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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***

***2016 – 2020***

NOVEMBER 18, 2016

**Table of Contents**

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Chairman's Message..... 3  
Organizational Background ..... 5  
Mission ..... 7  
Core Values ..... 7  
Matrix of Strengths, Weaknesses, Opportunities and Threats ..... 8  
Goals, Objectives and Strategies ..... 10  
Progress and Performance: Progress Measures and  
Performance Measures and Indicators..... 21

## **Chairman's Message**

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In early 2016, the PCAOB began its annual process of monitoring implementation of its strategic plan, which was last updated in November 2015, and considering revisions and enhancements to its strategies, in light of developments that affect our programs, operations, and resource needs. That process benefitted from extensive involvement of Board members and key staff in our divisions and offices, as well as important input from the SEC. In developing this revised plan to support the 2017 budget and guide the next five years of the Board's work, the Board and its staff focused on, among other things, streamlining the plan by highlighting key initiatives to better serve investors, eliminating redundant strategies and/or recurring non-strategic activities and consolidating overlapping and similar strategies.

### **Updates to the Plan**

In particular, through this process, the discussion of the internal and external environment in which the PCAOB operates has been updated (1) to highlight additional opportunities related to --

- identifying more effective ways to engage investors and others in PCAOB rulemaking,
- leveraging cross-divisional insights and economic analysis to establish an effective broker and dealer auditor oversight program,
- strengthening the economic and risk analysis program area by integrating the economic analysis and risk analysis functions, and
- addressing changing circumstances, such as recently issued accounting standards involving significant implementation and auditing challenges and growth of consulting and other emerging developments in business practices at firms; and

(2) to refine the nature of the weaknesses relating to competition for talent and updating the PCAOB IT systems, in light of recent hiring experience and budgetary considerations, as well as recent progress with respect to certain IT upgrade efforts.

We have also revised the plan to update initiatives relating to the PCAOB's new standard-setting process, planning for and adopting a permanent broker-dealer inspection program, inspecting firms located in China, audit quality indicators, monitoring and developing reports related to independence and the business model of the firms, and business continuity. Also, economic analysis-related initiatives have been refined and incorporated into Goal 1 of the plan to highlight the strengthening of the PCAOB's economic and risk analysis functions, as well as the integration of this program area with other PCAOB oversight program areas. The "Progress and Performance" section of the Plan also has been updated to reflect developments as of September 30, 2016.

## Near-Term Focus

While the updated plan contemplates goals, objectives and strategies over the next five years and the PCAOB will continue to undertake these strategies to achieve our mission, I view the following as priority projects for 2017 –

- consolidating and strengthening our economic and risk analysis program area to enhance available resources and augment expertise, and further integrating this program area with our other oversight programs, including standard-setting, to achieve the most effective outcomes to further investor protection and enhance audit quality;
- further improving our standard-setting program, including further development, implementation, and sustainability of processes, including when and how we conduct research on projects, add projects to the research and standard-setting agendas, and obtain public comment, all to advance the PCAOB's standard-setting agenda and to effectively serve investors;
- developing the approach to inspections of broker-dealer auditors under a permanent program, including proposing rules informed by economic analysis and cross-divisional insights;
- continuing to identify ways to further automate, streamline and improve our processes and consider other cost-effective strategies to maximize staff utilization and productivity and further promote the careful stewardship of the PCAOB's resources; and
- pursuing a recently commenced diversity and inclusion project to foster a culture of inclusion, collaboration and innovation empowering each employee to reach his/her full potential.

With respect to advancing our standard-setting agenda to further protect investors, we look forward to several significant developments in the coming year. First, beginning in 2017, registered audit firms will be required to disclose the names of engagement partners and other accounting firms that participated in audits of public companies. With this advancement, investors and others will know who is leading and participating in audits through these filings, adding more specific data points to the mix of information that can be used when evaluating audit quality. In addition, by the end of 2016, we expect to consider historic changes to the standard pass-fail form audit report to enhance the relevance of audit reports.

While the Board continues to evaluate its work and identify ways to enhance its programs and processes, it continues to remain focused on its key initiatives to serve investors. We take pride in the accomplishments and commitment of our staff and their dedication to the PCAOB's mission in all of these endeavors.

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 the development and execution of our annual budget.

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 reviews 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 systems;
- (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, rules 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 deficiencies by registered firms. We also use such information to analyze the potential need for changes to auditing and related professional practice standards and to evaluate the 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") 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 and accounting support fees are also subject to SEC approval. And, as provided in the Act, PCAOB inspection report findings, adverse remediation determinations, and disciplinary actions against registered firms and their associated persons are subject to review by the SEC.

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<sup>1</sup> This Plan uses the term "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.

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's annual budget, this Strategic Plan provides the framework for developing and executing that budget. Specifically, we have established the following three overarching goals –

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

**Goal 2: Constructive Impact: Make a positive difference in the market for audit services and advance trends for quality financial reporting by enhancing the relevance, quality, and transparency of the audit and strengthening 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 and inclusion, 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 to its work.

**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. We have considered the PCAOB's *strengths* (characteristics that should be built upon to endure and can be used for the PCAOB to achieve its mission), *weaknesses* (characteristics or obstacles that should be mitigated or addressed if the PCAOB is 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").

<u>Strengths</u>	<u>Weaknesses</u>
<ul style="list-style-type: none"> <li>• PCAOB's independence and role as a financial sector regulator chartered to protect investors</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 issuer and broker-dealer audit practices gained through more than twelve 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>	<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 both certain inspections information and our analysis of inspection results that may potentially lessen our value to the investing public, including audit committees</li> <li>• Competition for and ability to retain talent particularly in certain hiring pools, which may be affected by budgetary considerations</li> <li>• Necessity to update several remaining outdated information technology systems, which were implemented in the early years of the PCAOB's existence</li> </ul>

<u>Opportunities</u>	<u>Threats</u>
<ul style="list-style-type: none"> <li>• Identify more effective ways to engage investors and other interested parties in PCAOB rulemaking</li> <li>• Leverage the market's interest in information about the audit, including through encouraging use of audit quality indicators, in order to enhance the relevance of the audit and to engage with interested parties to enhance an understanding of the inspection process and the benefits of timely remediation to improve future audits</li> <li>• Strengthen research and analysis program area by further integrating economic and risk analysis functions to enhance resources available and augment expertise to make both functions more effective</li> <li>• Leverage knowledge and experience from our interim broker-dealer audit inspection program, as well as cross-divisional insights and economic analysis, to establish an effective broker-dealer auditor oversight program</li> <li>• Continue to implement measures for more efficient and effective standard setting, focus on the sustainability of the improved process, and leverage such process to issue, on a timely basis, standards that spur appropriate changes in auditor behavior and performance</li> <li>• Build on our regulatory experience to address changing circumstances, such as (1) recently issued accounting standards that involve significant implementation and potential auditing challenges and (2) growth of consulting practices and other emerging developments in business practices at firms, including acceleration of technology innovation, data analysis and globalization of core audit services</li> <li>• Use inspections to address challenges posed by the separate ownership structure of the affiliates of global networks in identifying and analyzing systemic root causes of audit deficiencies 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 and data analytics, to update audit performance standards</li> <li>• Establish new and enhance existing 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 regular communications and explore ways to further promote two-way interactive communication between the PCAOB and audit committees</li> <li>• Advance the development of our administrative operations, including human resources, financial and risk management, business continuity and employee safety, to further support our mission and short- and long-term goals and initiatives</li> <li>• Pursue a diversity and inclusion project to foster a culture of inclusion, collaboration and innovation empowering each employee to reach his/her full potential, in light of employee engagement survey results</li> </ul>	<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>• Ongoing and evolving serious risks presented by the information security landscape, exposing the PCAOB and other organizations</li> <li>• Potential threats to independence and audit quality posed by the current business model of the audit firm, including -- <ul style="list-style-type: none"> <li>• firms' expansion of consulting and tax advisory services,</li> <li>• limited growth in core audit revenue,</li> <li>• inability of investors to judge audit quality,</li> <li>• incentive systems within the firms misaligned with audit quality, and</li> <li>• accelerated technological change in core audit services</li> </ul> </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. Effectively and efficiently identify and respond to emerging audit risks and trends**

#### **Strategies**

- **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 domestic and global economic conditions, new accounting standards and cybersecurity risks that could affect financial reporting. Analyze trends and developments that could impact auditors' responses to such risks or affect auditor performance, such as new developments in technology, data analysis, and other audit tools.
- **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, staff briefs, research notes, policy statements, interpretative releases, speeches and other means.
- **Continue to Enhance Technological Capabilities to Support Enhanced Risk Analysis.** Continue to support and enhance an integrated data collection platform to provide timely relevant information and analysis to the PCAOB's inspection, enforcement and standard-setting programs.
- **Implement Measures for More Efficient and Effective Standard Setting.** Continue the implementation of new processes, including measures identified through the PCAOB's review of its standard-setting process (such as measures related to when and how the PCAOB conducts research on projects, adds projects to its research or standard-setting agendas, and obtains public comment), as well as its post-implementation review initiative, to advance standard-setting initiatives more efficiently and effectively.
- **Seek Insight on PCAOB Standard Setting.** Facilitate evidence gathering and research by exploring and developing new mechanisms to appropriately engage the participation of a broad cross-section of external parties, including investors, preparers, auditors, academics and the public.

Seek input on projects on the PCAOB's standard-setting agenda and new research agenda, including by further integrating the PCAOB's risk analysis and research activities to inform standard-setting priorities.

- ***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, and share information, insights and concerns among regulators as appropriate. Share observations and possible challenges related to the implementation and auditability of new or proposed accounting standards.
- ***Contribute to Audit Issues Debate.*** Contribute to the debate on issues relevant to auditor oversight by participating in and, where appropriate, taking a lead in regional, national and international meetings and conferences to share knowledge and develop insights. Focus, as appropriate, on roles of the regulator, auditor, audit committee, and the audit market in maximizing enhancements to audit quality, as well as on the implications of new developments in technology and data analytics for the future of the audit.

**B. Identify and 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.*** Protect the interests of investors in high quality audits by using inspections to assess firms' compliance with applicable standards and rules and to identify quality control deficiencies. Respond to detected weaknesses and deficiencies by issuing inspection reports and assessing remedial actions taken. 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 and Evaluate Remediation Efforts.*** 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 and firms' remediation efforts that the PCAOB has observed.
- ***Emphasize the Need for Strong 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 timely and 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.
- **Use Disciplinary Authority to Protect Investors and Achieve Deterrence and Accountability.** Respond to non-compliance with applicable laws and standards by conducting investigations and disciplinary proceedings and imposing sanctions, as appropriate. Prioritize matters involving independence violations or elevated potential risk of harm to investors or to Board processes, such as when a firm has issued an unsupported audit opinion, altered documents and/or failed to cooperate with the PCAOB. 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 potential future risks, (4) audits of financial statements under IFRS, and (5) growth of firms' consulting practices. Consider whether new areas of inspection or enforcement focus should be added in light of major risk to audit integrity.

**C. Further develop an infrastructure to carry out oversight authority relating to broker-dealer auditors**

**Strategies**

- **Plan for and Adopt a Permanent Inspection Program.** Develop the approach to inspections under a permanent program, issue proposed and adopt final rules, informed by economic analysis and cross-divisional insights, and implement the program.
- **Continue to Conduct Inspections under the Interim Inspection Program and Report on the Progress.** Until implementation of a permanent broker-dealer auditor inspection program, continue to conduct inspections under the interim program and 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.
- **Respond to Audit and Attestation Deficiencies.** Take appropriate actions to address deficiencies identified by inspection staff related to broker-dealer audit and attestation engagements, including observations relating to independence violations. Emphasize inspection findings

generally in communication, and in coordination, with the SEC and FINRA as needed, and take disciplinary actions where appropriate.

**D. 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 European Union (“EU”) jurisdictions in which there are registered public accounting firms that are subject to PCAOB inspection. 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 existing relationships with audit regulators in EU and other jurisdictions, including through joint task forces, joint inspections, cooperation on investigations, resource sharing and training and by continuing to consider best approaches to working with other regulators and appropriate evolution of cooperative arrangements.
- ***Follow Through on the Outcomes of the U.S.-China Strategic and Economic Dialogue and Address Inability to Inspect Auditors of China-Based Companies.*** Achieve a permanent program to inspect registered public accounting firms located in China or that audit China-based companies. However, if a permanent inspection program cannot be achieved, pursue practical options to address the PCAOB’s inability to inspect such firms.
- ***Participate as Leaders in IFIAR.*** Facilitate the sharing among independent audit regulators around the world of unique data and knowledge gained through regulatory oversight activities to further investor protection globally through the PCAOB’s participation in the governance and leadership of the International Forum of Independent Audit Regulators (“IFIAR”).
- ***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.

E. **Enhance the use of economic and statistical analysis and empirical tools throughout PCAOB programs**

**Strategies**

- ***Prepare Economic Analyses to Inform Standard-Setting Initiatives and Other PCAOB Rulemakings.*** Ensure that regulatory decisions, including whether to adopt new requirements and impose corresponding burdens, are informed by rigorous economic analysis. Help tailor solutions to identified problems and provide information and analyses that allow the Board, the SEC, and the public to compare the relative merits of different approaches. Develop working papers that summarize relevant economic and behavioral theories and research related to auditing to facilitate the PCAOB's economic analysis and its engagement with investors, academics, audit committees and other stakeholders.
- ***Maintain a Program to Conduct Post-Implementation Reviews of PCAOB Standards and Rules.*** Evaluate 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. Use insights from the reviews to enhance prospective economic analysis on standard-setting initiatives and otherwise inform PCAOB oversight activities.
- ***Enhance the Use of Economic Analysis and Tools in the PCAOB's Oversight Programs.*** Apply economic and statistical analyses to measure the effectiveness of PCAOB oversight activities and identify and implement opportunities to improve the PCAOB's critical processes.
- ***Identify, Organize, Structure and Analyze Data Required for Economic Research, Standard Setting and Other Internal Programmatic Needs.*** Review and analyze internal and external data needed to conduct high-quality economic analysis in standard setting and to inform the PCAOB's oversight activities.
- ***Maintain an Inspections Fellowship Program.*** Maintain an inspection fellowship program in the economic and research analysis program area to provide practical and current audit and oversight experience in support of this program area's work and facilitate collaboration with other offices and divisions.
- ***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 publishable economic research on topics that are of direct relevance to the mission of the PCAOB and provides an outside perspective in analyzing 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 to both auditing firms and the investing public a better understanding of the role and importance of audits in capital markets and the impact of the PCAOB. Arrange internal seminars at which scholars present research on issues directly related to the PCAOB's oversight activities and discuss those issues with PCAOB staff and Board members. Foster dialogue with the academic community.

- ***Analyze Research and Data Related to Financial Statement Fraud to Inform PCAOB Oversight Activities, Including Potential Standard-Setting.*** Analyze 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.

**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 and enhance transparency in the audit process and firm business model**

**Strategies**

- ***Analyze Comments and Views Received on How the Audit Report Could be Made More Relevant and Useful and Adopt a Standard.*** Continue to analyze insights from research, roundtables, consultation, economic analysis and public comment regarding potential changes to the auditor's reporting model. Adopt an appropriate standard to implement changes to the audit report to provide investors with a more informative and meaningful audit report.
- ***Improve Transparency in the Audit Process including the Audit Report.*** Improve transparency in the audit process, through among other efforts, (1) implementing new rules requiring the identification of audit engagement partners and other accounting firms participating in audits, (2) expanding the audit report, (3) identifying and encouraging the use and academic study of audit quality indicators, and (4) coordinating with the SEC on its audit-related and other initiatives.
- ***Monitor and Support the Implementation of the Auditor Reporting Standard, if approved by the SEC.*** Monitor and support the implementation of the auditor reporting standard, if approved by the SEC, including considering the need for guidance.
- ***Analyze and Report on the Firm Business Model.*** Continue to analyze research and developments related to business model of large audit firms, including new developments in technology and data analytics at such firms, and consider appropriate means to communicate the implications of aspects of this model on audit quality.

**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 and Report on Emerging Threats to Independence and Develop Appropriate Responses.*** Monitor audit practice for emerging threats to independence and develop appropriate responses, with a view to the PCAOB reporting on the evolution and structure of audit and non-audit services offered by 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 engage stakeholders**

**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 and informative insights on the inspection process. Recognizing the inherent limitations in the public reporting of certain inspection information, identify other ways to communicate to investors, preparers, auditors and other interested parties analyses and results of PCAOB oversight activity, consistent with the framework of the Act.
- ***Communicate the Benefits of Public Enforcement Proceedings.*** Continue to inform interested constituencies about the benefits of public enforcement proceedings the concurrent limitations created by the confidentiality of PCAOB-filed enforcement proceedings, and related legislative proposals that would address this issue.
- ***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, utilizing both live and web-based delivery methods.
- ***Expand Outreach through Targeted Webcasts.*** Use webcasts to educate and inform auditors about important performance topics, new auditing standards and other relevant, emerging issues.
- ***Enhance the Usefulness of the PCAOB's Website as an Effective and Efficient Tool to Communicate with Stakeholders.*** 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.

- ***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 these and other areas of common interest, such as approaches to internal control over financial reporting and implications for audit quality. Develop and issue regular communications to provide better, targeted access to information for audit committees, and consider roundtables, seminars or other forums to facilitate dialog with audit committee members.
- ***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 that utilize practical experiences to promote constructive dialogue among regulators on effective audit regulation.

**Goal 3: Dedicated People: Establish a collaborative workplace culture that supports our mission by promoting excellence, integrity, fairness, diversity and inclusion, 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.
- ***Recruit from Diverse Backgrounds.*** Recruit experienced and knowledgeable individuals with diverse backgrounds, including through enhanced outreach to encourage 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 programs based on evaluations of compensation and benefits programs and the PCAOB's engagement survey results. 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, strengthening its 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, to ensure accountability is maintained, and to further identify efficiencies allowing staff to focus more deeply on mission-related work.
- **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, Finance and Other Processes.** Continue to evaluate and modernize information systems that support core Human Resources, Finance and other 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 condition, 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.** Continue to enhance employee safety in PCAOB facilities and while on travel by assessing risks, monitoring effective practices, evaluating opportunities to improve safety, providing staff training, and developing and implementing appropriate measures to continue to promote safety.
- **Enhance and Maintain the PCAOB's Business Continuity Planning Activities.** Continue to maintain an emergency preparedness plan and refine continuity of operations plans to mitigate the effects of a business interruption, emergency or disaster on the PCAOB's operations.
- **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: Progress Measures and Performance Measures and Indicators***

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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 monitoring our progress in meeting our goals and objectives over the next several years, relying on a combination of progress and performance measures, both qualitative and quantitative.<sup>2</sup>

Progress measures (i) represent specific actions that result in progress toward certain priorities that were set out in the Chairman's messages in our recent Strategic Plans, and (ii) have been built into our subsequent plans.

We have also established certain quantifiable performance measures and indicators, which are designed to assist in demonstrating the PCAOB's progress in achieving its 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 which 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 to or reallocate resources, which in turn informs the PCAOB's annual budgets.

As our organization gains more experience and with guidance from our economic and risk analysis program area, 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 of evaluating and refining the PCAOB's performance measures.

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<sup>2</sup> Qualitative measures include discussions such as those found in our general 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.

## ***Progress Measures – Certain Priorities from Recent Strategic Plans<sup>3</sup>***

### **Near-Term Priority: Inspection Reports**

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

#### **Actions Taken since November 2012:**

- Maintained an operational focus on the timely issuance of inspection reports.
- Developed and implemented timeline and process improvements with a continued focus on maintaining quality.
- Solicited and evaluated 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.
- Conducted outreach to the Standing Advisory Group ("SAG"), the Auditing Section of the American Accounting Association, the Investor Advisory Group ("IAG"), Forums on Auditing in the Small Business Environment, and other venues about 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.
- 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.
- Revised PCAOB's inspection report formats to –
  - reference inspection findings in inspection reports to PCAOB auditing and quality control standards or other rules and consolidated standard language in certain inspection reports to one area of the report; and
  - 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.

<sup>3</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, November 2014 and November 2015 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 standard setting from the November 2012 Strategic Plan. In addition, the near-term priority from the November 2012 plan on the timeliness of remediation determinations and information on process, which was included as a progress measure in recent strategic plans, is no longer a strategic activity but rather has been incorporated into the Division of Registration and Inspections' recurring activities.

**Status:** Efforts made with respect to this priority in 2013, 2014, 2015 and 2016 have resulted in new processes and program work, which are now incorporated into enhanced strategy, Goal 2.C.1 (*Improve the Content and Readability of Inspection Reports and Provide Information on Inspection Activities and Results through General Reports and Inspection Briefs*) that the Board will further pursue in 2017.

**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, and developed a preliminary framework for the continuing project on potential audit quality indicators.
- Solicited feedback from the SAG, IAG, the Auditing Section of the American Accounting Association, and other groups.
- Evaluated data currently available from the inspections process that could inform the audit quality indicators project and held ongoing discussions with inspections staff on the nexus between root cause analysis and audit quality indicators.
- Issued and obtained public comment on the *Concept Release on Audit Quality Indicators*.
- Evaluated and classified more than 50 comment letters on the Concept Release.
- Made a detailed presentation and conducted breakout sessions, at the November 2015 SAG meeting, to discuss the comment letters and future paths for the audit quality indicator project.
- Briefed the Board on alternative paths for the project.

**Status:** Efforts made with respect to this priority in 2013, 2014, 2015, and 2016 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2017: Goal 2.A.2 (*Improve Transparency in the Audit Process including the Audit Report*).

**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.
- Published a general report on observations related to PCAOB rules and auditing standards on communications with audit committees.
- Developed a new series of publications, "Staff Inspection Briefs", and published six reports:
  - *Information about 2015 Inspections of Auditors of Brokers and Dealers*
  - *Information about 2015 Inspections*.
  - *Preview of Observations from 2015 Inspections of Audits of Issuers*
  - *Preview of Observations from Inspections of Auditors of Brokers and Dealers*
  - *Information about 2016 Inspections of Auditors of Brokers and Dealers*
  - *Information about 2016 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 as well as economic analysis research.

**Status:** Efforts made with respect to this priority in 2013, 2014, 2015 and 2016 have resulted in new processes and program work, which are now incorporated into enhanced strategies, Goal 1.E.3 (*Enhance the Use of Economic Analysis and Tools in the PCAOB's Oversight Programs*), Goal 1.E.4 (*Identify, Organize, Structure and Analyze Data Required for Economic Research, Standard Setting and Other Internal Programmatic Needs*) that the Board will further pursue in 2017.

**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 evaluated 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, 2015 and 2016 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2017: Goal 2.C.6 (*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.
- 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, 2016-17 and 2017-18 academic years.
- Established an Inspections Fellowship Program to offer experienced staff from the PCAOB's Division of Registration and Inspections ("DRI") 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 three 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 seven research papers authored by Economic Research Fellows.
- Presented to the Board the outlines of a post-implementation review program for the PCAOB and presented to the Board some preliminary findings from the 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 and developed three financial statement fraud case studies.
- Developed a preliminary outline regarding potential goals of randomization and associated implications for inspections.
- Briefed the Board on a model developed by Center, in collaboration with the Office of Research and Analysis ("ORA") and DRI, to identify potentially risky engagements for inspection.
- 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, 2015 and 2016 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2017: Goal 1.A.5 (*Seek Insight on PCAOB Standard Setting*); Goal 1.E.1 (*Prepare Economic Analyses for Standard-Setting Initiatives and Other PCAOB Rulemakings*); Goal 1.E.2 (*Maintain a Program to Conduct Post-Implementation Reviews of PCAOB Standards and Rules*); Goal 1.E.3 (*Enhance the Use of Economic Analysis and Tools in the PCAOB's Oversight Programs*); Goal 1.E.4 (*Identify, Organize, Structure and Analyze Data Required for Economic Research, Standard-Setting and Other Internal Programmatic Needs*); Goal 1.E.5 (*Maintain an Inspections Fellowship Program*); Goal 1.E.6 (*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 1.E.7 (*Analyze Research and Data Related to Financial Statement Fraud to Inform PCAOB Oversight Activities, including Potential Standard-Setting*)

**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
- Enhanced coordination among the PCAOB divisions and offices, including greater integration of Center staff into standard-setting project teams.
- Began incorporating more research at the outset of a potential project to assess the need for standard setting and alternatives.
- Improved engagement with the Board and the SEC staff in reaching key decisions on projects to promote alignment in the direction of the project
- Launched the Project Docket tool to maintain individual Office of Chief Auditor ("OCA") project and administrative information and documents in one central location to facilitate continual Board discussion of individual projects as they progress.
- Began developing standard-setting process maps and related process documentation, leading to shared understanding of roles and responsibilities.
- Discussed standard-setting process changes with the SAG.
- Began review to assess the role, composition and format of the SAG.
- Completed first annual environmental scan.

**Status:** Efforts made with respect to this priority in 2015 and 2016 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 2017: Goal 1.A.4 (*Implement Measures for More Efficient and Effective 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, (5) focusing on "higher-priority" investigations, and (6) enhancing the use of economic analysis throughout the PCAOB's programs.

<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	2015		2016		2017 Projected
	Projected <sup>4</sup>	Actual	Projected	Estimate	
<b>Number of Inspections Conducted:</b>					
Domestic	6	6	6	6	6
Non-U.S.	49	52	49	46	42
<b>Portions of Issuer Audits Inspected:</b>					
Domestic	274	274	274	274	274
Non-U.S.	161	161	157	147	140

<sup>4</sup> For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2015, 2016, and 2017 Budgets.

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

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

**Domestic** – The number of domestic firms inspected or to be inspected, as well as the number of portions of issuer audits, for the periods is consistent.

**Non-U.S.** –The 2015 actual is higher than the 2015 projection because the 2015 actual includes inspections conducted in jurisdictions where cooperative arrangements were only established in 2015; the projections do not include inspections in jurisdictions where the PCAOB does not currently have cooperative arrangements. The 2016 estimate is lower than the 2016 projection because certain planned inspections were postponed (i) due to the expiration of a cooperative arrangement that was in place, (ii) to conserve resources in certain cases where the inspection was not mandated in the current year, or (iii) to conserve resources in certain cases where the inspection of firms that did not audit any issuers but did play a role in the audit of at least one issuer were performed on domestic firms rather than non-U.S. firms as had been contemplated in the projection. The decrease is partially offset by an inspection in a jurisdiction with a new cooperative agreement established in 2016 and by the acceleration of the inspection of a firm with an inspection deadline in a future year to the current year in order to coordinate with the timing of the home country regulator's inspection. The 2017 projection is lower than the 2016 projection and 2016 estimate because of the timing of the cycle of non-U.S. inspections which are performed on a triennial basis.

### **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. The PCAOB has observed that this number of portions of audits allows it to apply its risk-based issuer selection process effectively, including identifying a sufficient number of engagements that possess identified risk characteristics to enable the PCAOB to identify potential quality control deficiencies. At the same time, the PCAOB is able to include individual issuer audits for inspection that are selected with no specific risk identified.

**Non-U.S.** – The 2015 actual and projected number of portions of non-U.S. issuer audits and the 2016 projected number of portions of non-U.S. issuer audits are generally consistent. The decrease in the number of portions of non-U.S. issuer audits estimated to be inspected in 2016 as compared to the 2016 projection is primarily due to the lower number of non-U.S. inspections projected to be conducted in 2016. The decrease in the portions of non-U.S. issuer audits projected to be conducted in 2017 as compared to 2016 and 2015 is primarily due to the mix of firms and issuers being inspected in each period.

<b>Measure 1-1.2: Global Network Firm Inspections Program – Number of Reports Issued and Reports Aging</b>					
<b>Performance Measure</b>	<b>2015</b>		<b>2016</b>		<b>2017 Projected</b>
	<b>Projected<sup>5</sup></b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	
<b>Reports Issued:</b>					
Domestic	6	5	6	6	7
Non-U.S.	45	41	47	54	39
<b>Reports Aging:</b>					
Domestic					
Reports aged greater than 12 months outstanding	–	1	–	1	
Non-U.S.					
Reports aged greater than 12 months outstanding <sup>6</sup>	4	6	5	3	5
<b><u>Reports Issued:</u></b>					
<p><b>Domestic</b> -- The decrease in the number of actual reports for 2015 reflects one report on a 2014 inspection that was projected for issuance in 2015 and not issued during the year. The number of reports projected and estimated for issuance in 2016 is consistent. The 2017 projection reflects issuance of one outstanding report on a 2016 inspection and six U.S. GNF firm inspection reports for the 2016 inspection year.</p> <p><b>Non-U.S.</b> – The increase in the number of non-U.S. reports estimated to be issued in 2016 as compared to the number projected to be issued in 2016 is primarily due to the issuance of certain aged reports. The decrease in the number of non-U.S. reports projected for issuance in 2017 as compared to the number of estimated reports for 2016 is due to the timing and nature of certain 2016 inspections, which will likely not be issued in a twelve month period, and to the decrease in the projected number of inspections for the period.</p>					

<sup>5</sup> For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2015, 2016, and 2017 Budgets.

<sup>6</sup> The Division has previously included in this table, as outstanding, reports relating to inspections of seven non-U.S. firms (six in Hong Kong and one in Singapore) begun between 2007 and 2011 that remain incomplete as a result of obstacles to the PCAOB’s review of audit work papers concerning People’s Republic of China operations of the firms’ issuer audit clients. The Division has abandoned consideration of performing procedures that would be treated as completing those earlier inspections, and the Division does not intend to recommend that the Board issue reports on the limited work that was done.

**Reports Aging:**

**Domestic** – One report was aged in 2015 and in 2016. No reports are expected to be aged in 2017.

**Non-U.S.** – The number of non-U.S. reports aged greater than 12 months is generally consistent throughout all periods.

**Measure 1-1.3: Global Network Firm Inspections Program – Number of Remediation Submissions Finalized<sup>7</sup>**

Performance Measure	2015		2016		2017 Projected
	Projected <sup>8</sup>	Actual	Projected	Estimate	
<b>Remediation:</b>					
Domestic					
Submissions Received	7	7	5	5	5
Submissions Finalized	11	10	7	8	5
Non-U.S.					
Submissions Received	49	46	26	26	48
Submissions Finalized	43	49	24	26	48

**Overview of Changes in Inspections Activities:**

**Remediation:**

**Domestic** – Through 2015, more submissions were finalized than received due to processing aged submissions along with more recent submissions. In 2016, the number of submissions received is expected to be consistent with the number of reports issued in 2015. The estimate of the number of submissions finalized is expected to exceed the projection due to the net impact of two submissions originally projected to be finalized in 2015 will be finalized in 2016 and one submission originally projected to be finalized in 2016 will be finalized in 2017. The 2017 projections are generally consistent with the report issuance and remediation submission activity of 2016.

**Non-U.S.** – The 2015 actual results for submissions finalized exceeded the projection as more aged submissions were finalized. The estimate of submissions finalized in 2016 is generally consistent with the projection. The 2017 projections of submissions received and finalized are based on the expected timing of the issuance of inspection reports and the nature of such reports.

<sup>7</sup> Submissions Finalized represent remediation recommendations approved by the Board during the year presented.

<sup>8</sup> For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2015, 2016, and 2017 Budgets.

<b>Measure 1-2: Non-Affiliate Firm Inspections Program Performance</b>					
<b>Relevance of Measure:</b> 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.					
<b>Measure 1-2.1: Non-Affiliate Firm Inspections Program – Number of Inspections Conducted and Portions of Issuer Audits Inspected</b>					
Performance Measure	2015		2016		2017 Projected
	Projected <sup>9</sup>	Actual	Projected	Estimate	
<b>Number of Inspections Conducted:</b>					
Domestic	153	146	144	136	134
Non-U.S.	12	11	13	11	13
<b>Portions of Issuer Audits Inspected:</b>					
Domestic	388	361	381	348	367
Non-U.S.	23	18	23	22	23
<b>Overview of Changes in Inspections Activities:</b>					
<b><u>Number of Inspections Conducted:</u></b>					
<p><b>Domestic</b> – The downward trend in the number of domestic inspections is primarily attributable to firm mergers, the withdrawal of registered firms, and firms that remain registered but have not issued audit opinions since their last inspection. Due to budget-related considerations, including restrictions on travel, the Division has not added further inspections to its schedule in 2016.</p> <p><b>Non-U.S.</b> – The number of non-U.S. firms inspected is generally consistent for all periods.</p>					
<b><u>Portions of Issuer Audits Inspected:</u></b>					
<p><b>Domestic and Non-U.S.</b> – The projected number of portions of issuer audits inspected directly relates to the number of firms inspected and the size of the issuer audit practice at each firm projected for inspection. The downward trend in the projected number of portions of issuer audits to be inspected for 2016 and 2017 as compared to the 2015 projection is generally consistent with the decrease in the projected number of inspections conducted.</p>					

<sup>9</sup> For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2015, 2016, and 2017 Budgets.

**Measure 1-2.2: Non-Affiliate Firm Inspections Program – Number of Reports Issued and Reports Aging**

Performance Measure	2015		2016		2017 Projected
	Projected <sup>10</sup>	Actual	Projected	Estimate	
<b>Reports Issued:</b>					
Domestic	150	156	143	143	132
Non-U.S.	15	16	11	12	10
<b>Reports Aging:</b>					
Domestic					
Reports aged greater than 12 months outstanding	–	–	–	–	–
Non-U.S.					
Reports aged greater than 12 months outstanding	2	–	2	–	–

**Overview of Changes in Inspections Activities:**

**Reports Issued:**

**Domestic and Non-U.S.** – Overall, the number of reports issued for all periods presented is directly related to the number of inspections conducted in the current and prior period and reflects the results of DRI’s efforts to improve the timeliness of its inspections reports.

**Domestic** – In 2015, the PCAOB issued more reports than projected due to the timing of completion of the underlying inspections. The 2016 estimate is consistent with the projection. The 2017 projection is generally consistent with the number of inspections conducted that is estimated for 2016 and projected for 2017.

**Non-U.S.** – The number of reports issued in the 2016 and 2017 projections as compared to the 2015 projection is generally consistent with the number of inspections conducted in the current and prior period.

**Reports Aging:**

Domestic and Non-U.S. – DRI does not expect any reports aged greater than 12 months outstanding at the end of 2016 or 2017 as a result of DRI's efforts to decrease its backlog of inspections reports.

<sup>10</sup> For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2015, 2016, and 2017 Budgets.

<b>Measure 1-2.3: Non-Affiliate Firm Inspections Program – Number of Remediation Submissions Finalized<sup>11</sup></b>					
<b>Performance Measure</b>	<b>2015</b>		<b>2016</b>		<b>2017</b>
	<b>Projected<sup>12</sup></b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	<b>Projected</b>
<b>Remediation:</b>					
Domestic					
Submissions Received	100	87	93	87	86
Submissions Finalized	107	114	72	96	76
Non-U.S.					
Submissions Received	13	12	13	12	10
Submissions Finalized	8	13	8	9	9
<b>Overview of Changes in Inspections Activities:</b>					
<b><u>Remediation:</u></b>					
<p><b>Domestic</b> – The number of submissions finalized in the 2015 actual results exceeded the projection due to the processing of aged remediation submissions. The Division estimated a higher number of submissions finalized in 2016 than was projected based on continued improvements in the timeliness of remediation determinations. The 2017 projections of submissions received and finalized are based on the expected timing of the issuance of reports and the nature of such reports.</p>					
<p><b>Non-U.S.</b> – The number of submissions finalized in the 2015 actual results exceeded the projection due to continued efforts to reduce the backlog of remediation submissions. The estimate of submissions finalized in 2016 is consistent with the projection. The number of submissions projected to be finalized in 2017 is a function of the expected timing of the report issuances in 2016.</p>					

<sup>11</sup> Submissions Finalized represent remediation recommendations approved by the Board during the year presented.

<sup>12</sup> For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2015, 2016, and 2017 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 the financial statements of SEC-registered brokers and dealers, some of which also audit issuers and therefore, are also subject to inspection on an annual or triennial basis under the GNF and NAF Inspections Programs.					
<b>Performance Measure</b>	<b>2015</b>		<b>2016</b>		<b>2017 Projected</b>
	<b>Projected<sup>13</sup></b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	
<b>Number of Inspections Conducted</b>	75	75	75	75	75
<b>Portions of Broker-Dealer Audits Inspected</b>	115	115	115	115	115
<b>Overview of Changes in Inspections Activities:</b>					
<p><b>Number of Inspections Conducted</b> – The number of inspections to be conducted during 2016 and 2017 is consistent with 2015, as the number provides consistent coverage for the interim program and takes into consideration the resources needed for the further development of a permanent inspection program and related rulemaking.</p> <p><b>Portions of Broker-Dealer Audits Inspected</b> – The portions of broker-dealer audits to be covered in the inspections during 2016 and 2017 has also remained consistent with 2015.</p>					

<sup>13</sup> For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2015, 2016, and 2017 Budgets.

<b>Measure 1-4: Audit Firm Registration Performance</b>					
<b>Relevance of Measure:</b> This measure reflects the PCAOB's performance in reviewing registration applications.					
<b>Performance Measure</b>	<b>2015</b>		<b>2016</b>		<b>2017</b>
	<b>Projected<sup>14</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 2015, the PCAOB considered and approved registration applications of 70 accounting firms, including 22 non-U.S. firms, within the statutory time frame. The PCAOB disapproved two registration applications. Similarly, the 65 registration applications processed between January 1, 2016 and September 30, 2016, 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>14</sup> For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2015, 2016, and 2017 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>15</sup>			
<b>Performance Measure</b>	<b>2015</b>	<b>2016</b>	<b>2017</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>	86%	72%	
<b>Overview of Changes in Activities:</b>			
<p>In each year between 2012 and 2015, 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>• 2012: 75 percent</li> <li>• 2013: 100 percent</li> <li>• 2014: 71 percent</li> <li>• 2015 86 percent</li> <li>• 2016 72 percent</li> </ul> <p>In 2016 and 2017, 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>15</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.

**Indicator 1-1: Percentage of Formal Investigations Arising within the PCAOB**

**Relevance of Indicator:** This indicator emphasizes the PCAOB's goal of continuing to draw upon the experience and expertise of internal sources (e.g., inspections and risk and analysis functions) 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>2015</b>	<b>2016</b>	<b>2017</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>	50%	57%	

**Overview of Changes in Activities:**

The PCAOB's investigations arise from a number of sources, including inspections of registered firms, ORA,<sup>16</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 2017, DEI intends to continue to look for opportunities to refine the process through which it receives referrals from DRI.

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

<sup>16</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>2015</b>	<b>2016</b>	<b>2017</b>
<b>Projected Percentage of "Higher-Priority" Investigations</b>	75%	75%	75%
<b>Actual Percentage of "Higher-Priority" Investigations</b>	50%	86%	
<b>Overview of Changes in Activities:</b>			
<p>The Board exercises its enforcement authority strategically, focusing on serious audit deficiencies and other failures to comply with appropriate laws and standards. "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. The higher priority status of a matter may change depending on the facts collected and the evidence developed during the course of a formal investigation. In 2017, the PCAOB intends to continue to deploy its resources strategically while monitoring emerging areas of risk to investors.</p>			

**Measure 1-6: Economic Analysis in Standard-Setting and Other PCAOB Rulemaking Projects**

**Relevance of Measure:** This measure reflects the PCAOB's performance in ensuring that regulatory decisions are informed by economic analysis.

**Measure 1-6.1: Number of prospective economic analyses developed**

Performance Measure	2015		2016		2017 Projected
	Projected	Actual	Projected	Estimate	
Number of prospective economic analyses in PCAOB rulemaking projects	N/A	8	7	7	7

The PCAOB conducts prospective economic analysis to inform standard setting initiatives and other PCAOB rulemaking projects and to 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.

As of September 30, 2016, economic analyses were provided for four standard-setting projects (Reorganization of Auditing Standards, Auditor's Reporting Model, Supervision of Audits Involving Other Auditors, and Amendments to Limit Board Rule 4003's Fixed Periodic Inspection Requirement to Firms That Regularly Issue Audit Reports). It is estimated that three further economic analyses will be provided in 2016 for the following in progress standard-setting and rulemaking projects:

- Auditing Accounting Estimates, Including Fair Value Measurements
- The Auditor's Use of the Work of Specialists
- 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 2017, seven further draft economic analyses are expected to be prepared for active standard-setting initiatives and other PCAOB rulemaking projects.

<b>Measure 1-6.2: Number of post-implementation reviews performed</b>					
<b>Performance Measure</b>	<b>2015</b>		<b>2016</b>		<b>2017 Projected</b>
	<b>Projected</b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	
Number of post-implementation reviews in progress	1	1	1	1	0
Number of post-implementation reviews completed	N/A	0	0	0	1
<p>Post-implementation reviews complement the prospective economic analysis that is developed as part of a rulemaking. Post-implementation reviews provide 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, as identified in the rulemaking release; identify, wherever possible, costs and benefits; and identify unanticipated consequences, either positive or negative. Over time and with more resources, it is anticipated that post-implementation reviews will also provide useful information for improving prospective economic analyses and informing future regulatory decisions.</p> <p>The PCAOB anticipates concluding its post-implementation review of Auditing Standard No. 7, <i>Engagement Quality Review</i> and issuing a public report on it in 2017. Upon completion of this review, the data sets used in the review will be archived to facilitate their use in future economic analyses and take stock of lessons learned. In addition, in 2017 staff economists will continue planning for potential future post-implementation reviews of standards and rules currently in development or not yet adopted, including data that may be needed to perform the reviews. Without additional resources dedicated to this area, work on post-implementation review will likely be narrower and slower than it could be.</p>					

<b>Measure 1-7: 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 1-7.1: Economic research fellowship program - Number of research fellows approved, papers made public and/or published and citation counts</b>					
Performance Measure	2015		2016		2017 Projected
	Projected	Actual	Projected	Estimate	
Number of economic research fellows approved by the Board	N/A	4	4	3*	3
Number of working papers made public for peer review	N/A	5	3	3	3
Number of research papers accepted for publication	N/A	0	0	0	1
Cumulative number of citations to research papers developed by economic research fellows	N/A	0	0	23	35
<p>* The terms for two of these fellows expire on December 31, 2016.</p> <p>The PCAOB maintains an economic research fellowship program that is intended to generate high quality publishable economic research on topics that are of direct relevance to the mission of the PCAOB. Among other things, the fellowship program provides a way for the Board to obtain an outside perspective in analyzing data collected by the PCAOB through its oversight activities and, through the academic peer review process, allows for robust and credible analysis of issues of direct interest to the PCAOB.</p> <p>The first two fellows joined the PCAOB's Center for Economic Analysis in September 2014. As of September 30, 2016, the Board approved the appointment of three further Economic Research Fellows (2 in 2015 and 1 in 2016). Through September 30, 2016, the following working papers have been 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>					

- Does Engagement Partner Expertise Matter? Evidence from the U.S. Operations of the Big 4 Audit Firms, Daniel Aobdia, Saad Siddiqui and Andres Vinelli.
- Do Auditors Correctly Identify and Assess Internal Control Deficiencies? Evidence from the PCAOB Data, Daniel Aobdia, Preeti Choudhary, and Gil Sadka.

It is expected that at least one further paper will be made public for peer review in 2016 and three in 2017.

The research topics of economic research fellows, 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.

**Measure 1-7.2: 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	2015		2016		2017 Projected
	Projected	Actual	Projected	Estimate	
Number of submissions	N/A	70	70	83	80
Number of papers presented	N/A	8	8	6	6
Total number of attendees	N/A	198	198	198	198
Number of academics attending	N/A	120	120	120	120
Total number of non-PCAOB, non-academic attendees	N/A	10	10	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	74%	74%	74%	74%
Percentage of attendees that responded the feedback survey	N/A	31%	30%	30%	30%
Percentage of feedback survey respondents that were satisfied or very satisfied with the conference content	N/A	87%	80%	80%	80%
Hours of CPE credit issued to participants requesting CPE credit	N/A	426	426	426	426

In conjunction with the *Journal of Accounting Research*, the PCAOB holds an annual economic conference to promote academic research on the economic impact of auditing and audit regulation on capital markets. Among other things, the conference signals the PCAOB’s interest in high quality research, informs the PCAOB’s analytical capabilities, and provides a mechanism to engage a wide range of research-minded academics in discussion on topics directly relevant to the PCAOB.

74% of U.S.-based academics who attended the 2015 conference came from institutions classified as “research universities with very high research activity” in the Carnegie Classification of Institutions of Higher Education. The conference is 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 2017, the Center intends to maintain the size of the conference at a similar level to 2015 and 2016.

<b>Measure 1-7.3: Internal Seminar Series - Number of seminars and attendees and CPE credit issued</b>					
<b>Performance Measure</b>	<b>2015</b>		<b>2016</b>		<b>2017 Projected</b>
	<b>Projected</b>	<b>Actual</b>	<b>Projected</b>	<b>Estimate</b>	
Number of seminars	N/A	7	6	6	6
Total number of attendees	N/A	459	393	604	600
Hours of CPE credit issued to participants requesting CPE	N/A	173	173	225	270
<p>Internal PCAOB seminars are forums for scholars present research on issues directly related to the PCAOB's oversight activities 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 remain abreast of, and incorporate in the PCAOB's work, the latest analytical advances and research findings. This helps ensure that the PCAOB benefits from, and keeps pace with, the best and most current academic thinking. In 2015, the Center organized seven seminars on a range of topics. Six further seminars are planned for 2016 (five held as of September 30, 2016).</p> <p>Attendance at the 2016 seminars increased significantly from 2015. Six further seminars are planned for 2017.</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, and its progress in establishing relationships with non-U.S. regulators.

<b>Measure 2-1: Feedback from Forums on Auditing in the Small Business Environment</b>			
<b>Relevance of Measure:</b> This measure shows the extent to which participants in Forums believe that Forum sessions meet the stated learning objectives by a score of 4.0 or higher (on a scale of 1.0-5.0), as rated by attendees.			
<b>Performance Measure</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Projected Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0</b>	90%	90%	90%
<b>Actual Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0</b>	100%		
<b>Number of survey respondents</b>	457		
<b>Number of Attendees</b>	681		
<b>Overview of Changes in Activities:</b>			
The results of this measure are used to shape the content and focus of future Forums.			
In 2015, the PCAOB held six Forums, which followed a format similar to that of 2014, but included a panel discussion on auditing accounting estimates including fair value measurements. A total of 681 people attended these Forums; 457 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.			
The PCAOB plans to hold seven Forums in 2016, following a format similar to that of prior years but will include a panel discussion on monitoring audit quality and to maintain its target rating of 4.0 or higher for a minimum of 90% of its sessions during the year. A total of 582 people attended the six Forums held through October 31, 2016; 423 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 2016.			
The PCAOB plans to hold two live Forums in 2017, following a format similar to that of prior years, and also plans to explore one webinar in this area. Again, it plans to maintain its target rating of 4.0 or higher for a minimum of 90% of its sessions during the year.			

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

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

<b>Performance Measure</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Projected Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0</b>	85%	85%	90%
<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>	489		
<b>Number of Attendees</b>	689		

**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.

The PCAOB held four Forums for Auditors of Broker-Dealers in 2015 following a format similar to that of prior years. A total of 689 people attended these Forums and 489 responded to the survey, with 100% rating the Forum 4.0 or higher.

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. A total of 582 people attended the four Forums held through October 31, 2016; 393 responded to the survey with 100% rating the Forums 4.0 or higher meeting the target of a minimum of 85% of its sessions during 2016.

In 2016, the PCAOB also held one webcast on inspections of auditors of broker-dealers. A total of 624 people signed into the webcasts and 191 of these people completed the evaluations of the webcasts, with 95% rating the webcast 4.0 or higher.

In 2017, the PCAOB plans to hold two in person Forums for Auditors of Broker-Dealers following a format similar to that of prior years and also plans to explore holding one webinar in this area. The PCAOB plans to continue to maintain its target rating of 4.0 or higher but will target this rating for a minimum of 90% of its sessions during 2017. This is an increase from the 85% minimum of prior years.

<b>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</b>			
<b>Relevance of Measure:</b> 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>2015</b>	<b>2016</b>	<b>2017</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	27	27	26
Actual Number of Jurisdictions	21		
<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	26	26
Actual Number of Jurisdictions	26		
<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	3	3	1
Actual Number of Jurisdictions	9		
<b>Overview of Changes in Activities:</b>			
<p>Under the Act and PCAOB rules, non-U.S. public accounting firms that audit or play a substantial role in the audit of U.S. issuers, brokers and dealers are subject to oversight by the PCAOB. Non-U.S. registered firms are subject to PCAOB inspections and enforcement in the same manner as U.S. firms. The PCAOB develops relationships with non-U.S. regulators to facilitate its inspections, investigations and exchange of confidential information with regard to firms that fall within the jurisdiction of the PCAOB and the foreign regulator. The PCAOB often enters into formal cooperative arrangements with non-U.S. audit regulators in order to minimize administrative burdens and potential legal or other conflicts that non-U.S. firms may face in their home countries. In many cases, cooperation under these cooperative arrangements includes the PCAOB regularly carrying out inspections jointly with the home-country regulator. Because of the position taken by certain non-U.S. authorities, however, the PCAOB continues to face varying obstacles to conducting inspections of registered firms in certain foreign jurisdictions.</p> <p>In 2015, the PCAOB concluded cooperative arrangements with Greece, Hungary and Luxembourg, bringing the total number of cooperative arrangements reached with non-U.S. auditor oversight authorities to 21. In seven EU member states where the PCAOB was required to inspect (Austria, Belgium, Czech Republic, Ireland, Italy, Poland and Portugal), the PCAOB remained unable to conduct inspections of registered firms in 2015</p>			

due to asserted restrictions under local law. The PCAOB also remained unable to inspect the U.S.-related audit work and practices of PCAOB-registered firms in China and, to the extent their audit clients have operations in mainland China, Hong Kong.

In 2015 and 2016, the PCAOB engaged in discussions with the EU member states and the European Commission on renewal of the 2013 adequacy decision which was to expire on July 31, 2016. On July 14, 2016, the European Commission approved a new adequacy decision with respect to the PCAOB for a six-year term ending on July 31, 2022. As a result of the renewal of the adequacy decision as well as certain organizational restructuring or other changes to various EU member state audit oversight regimes resulting from their implementation of new EU audit reform legislation, which took effect in June 2016, the PCAOB has been negotiating new or amended cooperative arrangements with various EU member states with which a cooperative arrangement had already been concluded and was in force. In certain other EU member states, the existing cooperative arrangements continued in force and did not require amendment or replacement. Also in 2016, the PCAOB continued negotiations with audit oversight authorities with EU member states where the PCAOB has been unable to conduct inspections of registered firms due to asserted restrictions under local law and the lack of a bilateral cooperative arrangement. Finally, as a result of SEC approval on July 11, 2016 of the Board's amendments to its inspection frequency rules relating to inspections of "substantial role only" firms and firms that issue audit reports but then go two consecutive years without issuing an audit report, it was determined that the PCAOB would not need to inspect, at least for the time being, in two of the seven previously mentioned member states and so efforts to negotiate cooperative arrangements in those EU member states were suspended. In 2016, the PCAOB signed new or amended cooperative arrangements with Finland, Germany, Luxembourg and Norway

In 2016, the PCAOB continued to face obstacles to conducting required inspections in China and Hong Kong. However, with regard to China, the PCAOB made progress with Chinese authorities in 2016 in laying the foundation for a long-term agreement allowing the PCAOB to inspect firms based in mainland China. With regard to Hong Kong, the PCAOB also continued discussions with Chinese authorities regarding the PCAOB's ability to inspect Hong Kong-based firms and their audits of issuers based in mainland China.

In 2017, the PCAOB will continue its efforts to conclude cooperative arrangements with the remaining few jurisdictions in the European Union and elsewhere where the PCAOB still faces obstacles to conducting inspections or with jurisdictions 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>2015</b>	<b>2016</b>	<b>2017</b>
<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>	98%		
<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>	79%		
<b>Number of survey respondents to the above measures</b>	52		
<b>Number of participants</b>	93		
<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 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 will host the tenth Institute on December 12-14, 2016.</p>			

**Indicator 2-1: Number of Participants and Jurisdictions that Attend the International Institute on Audit Regulation**

**Relevance of Indicator:** This indicator shows the amount of interest by other jurisdictions in the International Institute on Audit Regulation.

<b>Performance Indicator</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Projected Number of Participants</b>	70	70	70
<b>Actual Number of Participants</b>	93		
<b>Projected Number of Jurisdictions</b>	30	30	30
<b>Actual Number of Jurisdictions</b>	34		

**Overview of Changes in Activities:**

The PCAOB hosted the ninth International Institute for non-U.S. regulators and government officials on December 2-4, 2015, with attendance of 93 representatives from 34 jurisdictions and five international organizations. 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, which was well-received by the participants who attended the 2015 Institute. The Institute also offers the PCAOB the opportunity to hold numerous bilateral meetings on the margins of the formal program with attendees from jurisdictions where such bilateral meetings would be timely. The PCAOB will host the tenth Institute on December 12-14, 2016 and plans to host the eleventh Institute in the second half of 2017.