ul style="list-style-type: none"> <li>• 2011: 91 percent</li> <li>• 2012: 75 percent</li> <li>• 2013: 100 percent</li> <li>• 2014: 71 percent</li> </ul> <p>In 2015 and 2016, the Division of Enforcement and Investigations ("DEI") expects to continue meeting its performance measure of 66% for the year. This projection, though, will depend on DEI's workload of litigated matters, current investigations, including the complexity and breadth of those investigations, and whether ongoing investigations for which disciplinary proceedings are appropriate will be contested. DEI will also continue to assess whether its target for resolving formal investigations within three years remains appropriate.</p>			

<sup>14</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>2014</b>	<b>2015</b>	<b>2016</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>	69%		
<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>15</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 2016, 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 "higher priority" matters. (see Indicator 1-2)</p>			

<sup>15</sup> Certain referrals from DRI to DEI have originated with referrals from ORA to DRI.

<b>Indicator 1-2: Percentage of Formal Investigations Deemed "Higher-Priority"</b>			
<b>Relevance of Indicator:</b> 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 "higher-priority" investigations. The indicator measures the percentage of formal investigations that DEI opens each year that are deemed higher-priority.			
<b>Performance Indicator</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Projected Percentage of "Higher-Priority" Investigations</b>	75%	75%	75%
<b>Actual Percentage of "Higher-Priority" Investigations</b>	69%		
<b>Overview of Changes in Activities:</b>			
<p>The Board exercises its enforcement authority strategically, focusing on serious violations of PCAOB standards or securities laws by auditors. "Higher-priority" investigations involve significant investor protection considerations such as improving audit quality by strengthening professional skepticism, objectivity and independence of the audit profession, as well as matters threatening or eroding the integrity of the Board's regulatory oversight processes and matters focused on the risks associated with cross border audits. In 2016, the PCAOB intends to continue to deploy its resources strategically while monitoring emerging areas of risk to investors.</p>			

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

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

<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 Measure</b>	<b>2014</b>	<b>2015</b>	<b>2016</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>	95%		
<b>Number of survey respondents</b>	492		
<b>Number of Attendees</b>	779		
<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 2014, 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 779 people attended the seven Forums held in 2014; 492 responded to the survey, with 95% of respondents rating the Forums 4.0 or higher.</p> <p>In 2015, the PCAOB plans to hold six Forums, which will follow a format similar to that of 2014, but will include a panel discussion on auditing accounting estimates including fair value measurements. Five of these Forums have been held as of October 31, 2015. A total of 513 people attended these Forums; 349 responded to the survey, with 100% rating the Forums 4.0 or higher meeting the target of a minimum of 90% of its sessions during 2015.</p> <p>The PCAOB plans to hold seven forums in 2016, following a format similar to that of prior years. The PCAOB plans to maintain its target rating of 4.0 or higher for a minimum of 90% of its sessions during the year.</p>			

**Measure 2-2: Feedback from Forums for Auditors of Broker-Dealers**

**Relevance of Measure:** This measure shows the extent to which participants in Forums on Auditing Smaller Broker-Dealers (referred to as Forums for Auditors of Broker-Dealers beginning in 2015) 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>2014</b>	<b>2015</b>	<b>2016</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%		
<b>Number of survey respondents</b>	437		
<b>Number of Attendees</b>	673		

**Overview of Changes in Activities:**

The results of this measure are used to shape the content and focus of future forums which are primarily targeted at auditors of smaller registered broker-dealers.

In 2014, the PCAOB held four Forums on Auditing Smaller Broker-Dealers, which followed a format similar to that of the 2013 forums. A total of 673 people attended these Forums; 437 responded to the survey, with 100% rating the Forums 4.0 or higher.

The PCAOB plans to hold four Forums for Auditors of Broker-Dealers in 2015 following a format similar to that of prior years. Three of these Forums have been held as of October 31, 2015. A total of 522 people attended these Forums and 364 responded to the survey, with 100% rating the Forum 4.0 or higher. The PCAOB plans to continue to maintain its target rating of 4.0 or higher for a minimum of 85% of its sessions during 2015.

In 2015, the PCAOB also held two webcasts for auditors of broker-dealers. The content of these webcasts closely reflected the content of the DRI and OCA portions of the 2014 Forums for Auditors of Smaller Broker-Dealers. A total of 518 people signed into the webcasts and 279 of these people completed the evaluations of the webcasts, with 100% rating the webcasts 4.0 or higher.

In 2016, the PCAOB plans to hold five Forums for Auditors of Broker-Dealers following a format similar to that of prior years. The PCAOB plans to continue to maintain its target rating of 4.0 or higher for a minimum of 85% of its session during 2016.

**Measure 2-3: Progress in Establishing and Maintaining Relationships with Audit Oversight Bodies or Other Relevant Non-U.S. Regulators in Jurisdictions Where the PCAOB Conducts Inspections or Should Inspect**

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

<b>Performance Measure</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Establish or maintain working relationship with non-U.S. regulators in jurisdictions with which the PCAOB has concluded a cooperative arrangement</b>			
Projected Number of Jurisdictions	22	27	27
Actual Number of Jurisdictions	18		
<b>Establish or maintain contact or working relationship with non-U.S. regulators in jurisdictions with which the PCAOB has not concluded a cooperative arrangement, but such an arrangement is not necessary for conducting PCAOB inspections</b>			
Projected Number of Jurisdictions	25	25	26
Actual Number of Jurisdictions	25		
<b>Establish or maintain working relationship with non-U.S. regulators in jurisdictions requiring a cooperative arrangement for conducting PCAOB inspections but where such cooperative arrangement has not yet been concluded</b>			
Projected Number of Jurisdictions	8	3	3
Actual Number of Jurisdictions	12		

**Overview of Changes in Activities:**

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

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

In 2015, the PCAOB concluded cooperative arrangements with Greece, Hungary, and Luxembourg. In 2015 and 2016, the PCAOB will engage in discussions with the European Union member states and the European Commission on renewal of the 2013 adequacy decision which expires in July 2016 and will seek to conclude cooperative arrangements with additional jurisdictions in the European Union and elsewhere that require cooperative arrangements before the PCAOB may conduct inspections in such jurisdictions or that seek cooperative arrangements to facilitate the exchange of information.

<b>Measure 2-4: International Institute on Audit Regulation Feedback</b>			
<b>Relevance of Measure:</b> This measure shows the percentage of participants who agree that the Institute was effective in meeting its objectives based on participants' responses to a survey distributed at the Institute.			
<b>Performance Measure</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Overall, the program presented useful information about the structure and operations of the PCAOB</b>			
<b>Projected percentage of Institute participants that agree</b>	90%	N/A	N/A
<b>Actual percentage of Institute participants that agree</b>	100%		
<b>Overall, the program addressed the current issues facing audit oversight globally</b>			
<b>Projected percentage of Institute participants that agree</b>	90%	90%	90%
<b>Actual percentage of Institute participants that agree</b>	96%		
<b>Overall, the program promoted discussion among our diverse group of attendees</b>			
<b>Projected percentage of Institute participants that agree</b>	90%	90%	90%
<b>Actual percentage of Institute participants that agree</b>	96%		
<b>Number of survey respondents to the above measures</b>	28		
<b>Number of participants</b>	76		
<b>Overview of Changes in Activities:</b>			
<p>The PCAOB hosts the International Institute on Audit Regulation in order to promote dialogue among independent audit regulators and other organizations on global issues, risks, and trends affecting audit oversight. The PCAOB hosted the eighth Institute on November 17-19, 2014. The PCAOB will host the ninth Institute on December 2-4, 2015. With the significant development of audit oversight globally, including the proliferation of independent audit oversight bodies, since the PCAOB first hosted the Institute in 2007, the PCAOB changed the format of the Institute beginning in 2015 to focus less of the program on the structure and operations of the PCAOB and more on current and emerging issues in audit regulation. The PCAOB plans to host the tenth Institute in the second half of 2016.</p>			

<b>Indicator 2-1: Number of Participants and Jurisdictions that Attend the International Institute on Audit Regulation</b>			
<b>Relevance of Indicator:</b> This indicator shows the amount of interest by other jurisdictions in the International Auditor Regulatory Institute.			
<b>Performance Indicator</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Projected Number of Participants</b>	80	70	70
<b>Actual Number of Participants</b>	76		
<b>Projected Number of Jurisdictions</b>	35	30	30
<b>Actual Number of Jurisdictions</b>	31		
<b>Overview of Changes in Activities:</b>			
<p>The PCAOB hosted the eighth International Institute for non-U.S. regulators and government officials on November 17-19, 2014, with attendance of 76 representatives from 31 jurisdictions and five international organizations. The PCAOB will host the ninth Institute on December 2-4, 2015. With the significant development of audit oversight globally, including the proliferation of independent audit oversight bodies, since the PCAOB first hosted the Institute in 2007, the PCAOB changed the format of the Institute beginning in 2015 to focus the full program on current and emerging issues in audit regulation. The PCAOB plans to host the tenth Institute in the second half of 2016.</p>			

**Measure 2-5: Prepare Economic Analyses for Standard-Setting Initiatives and Other PCAOB Rulemaking Projects**

**Relevance of Measure:** This measure reflects the PCAOB's performance in ensuring that regulatory decisions, including whether to adopt new requirements and impose corresponding burdens, are informed by economic analysis.

**Measure 2-5.1: Economic Analyses - Number of economic analyses**

Performance Measure	2014		2015		2016
	Projected	Actual	Projected	Estimate	Projected
Number of economic analyses in PCAOB rulemaking projects	N/A	N/A	N/A	8	7

In February 2015, responsibility for preparing economic analyses for standard-setting initiatives and other PCAOB rulemaking projects was transitioned to the Center for Economic Analysis. Economic analysis for standard setting initiatives and other PCAOB rulemaking projects help ensure that regulatory decisions, including whether to adopt new requirements and impose corresponding burdens, are informed by a rigorous review and analysis of the best information available.

Economic analysis for standard setting and other PCAOB rulemaking projects includes assessing the need for rulemaking, understanding the current baseline of activities, researching relevant academic literature, gathering and analyzing relevant public or proprietary data, developing and analyzing policy alternatives, and helping the Board assess the economic impacts of a rule, including the benefits and costs.

In 2015, draft economic analyses were prepared for eight in progress standard-setting and rulemaking projects:

- Auditing Accounting Estimates, Including Fair Value Measurements and Related Disclosures
- Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits
- Auditor's Reporting Model
- Supervision of Other Auditors and Multi-location Audit Engagements
- The Auditor's Use of the Work of Specialists
- Going Concern
- Amendments to Limit Board Rule 4003's Fixed Periodic Inspection Requirement to Firms That Regularly Issue Audit Reports
- Permanent Inspection Program Related to Audits of Brokers and Dealers

These analyses, when complete and provided to the Board, include quantitative results that inform the Board's regulatory decision making. In 2016, further draft economic analyses are expected to be prepared for active standard-setting initiatives and other PCAOB rulemaking projects.

<b>Measure 2-6: Foster Economic Research on Audit-Related Topics</b>					
<b>Relevance of Measure:</b> This measure reflects the PCAOB's performance in fostering high quality publishable economic research on topics that are of direct relevance to the mission of the PCAOB.					
<b>Measure 2-6.1: Economic Research Fellowship Program - Number of research initiatives approved, released and published and citation counts</b>					
<b>Performance Measure</b>	<b>2014</b>		<b>2015</b>		<b>2016</b>
	<b>Projected</b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	<b>Projected</b>
Number of Economic Research Fellows approved by the Board	N/A	2	N/A	4	4
Number of working papers made public for peer review	N/A	0	N/A	5	3
Number of research papers published	N/A	0	N/A	0	0
Number of citations to research papers released by Fellows	N/A	0	N/A	0	0
<p>The Center maintains an Economic Research Fellowship Program that is intended to generate high quality, independent, publishable economic research on topics that are of direct relevance to the mission of the PCAOB. Among other things, the fellowship program provides the Board with a way to independently analyze data collected by the PCAOB through its oversight activities. The first two fellows joined the Center in September 2014. To date, the Board has approved the appointment of four Economic Research Fellows and their proposals and reappointed one of these fellows for a second 12-month term. Through November 2015, the following working papers were made public for peer review:</p> <ul style="list-style-type: none"> <li>• The Impact of the PCAOB Individual Engagement Inspection Process – Preliminary Evidence, Daniel Aobdia</li> <li>• Public Audit Oversight and Reporting Credibility: Evidence from the PCAOB Inspection Regime, Brandon Gipper, Christian Leuz and Mark Maffett.</li> <li>• The Validity of Publicly Available Measures of Audit Quality. Evidence from the PCAOB Inspection Data, Daniel Aobdia.</li> <li>• What's in a Name? Reputation and Monitoring in the Audit Market, Somdutta Basu and Suraj Shekhar</li> <li>• Does the Organization and Culture of the Largest Audit Firms Influence their Audit Quality and Efficiency?, Daniel Aobdia</li> </ul> <p>Research topics, including a description of any nonpublic data sets required for research, are presented to the Board for approval and research papers are reviewed to confirm that the topic of the paper is consistent with the researcher's proposal. That review does not, however, encompass an evaluation of the conclusions reached by researchers.</p> <p>It is expected that three further papers will be released in 2016.</p>					

**Measure 2-6.2: Economic Conference - Number of submissions and papers presented, number of academics attending, overall satisfaction of attendees with the conference content, and CPE credit issued**

Performance Measure	2014		2015		2016
	Projected	Actual	Projected	Actual	Projected
Number of submissions	N/A	82	N/A	70	70
Number of papers presented	N/A	6	N/A	8	8
Total number of attendees	N/A	172	N/A	198	198
Number of academics attending	N/A	120	N/A	120	120
Total number of non-PCAOB, non-academic attendees	N/A	10	N/A	10	10
Percentage of U.S.-based academics attending from institutions classified as “research universities with very high research activity” in the Carnegie Classification of Institutions of Higher Education	N/A	72%	N/A	74%	74%
Percentage of attendees that responded the feedback survey	N/A	No data	N/A	31%	30%
Percentage of feedback survey respondents that were satisfied or very satisfied with the conference content	N/A	No data	N/A	87%	80%
Hours of CPE credit issued to participants requesting CPE credit	N/A	284	N/A	426	426

In conjunction with the *Journal of Accounting Research*, the Center hosts an annual economic conference on Auditing and Capital Markets. The conference is intended to promote academic research that studies the economic impact auditing has on capital markets, enable the PCAOB to develop links with high caliber researchers, and engage a wide range of academics in discussion on topics directly relevant to the PCAOB.

Notably, participation in the conference grew significantly over 2014. 74% of U.S.-based academics who attended the conference came from institutions classified as “research universities with very high research activity” in the Carnegie Classification of Institutions of Higher Education. The conference was also well attended by editors of leading accounting and economics journals. Such attendance is important in raising the profile of the conference in the academic community, attracting high quality papers in the future, and enhancing interest in auditing research. In 2016 the Center intends to maintain the size of the conference at a similar level.

**Measure 2-6.3: Internal Seminar Series - Number of seminars and attendees and CPE credit issued**

Performance Measure	2014		2015		2016
	Projected	Actual	Projected	Estimate	Projected
Number of seminars	N/A	N/A	N/A	7	6
Total number of attendees	N/A	N/A	N/A	459	393
Hours of CPE credit issued to participants requesting CPE	N/A	N/A	N/A	173	173

The Center arranges internal PCAOB seminars at which scholars present research on issues of interest to the PCAOB and discuss those issues with PCAOB staff and Board members. The interactions provide PCAOB staff and Board members the opportunity to interact with leading researchers and thus remain abreast of, and incorporate in their own work, the latest analytical advances and research findings. This helps ensure that PCAOB benefits from, and keep pace with, the best and most current academic thinking. In 2015, the Center organized seven seminars on a range of topics. Six seminars are planned for 2016.

**Measure 2-7: Enhance the Use of Economic Analysis and Tools in the PCAOB's Oversight Programs**

**Relevance of Measure:** This measure reflects the PCAOB's performance in using economic analysis and tools to enhance the PCAOB's oversight activities.

**Measure 2-7.1: Economic Analyses - Number of Reviews**

Performance Measure	2014		2015		2016
	Projected	Actual	Projected	Estimate	Projected
Number of post-implementation reviews in progress	N/A	N/A	1	1	1
Number of post-implementation reviews completed	N/A	N/A	N/A	0	0

Post-implementation review complements the prospective economic analysis that is developed as part of a rulemaking. It provides an opportunity to look back at significant rulemakings, after a reasonable period of time has passed, to evaluate the overall effect of a rule or standard and identify potential areas for improvement. Reviews evaluate whether a rule or standard is accomplishing its intended purpose; identify, wherever possible, costs and benefits; and identify unanticipated consequences, either positive or negative. In addition, over time, it is anticipated that post-implementation reviews will provide useful information for improving future economic analyses and informing future regulatory decisions.

In 2015, the Center began a post-implementation review of Auditing Standard No. 7, *Engagement Quality Review*. The Center expects to make publically available a report on its findings and conclusions early in 2017.