



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

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

2017 – 2021

NOVEMBER 20, 2017

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Chairman's Message

In the period since the Board adopted its 2016-2020 strategic plan in November 2016, the PCAOB has made extraordinary progress on its strategic goals. We use these goals to maintain our focus on how best to accomplish our mission to serve the interests of investors by promoting audit quality while, at the same time, we evolve to adapt to new challenges.

The Board adopted, and the SEC approved, a new PCAOB standard to expand the auditor's report to provide more relevant information to investors, including critical audit matters and audit tenure – the first significant changes to the auditor's reporting model in more than 70 years. Also this year, for the first time, the auditors of public companies became better known to investors, with the enactment of the Board's transparency standard, approved by the SEC, and the launching of the PCAOB's searchable database of engagement partners and audit firms participating in public company audits.

Our standard-setting group also made great strides this past year in bringing to the Board proposals to strengthen standards on auditing estimates, including fair value measurements, using the work of specialists, and using the work of other auditors, for example, in multinational audits. These standard-setting initiatives were all advanced through a new standard-setting process, begun under our previous strategic plans, to enhance the performance and management of our approach to the development of standards and new research in this area. We are already seeing early results in greater interdivisional collaboration, outreach to external parties, interaction among the Board and staff, and interaction with the SEC.

Meanwhile, the Economic and Risk Analysis team undertook its first post-implementation review of an existing PCAOB standard and expects to issue a public report on its findings in late 2017. ERA evaluated the overall effect of our Engagement Quality Review standard (adopted in 2009), by conducting an econometric analysis of pre- and post-adoption data from PCAOB inspection and enforcement programs, a public request for comment, and third-party data. The results will provide important insights into changes in audit firms' EQR processes and audit quality over time, as well as new information that could enrich future analysis of the impact of PCAOB oversight.

The last 12 months have been the most productive in PCAOB history for its culmination of enforcement actions, shining a spotlight on serious misconduct, including both noncooperation with PCAOB inspections and investigations in the form of improper document alteration and audit failures by registered firms and associated persons both in the U.S. and abroad.

We continue to find audit deficiencies and improper conduct by U.S. and foreign-based accounting firms, both as principal auditors and as auditors participating in the non-U.S. component of multinational audit work. In light of these developments, our strong collaborative relationships and the protocols we entered into with our counterparts abroad are as critical to investor protection as ever. To facilitate those relationships, since November 2016, we have concluded cooperative arrangements to conduct joint

inspections and share inspection and investigative information with two new jurisdictions – Italy and Ireland – reducing to five the number of non-U.S. jurisdictions where we continue to be denied access to the information necessary to conduct inspections that are overdue or due in 2018: Austria, China, Belgium, Hong Kong and Portugal.

We also have undertaken several enterprise-wide initiatives to enhance our operations.

First, we conducted an assessment to identify efficiencies and cost-saving measures, outlined plans to implement appropriate changes, and developed a tool to track the impact of those changes going forward. We also conducted an evaluation of staffing levels and allocations across all divisions and offices. Among other things, we made meaningful changes to improve the efficiency of our inspections without compromising our ability to deliver on our mission to protect the investors. We also looked for areas and processes where increased automation and optimization enhanced efficiency.

Second, we developed a formal career and compensation framework that more clearly described the PCAOB's compensation philosophy, provided a formal benchmark methodology to ensure market competitiveness under Section 101(f)(4) of the Act, and identified career progression opportunities for PCAOB employees.

Finally, we broadened and enhanced our ethics policies, security practices, including cybersecurity, and training, across the PCAOB and for each employee, to safeguard and support our people, our data, and our mission.

Strategic Priorities

The updated 2017-2021 strategic plan builds on this work and achievements. As with past plans, this new plan contemplates goals, objectives, and strategies over the next four years and the PCAOB will continue to implement these strategies to achieve our mission, but I view the following as priority projects for 2018 –

- further advancing our careful stewardship of resources by continuing to identify organization-wide opportunities to further automate, streamline, and improve our processes to achieve savings and efficiencies in a manner that does not compromise the PCAOB's mission and is mindful of employee engagement;
- strengthening our research and analysis program area (1) by continuing to integrate the business processes and increase the impact of our Office of Economic and Risk Analysis, (2) by developing an organization-wide data management strategy to identify the scope of data available for statistical, econometric, and other programmatic analyses and address programmatic needs for data and analysis, (3) by advancing the organization's skills in data science and other technical areas, and (4) by fostering an even more inclusive culture that promotes collaboration among disciplines and skill sets and continues to expand the PCAOB's opportunities to engage with top academic scholars;

- advancing PCAOB-wide initiatives to respond to significant emerging trends, risks, and opportunities that may impact the quality and independence of audits, focusing on factors such as innovations in the use of data analytics, artificial intelligence, and other technology in the audit, and the resulting potential changes in audit firm business models and practices;
- further developing plans for future post-implementation reviews of recently adopted rulemakings, including the Board's new standards on the auditor's report and transparency, by, among other things, identifying testable hypotheses, developing research plans, identifying and structuring data needed to perform reviews, and leveraging ERA's economic research fellowship program;
- continuing to enhance the PCAOB's ability to respond to evolving cybersecurity threats, by, among other things, implementing robust risk management, independent assessments of the security program, and solutions to mitigate identified risks and issues;
- acquiring the technical skills and making the investments in technology that will enable us to implement needed capabilities to keep pace with a rapidly changing environment;
- implementing and monitoring new auditing standards, and monitoring potential audit impact from new accounting standards;
- continuing to improve the PCAOB's engagement with the small business community by considering fresh approaches to the Board's Forums on Auditing in the Small Business Environment and for Auditors of Broker-Dealers and other outreach and public communications programs; and
- developing the contours of a potential proposal for a permanent program of inspections of broker-dealer auditors, informed by economic analysis.

While we continue to evaluate our work and identify ways to enhance our programs and processes, we remain focused on our key initiatives to serve investors. Those key initiatives, including several longer term initiatives, are described in detail in the following pages. We take pride in the accomplishments and commitment of our staff and their dedication to the PCAOB mission in all of these endeavors.

James R. Doty
Chairman

Organizational Background

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 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.¹ 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.

¹ 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: Maintain a collaborative workplace culture that supports our mission by promoting excellence, integrity, fairness, diversity and inclusion, accountability, respect for others, and careful stewardship of our resources

Mission

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

Core Values

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 a culture that fosters continual professional development and excellence and demands adherence to the highest possible standards for ethical and professional conduct. In exercising our oversight authority, the PCAOB strives to maintain its independence and objectivity and treat registered public accounting firms and associated persons in a fair, impartial and consistent manner.
- ◆ **Teamwork, Inclusion 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 inclusion and diversity 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

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"> • PCAOB's independence and role as a financial sector regulator chartered to protect investors • Experienced and knowledgeable staff who are committed to our mission, providing a foundation for a robust auditor oversight program • Unique knowledge and information related to issuer and broker-dealer audit practices gained through years of inspection and enforcement experience • Direct and timely communication with individual audit firms related to such firms' inspection results and remediation progress • 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 • PCAOB's process for adding projects to its research and standard-setting agendas, including an environmental scan to identify current and emerging audit issues, and consideration of relevant economic factors, outreach, and research 	<ul style="list-style-type: none"> • Nonpublic 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 • 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 • Competition for and ability to retain talent, particularly in certain hiring pools, which may be affected by budgetary considerations

<u>Opportunities</u>	<u>Threats</u>
<ul style="list-style-type: none"> • Continue to improve the PCAOB's external outreach and communications by considering fresh approaches to its outreach and public communications programs to provide additional vehicles and coordination for developing communications to inform and engage with stakeholders, including identifying more effective and efficient ways to engage investors and other interested parties in PCAOB rulemaking • 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 • 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 • Make best use of research provided by and strengthen research opportunities for PCAOB economic fellows and others • 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 • Focus on sustaining the improved processes for more efficient and effective standard setting, and leverage such processes to issue standards that spur appropriate changes in auditor behavior and performance • Build on our regulatory experience to address changing circumstances, such as (1) recently issued accounting standards that involve significant implementation and potential auditing challenges, (2) growth of consulting practices, (3) other emerging developments in business practices at firms, including acceleration of technology innovation, and data analysis, and (4) globalization of core audit services • Use inspections, enforcement, and standard setting to address challenges posed by the affiliates of global networks, particularly those related to the supervision of audit work performed by network affiliates, in identifying and analyzing systemic root causes of audit deficiencies across these networks and exchange that information, where appropriate, with non-U.S. regulators • Use inspections and enforcement to address unique risks in cross-border audits and communicate these risks to stakeholders • 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 • Establish new and enhance existing relationships, including through the exchange of information, with regulators and international organizations around the world, to strengthen investor protection • 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 	<ul style="list-style-type: none"> • Lack of access to certain non-U.S. firms for purposes of inspections or investigations • Potential disengagement by non-U.S. regulators from a meaningful joint inspection process • Ongoing and evolving serious risks presented by the information security landscape, exposing the PCAOB and other organizations • Potential for catastrophic risk within the audit industry, including risks relating to provision of audit and non-audit services

Opportunities

- Maintain and enhance staff skills to keep pace with the market in technology areas related to audit
- Continue to engage PCAOB staff by implementing actions arising from the PCAOB's engagement survey results
- Enhance safeguards to protect sensitive information at the PCAOB
- Update several remaining outdated information technology systems, which were implemented in the early years of the PCAOB's existence
- Leverage experience with the Board's assessment of the PCAOB's operational efficiency to reassess programs and operations and identify potential areas for enhanced effectiveness and efficiency
- Implement diversity and inclusion program to foster a culture of inclusion, collaboration, and innovation, empowering each employee to reach his/her full potential
- Improve collection of data through development of an organization-wide data management strategy that will address programmatic data needs and analyses

Goals, Objectives, and Strategies

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 respond effectively and efficiently by issuing standards and 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, allowing the PCAOB to deploy regulatory resources effectively and efficiently to the areas of highest risk.
- **Implement and Sustain Measures for More Effective and Efficient Standard Setting.** Continue to implement and sustain 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 effectively and efficiently.
- **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 engaging strategically, effectively, and efficiently 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 audit market in maximizing enhancements to audit quality and investor protection, 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. Collect and analyze the root causes of quality control and audit deficiencies identified by the PCAOB and the firms.
- ***Enforce Strong Quality Control in the Global Network Firms.*** Through the global network firm inspection and the enforcement programs, 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 by the Non-Affiliate Firms Through Remediation.*** 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, involving 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. Strive to conduct investigations and disciplinary proceedings efficiently and 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, impairment, revenue recognition, other changes in accounting standards, 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.
- ***Address Inability to Inspect Auditors of China-Based Companies.*** Pursue a permanent program to inspect registered public accounting firms located in China or that audit China-based companies. If a permanent inspection program cannot be achieved, pursue or consider other 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 and improve audit quality globally through the PCAOB’s participation in the governance, leadership, and working groups 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 and investor protection 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 effectiveness and efficiency of the PCAOB's critical processes.
- ***Develop an Enterprise-Wide Data Management Strategy.*** 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 inspections 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.
- ***Continue to Foster Economic Research on Topics Directly Relevant to the PCAOB's Mission by Maintaining a Fellowship Program, Holding Economic Conferences, and Maintaining an Internal Seminar Series.*** Further enhance the existing fellowship program to continue to generate 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. Continue to plan and hold economic conferences with leading economists and other academics to present and discuss scholarly papers directly related to the mission 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

- ***Improve Transparency in the Audit Process.*** Improve transparency in the audit process through, among other efforts, (1) identifying and encouraging the use and academic study of audit quality indicators, and (2) coordinating with the SEC on its audit-related and other initiatives.
- ***Monitor the Implementation of Rules Improving Audit Transparency.*** Continue monitoring the implementation of rules requiring the identification of audit engagement partners and other accounting firms participating in audits.
- ***Monitor and Support the Implementation of the Auditor Reporting Model.*** Monitor and support the implementation of the auditor reporting model.
- ***Analyze and Report on the Firm Business Model.*** Conclude analysis on research and developments related to the business model of large audit firms, and communicate the implications of aspects of this model for audit quality and investor protection. Explore economic research related to implications of the business model for potential disruption in the audit profession, and monitor potential sources of risk to audit firms.
- ***Analyze Technology-Related Developments at Firms.*** Analyze and report on new developments in technology and data analytics at large audit firms and their impact on audit quality and investor protection.

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, including tax consulting services, offered by accounting firms and possible implications of their multi-disciplinary business model to independence, audit quality, and investor protection.

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.
- ***Conduct Outreach in a Manner that Maximizes Reach While Minimizing Costs, through Targeted Webcasts and other Strategies.*** Conduct outreach efforts strategically to maximize impact while minimizing costs, including by using webcasts and forums to educate and inform auditors and others 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.

- ***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, audit quality, and investor protection. 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 and investor protection. Develop and issue regular communications to provide better, targeted access to information for audit committees, and consider roundtables, seminars or other forums to facilitate dialogue 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: Maintain a collaborative workplace culture that supports our mission by promoting excellence, integrity, fairness, diversity and inclusion, accountability, respect for others, 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, Fairness, Independence and Objectivity, and Respect for Others.*** Emphasize to existing staff and new employees the importance of adhering to the highest possible ethical and professional standards, including strict confidentiality requirements, by continuously promoting robust ethics, compliance and internal oversight functions. Develop initiatives to promote inclusion, collaboration, and innovation to empower all employees to reach their full potential.
- ***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. Use the full range of PCAOB human capital programs in developing timely and relevant actions as well as innovative approaches to 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.
- ***Further Implement an Enterprise-wide Diversity and Inclusion Program.*** Execute the PCAOB's diversity and inclusion program in a manner that enhances awareness/education, leadership commitment, and fostering connections between staff so that all staff can reach their full potential with regard to engagement and contributing to the fulfillment of the PCAOB's mission.

B. Promote the careful stewardship of PCAOB resources

Strategies

- ***Implement and Monitor Cost-Savings and Efficiency Measures without Compromising the PCAOB's Mission.*** Implement and monitor measures identified in the report to the SEC on the Board's assessment of the PCAOB's operational efficiency and budgetary needs in a thoughtful and thorough manner without compromising the PCAOB's mission and mindful of employee engagement, and continue to assess the PCAOB's programs and operations to identify additional efficiencies, including by encouraging staff to identify areas to improve productivity or produce quantifiable savings without reducing the scope of the PCAOB's mission-oriented work.
- ***Strengthen Resources and Expertise.*** Adjust workforce mix, information technology, tools, operational support contracts, 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. In particular, leverage the PCAOB's recent comprehensive evaluation of staffing levels, including its compensation and career framework review, to align staff roles and responsibilities to maximize the effectiveness and efficiency of the PCAOB's programs and operations.
- ***Strengthen Operational and Reporting Processes, including Enhancing Safeguards to Protect Sensitive Information.*** Continue to improve our internal processes in programmatic and administrative areas, using technology as applicable, including reviewing and enhancing protocols for secure handling of sensitive information.
- ***Modernize Information Systems that Support Core Human Resources, Finance, and Other Processes.*** Continue to modernize information systems that support core Human Resources, Finance, and other processes, with a view to enhancing the effectiveness and efficiency of such processes, reducing system complexity, and enhancing automation.
- ***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 Evolving Cybersecurity Threats.*** Continue to enhance the PCAOB's ability to respond to evolving cybersecurity threats, by, among other things, implementing robust risk management, independent assessments of the security program, and solutions to mitigate identified risks and issues.

- ***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.
- ***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.

Progress and Performance: Progress Measures and Performance Measures and Indicators

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.²

Progress measures (1) 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 (2) 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, along 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.

² 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 Plans³

Priority Project: 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: <ul style="list-style-type: none"> • 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 <i>Concept Release on Audit Quality Indicators</i>. • Evaluated and classified more than 50 comment letters on the Concept Release.

³ 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 measures also track progress with respect to the following priorities identified in the November 2016 Strategic Plan: (i) developing an approach to inspections of broker-dealer auditors under a permanent program, (ii) 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 (iii) 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.

The priority project on consolidating and strengthening our economic and risk analysis program from the November 2016 Strategic Plan replaces and supersedes the priority project on economic analysis integration from the November 2013, November 2014, and November 2015 plans. In addition, the near-term priorities on the timeliness, content, and readability of inspection reports and the timeliness of remediation determinations and information on process and the priority project on improvements in the standard-setting program, which were included as progress measures in recent strategic plans, are no longer strategic activities but rather have been incorporated into the Division of Registration and Inspections' and the Office of Chief Auditor's recurring activities.

Prior plans have used the terms "near-term priority", "priority project", and "major effort" interchangeably. For consistency, the measures in this plan refer to all such priorities as "priority projects".

- 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, 2016, and 2017 have resulted in new processes and program work, which are discussed in the enhanced strategies that the Board will further pursue in 2018: Goal 2.A.1 (*Improve Transparency in the Audit Process*).

Priority Project: 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 Inspections 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*.
- Issued a general report on observations related to the PCAOB's "Risk Assessment" auditing standards.
- Issued a general report on observations related to PCAOB rules and auditing standards on communications with audit committees.
- Issued a general report on observations related to PCAOB auditing standards on related parties.
- Developed a new series of publications, "Staff Inspection Briefs", and published ten briefs:
 - *Information about 2015 Inspections of Auditors of Brokers and Dealers*
 - *Information about 2015 Inspections*
 - *Preview of Observations from 2015 Inspections of Auditors of Issuers*
 - *Preview of Observations from 2015 Inspections of Auditors of Brokers and Dealers*
 - *Information about 2016 Inspections of Auditors of Brokers and Dealers*
 - *Information about 2016 Inspections*
 - *Preview of Observations from 2016 Inspections of Auditors of Brokers and Dealers*
 - *Information about 2017 Inspections of Auditors of Brokers and Dealers*
 - *Information about 2017 Inspections*
 - *Preview of Observations from 2016 Inspections of Auditors of Issuers*
- Reinforced continual interaction among our standard-setting, inspections, economic and risk 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.
- Actively participated as a member of OCA's standard-setting task forces and provided inspections insights and observations related to topics.

Status: Efforts made with respect to this priority in 2013, 2014, 2015, 2016, and 2017 have resulted in new processes and program work, which are now incorporated into enhanced strategies that the Board will further pursue in 2018: Goal 1.E.3 (*Enhance the Use of Economic Analysis and Tools in the PCAOB's Oversight Programs*); and Goal 1.E.4 (*Develop an Enterprise-Wide Data Management Strategy*)

Priority Project: 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, 14, and 15 summary reports on inspections observations on audits of internal control over financial reporting, 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 to 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 was 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* highlighted 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.) This communication will be pursued to the extent needed in the future, in light of inspections briefs that are issued annually.

Status: Efforts made with respect to this priority in 2013, 2014, 2015, 2016, and 2017 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2018: Goal 2.C.5 (*Extend Outreach to Audit Committees*); and Goal 2.C.4 (*Enhance the Usefulness of the PCAOB's Website as an Effective and Efficient Tool to Communicate with Stakeholders*)

Priority Project: Consolidating and Strengthening the Economic and Risk Analysis Program Area

Description: 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

Actions Taken since November 2013:

- Established the Center for Economic Analysis (the “Center” or the “CEA”), 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 Center initiatives.
- 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 four 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 nine research papers authored by Economic Research Fellows and staff economists.
- Presented to the Board the outlines of a post-implementation review program for the PCAOB and some preliminary findings from the post-implementation review of Auditing Standard No. 1220, *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 the Center, in collaboration with the Office of Research and Analysis (“ORA”) and DRI, to identify potentially risky engagements for inspection.
- Developed a preliminary approach to draw statistically valid inferences about overall audit quality using risk-based inspection selections.
- Formed the Office of Economic and Risk Analysis (“ERA”) by integrating the staff of the Center with staff of ORA.

Status: Actions taken with respect to this effort in 2014, 2015, 2016, and 2017 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2018: 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 (*Develop an Enterprise-Wide Data Management Strategy*); Goal 1.E.5 (*Maintain an Inspections Fellowship Program*); Goal 1.E.6 (*Continue to Foster Economic Research on Topics Directly Relevant to the PCAOB's Mission by Maintaining a Fellowship Program, Holding Economic Conferences, and Maintaining an Internal Seminar Series*); and Goal 1.E.7 (*Analyze Research and Data Related to Financial Statement Fraud to Inform PCAOB Oversight Activities, including Potential Standard-Setting*)

Priority Project: Developing an Approach to Inspections of Broker-Dealer Auditors under a Permanent Program

Description: Developing the approach to inspections of broker-dealer auditors under a permanent program, including proposing rules informed by economic analysis and cross-divisional insights

Actions Taken since November 2016:

- Continued to develop a rule proposal for the Board to consider for establishing a permanent inspection program for auditors of broker-dealers.
- Continued inspections under the interim inspection program for 2017, which will further inform the development of the inspection approach for auditors of broker-dealers.

Status: Actions taken with respect to this project in 2017 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2018: Goal 1.C.1 (*Plan for and Adopt a Permanent Inspection Program*); Goal 1.C.2 (*Continue to Conduct Inspections under the Interim Inspection Program and Report on the Progress*); and Goal 1.C.3 (*Respond to Audit and Attestation Deficiencies*)

Priority Project: Continuing to Identify Ways to Further Automate, Streamline, and Improve Processes and Consider Other Cost-Effective Strategies

Description: 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

Actions Taken since November 2016:

- Developed and implemented an approach to identify and monitor PCAOB-wide potential cost-savings and efficiency measures without compromising the PCAOB's mission and minimizing the impact on employee engagement.
- Developed and implemented a "Bright Ideas" spot award program to recognize staff for identifying savings and efficiencies.
- Developed a compensation and career framework to enhance career development and support the efficient management of compensation and alignment to market.
- Continued to modernize information systems that support core Human Resources, Finance, and other processes. For example, the PCAOB continued its work on implementing a new timekeeping system as a tool to monitor staff utilization.
- Continued to reassess the condition, type, quantity, and location of office spaces required to enhance employee effectiveness and support the PCAOB's initiatives.
- Continued to assess staffing mix by division/office and across the PCAOB and implemented changes, as appropriate.

Status: Actions taken with respect to this project in 2017 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2018: Goal 3.B.1 (*Implement and Monitor Cost-Savings and Efficiency Measures without Compromising the PCAOB's Mission*); Goal 3.B.2 (*Strengthen Resources and Expertise*); Goal 3.B.3 (*Strengthen Operational and Reporting Processes, including Enhancing Safeguards to Protect Sensitive Information*); Goal 3.B.4 (*Modernize Information Systems that Support Core Human Resources, Finance and Other Processes*); and Goal 3.B.7 (*Reassess and Align the PCAOB's Office Space with Business Needs*)

Priority Project: Pursuing Diversity and Inclusion Project

Description: 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.

Actions Taken since November 2016:

- Developed a vision and mission for Diversity and Inclusion (D&I) at the PCAOB.
- Developed a D&I program, informed by an internal assessment and industry best practices, to include live and virtual training courses, employee resource groups, D&I speaker series and a senior leadership engagement curriculum, in support of the PCAOB's vision and mission.
- Launched organization-wide D&I program in October 2017.
- Developed the framework for a D&I Council to include executive sponsorship and representation from each division and office.

Status: Actions taken with respect to this project in 2017 have resulted in new processes and program work, which are now incorporated into the following enhanced strategies that the Board will further pursue in 2018: Goal 3.A.1 (*Maintain a Culture that Emphasizes Integrity, Fairness, Independence and Objectivity, and Respect for Others*); Goal 3.A.4 (*Engage Staff*); and Goal 3.A.5 (*Further Implement an Enterprise-wide Diversity and Inclusion Program*)

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.

Measure 1-1: Global Network Firm Inspections Program Performance					
Relevance of Measure: 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.					
Measure 1-1.1: Global Network Firm Inspections Program – Number of Inspections Conducted and Portions of Issuer Audits Inspected					
Performance Measure	2016		2017		2018 Projected
	Projected ⁴	Actual	Projected	Estimate	
Number of Inspections Conducted:					
Domestic	6	6	6	6	6
Non-U.S.	49	45	42	49	50
Portions of Issuer Audits Inspected:					
Domestic	274	274	274	278	274
Non-U.S.	157	144	140	148	150

⁴ For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2016, 2017, and 2018 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 2017 estimate is higher than the 2017 projection largely because of the acceleration of inspections from 2018 into 2017 to normalize resource demands over the three year inspection cycle. The 2018 projection is higher than the 2017 projection 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 generally 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 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 increase in the projected number of issuers audits to be inspected in 2018 as compared to the 2016 actual and the 2017 estimate is generally consistent with the increase in the projected number of inspections conducted.

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

Performance Measure	2016		2017		2018 Projected
	Projected ⁵	Actual	Projected	Estimate	
Reports Issued:					
Domestic	6	6	7	5	8
Non-U.S.	47	55	39	39	38
Reports Aging:					
Domestic					
Reports aged greater than 12 months outstanding	–		–	2	–
Non-U.S.					
Reports aged greater than 12 months outstanding ⁶	5	3	5	4	5

Reports Issued:

Domestic –The 2017 projection reflects issuance of one outstanding report on a 2015 inspection and six U.S. global network firm (“GNF”) inspection reports for the 2016 inspection year. The 2017 estimate reflects the issuance of these reports with the exception of two reports for the 2016 inspection year. The 2018 projection reflects the issuance of the two outstanding reports on 2016 inspections and six U.S. GNF inspection reports for the 2017 inspection year.

Non-U.S. – 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.

Reports Aging:

Domestic – One report was aged in 2016 and two are expected to be aged in 2017. No reports are expected to be aged in 2018.

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

⁵ For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2016, 2017, and 2018 Budgets.

⁶ 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.

Measure 1-1.3: Global Network Firm Inspections Program – Number of Remediation Submissions Finalized⁷					
Performance Measure	2016		2017		2018 Projected
	Projected⁸	Actual	Projected	Estimate	
Remediation:					
Domestic					
Submissions Received	5	5	5	6	5
Submissions Finalized	7	5	5	5	7
Non-U.S.					
Submissions Received	26	27	48	41	36
Submissions Finalized	24	27	48	42	33
Overview of Changes in Inspections Activities:					
<u>Remediation:</u>					
<p>Domestic – The number of submissions received is consistent with the number of reports issued in 2015, 2016, and 2017. The 2017 estimate exceeds the projection due to one additional report that was originally projected to be issued in 2017, but was issued in December 2016. The number of submissions finalized in 2016 is less than the projection due to two submissions originally projected to be finalized in 2016 that are estimated to be finalized in 2017. The number of submissions estimated to be finalized in 2017 is consistent with the projection due to the net impact of these two submissions and two submissions originally projected to be finalized in 2017 that are estimated to be finalized in 2018. The number of submissions projected to be finalized in 2018 reflects two submissions originally projected to be finalized in 2017 and currently estimated to be finalized in 2018 and one submission estimated to be finalized in 2019 due to anticipated delays in issuing the 2016 inspection report.</p>					
<p>Non-U.S. – The submissions finalized in 2016 exceeded the projection due to the ability to finalize submissions that were received earlier than previously projected. The estimated submissions received and finalized in 2017 have been reduced to reflect certain inspection reports that were not issued until 2017 or ultimately did not require remediation. The 2018 projections of submissions received and finalized are based on the expected timing of the issuance of inspection reports and the nature of such reports.</p>					

⁷ Submissions Finalized represent remediation recommendations approved by the Board during the year presented.

⁸ For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2016, 2017, and 2018 Budgets.

Measure 1-2: Non-Affiliate Firm Inspections Program Performance					
Relevance of Measure: This measure reflects the PCAOB's performance in conducting inspections in the non-affiliate firm inspections program, which includes domestic and non-U.S. firms that are not members of the global network structure of certain of the largest domestic registered firms.					
Measure 1-2.1: Non-Affiliate Firm Inspections Program – Number of Inspections Conducted and Portions of Issuer Audits Inspected					
Performance Measure	2016		2017		2018
	Projected ⁹	Actual	Projected	Estimate	Projected
Number of Inspections Conducted:					
Domestic	144	136	134	131	115
Non-U.S.	13	11	13	12	11
Portions of Issuer Audits Inspected:					
Domestic	381	345	367	344	336
Non-U.S.	23	22	23	21	21
Overview of Changes in Inspections Activities:					
<u>Number of Inspections Conducted:</u>					
<p>Domestic – The downward trend in the number of domestic inspections projected for 2017 and 2018 as compared to the 2016 projection 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.</p> <p>Non-U.S. – The number of non-U.S. firms inspected is generally consistent for all periods.</p>					
<u>Portions of Issuer Audits Inspected:</u>					
<p>Domestic and Non-U.S. – 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 domestic issuer audits to be inspected for 2017 and 2018 as compared to the 2016 projection is generally consistent with the decrease in the projected number of inspections conducted. The number of portions of non-U.S. issuer audits to be inspected is generally consistent for all periods.</p>					

⁹ For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2016, 2017, and 2018 Budgets.

Measure 1-2.2: Non-Affiliate Firm Inspections Program – Number of Reports Issued and Reports Aging					
Performance Measure	2016		2017		2018 Projected
	Projected¹⁰	Actual	Projected	Estimate	
Reports Issued:					
Domestic	143	142	132	136	120
Non-U.S.	11	12	10	10	12
Reports Aging:					
Domestic					
Reports aged greater than 12 months outstanding	–	2	–	1	–
Non-U.S.					
Reports aged greater than 12 months outstanding	2	–	–	–	–
Overview of Changes in Inspections Activities:					
<u>Reports Issued:</u>					
<p>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 continued efforts to maintain the timeliness of its inspections reports.</p>					
<p>Domestic – The 2016 projection was generally consistent with actual. The number of reports issued in the 2017 and 2018 projections is generally consistent with the number of inspections conducted in the current and prior period. The 2017 estimate is generally consistent with the projection.</p>					
<p>Non-U.S. – The 2016 projection was generally consistent with actual. The number of reports issued in the 2017 and 2018 projections is generally consistent with the number of inspections conducted in the current and prior period. The 2017 estimate is consistent with the projection.</p>					
<u>Reports Aging:</u>					
<p>Domestic – The 2017 estimate assumes that one report will be aged greater than 12 months outstanding at the end of 2017. The 2018 projection assumes that no reports will be aged greater than 12 months outstanding at the end of 2018.</p>					
<p>Non-U.S. – DRI does not expect any reports aged greater than 12 months outstanding at the end of 2017 or 2018 as a result of DRI’s efforts to decrease its backlog of inspections reports.</p>					

¹⁰ For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2016, 2017, and 2018 Budgets.

Measure 1-2.3: Non-Affiliate Firm Inspections Program – Number of Remediation Submissions Finalized¹¹					
Performance Measure	2016		2017		2018
	Projected¹²	Actual	Projected	Estimate	Projected
Remediation:					
Domestic					
Submissions Received	93	86	86	75	77
Submissions Finalized	72	95	76	74	68
Non-U.S.					
Submissions Received	13	11	10	10	6
Submissions Finalized	8	10	9	7	7
Overview of Changes in Inspections Activities:					
<u>Remediation:</u>					
<p>Domestic – The number of actual submissions finalized in 2016 exceeded the projection due to the processing of aged remediation submissions and the greater than projected efficiency of new staff in 2016. The number of actual submissions received in 2016 and the decrease in the 2017 estimates of submissions received and finalized reflect a decrease in the number of registered audit firms due to mergers, revocations, and withdrawals. The decrease in the 2018 projection of submissions received is due to the decrease in the number of registered audit firms. The decrease to the 2018 projection of submissions finalized is due to the expected timing of the issuance of inspection reports and the nature of such reports.</p>					
<p>Non-U.S. – The number of actual submissions finalized in 2016 exceeded the projection due to continued efforts to reduce the backlog of remediation submissions and the greater than projected efficiency of new staff in 2016. The estimate of submissions received in 2017 is consistent with the projection. The decrease in the 2018 projection of submissions received is due to the expected timing of the issuance of inspection reports and the nature of such reports.</p>					

¹¹ Submissions Finalized represent remediation recommendations approved by the Board during the year presented.

¹² For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the, 2016, 2017, and 2018 Budgets.

Measure 1-3: Broker-Dealer Firm Inspections Program Performance					
Relevance of Measure: This measure reflects the PCAOB's performance in conducting inspections in its broker-dealer firm interim inspections program, which includes firms that audit 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.					
Performance Measure	2016		2017		2018 Projected
	Projected¹³	Actual	Projected	Estimate	
Number of Inspections Conducted	75	75	75	75	65
Portions of Broker-Dealer Audits Inspected	115	115	115	115	105
Overview of Changes in Inspections Activities:					
<p>Number of Inspections Conducted – The number of inspections to be conducted during 2017 is consistent with 2016. The number of inspections to be conducted during 2018, though fewer than 2017, provides consistent coverage for the interim program, given the decline in the number of firms that audit broker-dealers, and takes into consideration the resources needed for the further development of a permanent inspection program and related rulemaking.</p>					
<p>Portions of Broker-Dealer Audits Inspected – The portions of broker-dealer audits to be covered in the inspections during 2017 has also remained consistent with 2016. The portions of broker-dealer audits to be covered during 2018 are relative to the number of firms to be inspected.</p>					

¹³ For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2016, 2017, and 2018 Budgets.

Measure 1-4: Audit Firm Registration Performance					
Relevance of Measure: This measure reflects the PCAOB's performance in reviewing registration applications.					
Performance Measure	2016		2017		2018
	Projected¹⁴	Actual	Projected	Estimate	Projected
Percentage of Received Applications Acted Upon within the Statutory Time Frame	100%	100%	100%	100%	100%
Overview of Changes in Audit Firm Registration Activity:					
<p>In 2016, the PCAOB considered and approved registration applications of 63 accounting firms, including 25 non-U.S. firms, within the statutory time frame. The PCAOB disapproved one registration application. Similarly, the 61 registration applications processed between January 1, 2017 and September 30, 2017, were acted upon within the statutory time frame. No changes to this rate of action are currently anticipated in 2017. 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>					

¹⁴ For purposes of this measure, the terms “projected” and “projection” are synonymous with what are assumed in the 2016, 2017, and 2018 Budgets.

Measure 1-5: Timely Resolution of Formal Investigations			
Relevance of Measure: This measure identifies the percentage of formal investigations ordered by the Board that have been resolved within three years of the opening of the formal investigation. ¹⁵			
Performance Measure	2016	2017	2018
Projected Percentage Resolved Within 3 Years of Formal Start of Investigation	66%	66%	66%
Actual Percentage Resolved Within 3 Years of Formal Start of Investigation	72%	100%	
Overview of Changes in Activities:			
<p>In each year between 2012 and 2016, 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"> • 2012: 75 percent • 2013: 100 percent • 2014: 71 percent • 2015: 86 percent • 2016: 72 percent <p>In 2017 and 2018, 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>			

¹⁵ 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.

Performance Indicator	2016	2017	2018
Projected Percentage of Enforcement Cases Arising within the PCAOB	50%	50%	50%
Actual Percentage of Enforcement Cases Arising within the PCAOB	57%	50%	

Overview of Changes in Activities:

The PCAOB's investigations arise from a number of sources, including inspections of registered firms, 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 2018, DEI intends to continue to look for opportunities to enhance 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)

Indicator 1-2: Percentage of Formal Investigations Deemed "Higher-Priority"			
Relevance of Indicator: This indicator emphasizes the PCAOB's approach to seeking to maximize its ability to protect investors, achieve appropriate deterrent effects, and improve audit quality by focusing on "higher-priority" investigations. The indicator measures the percentage of formal investigations that DEI opens each year that are deemed higher-priority.			
Performance Indicator	2016	2017	2018
Projected Percentage of "Higher-Priority" Investigations	75%	75%	75%
Actual Percentage of "Higher-Priority" Investigations	86%	81%	
Overview of Changes in Activities:			
<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 2018, 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	2016		2017		2018 Projected
	Projected	Actual	Projected	Estimate	
Number of prospective economic analyses in PCAOB rulemaking projects	7	7	6	5	6

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.

Between January 1, 2017 and November 15, 2017, economic analyses were provided for four standard-setting projects (Auditor's Reporting Model; Supervision of Audits Involving Other Auditors; Auditing Accounting Estimates, Including Fair Value Measurements; and The Auditor's Use of the Work of Specialists). It is estimated that one additional economic analysis will be provided in 2017 for the rulemaking project regarding Permanent Inspection Program Related to Audits of Brokers and Dealers.

In addition, the staff is conducting economic research for the four projects included on the PCAOB research agenda that may or may not result in standard-setting or rulemaking projects:

- Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities
- Changes in the Use of Data and Technology in the Conduct of Audits
- Auditor's Role Regarding Other Information and Company Performance Measures, Including Non-GAAP Measures
- Auditor's Consideration of Noncompliance with Laws and Regulations

These analyses, when complete and provided to the Board, will inform the Board's regulatory decision making consistent with the staff guidance for economic analysis. The staff also provides economic input to inform OCA work on Revenue Recognition and Going Concern. In 2018, six draft economic analyses are expected to be prepared for standard-setting initiatives and other PCAOB rulemaking projects.

Measure 1-6.2: Number of post-implementation reviews performed					
Performance Measure	2016		2017		2018 Projected
	Projected	Actual	Projected	Estimate	
Number of post-implementation reviews in progress	1	1	0	0	2
Number of post-implementation reviews completed	0	0	1	1	0
<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, it is anticipated that post-implementation reviews will also provide useful information for improving prospective economic analyses and informing future regulatory decisions.</p> <p>ERA anticipates concluding its post-implementation review of AS 1220, <i>Engagement Quality Review</i> and issuing a public report on it late 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 2018 staff economists will continue planning for potential future post-implementation reviews of standards and rules currently in development or recently adopted, including data that may be needed to perform the reviews. This work will focus on recently adopted rulemakings on the Auditor's Reporting Model and Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits.</p>					

Measure 1-7: Foster Economic Research on Audit-Related Topics					
Relevance of Measure: 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.					
Measure 1-7.1: Economic research fellowship program - Number of research fellows approved, papers made public and/or published and citation counts					
Performance Measure	2016		2017		2018 Projected
	Projected	Actual	Projected	Estimate	
Number of new economic research fellows approved by the Board	4	1	4	2	3
Number of working papers made public for peer review	3	3	3	6	4
Number of research papers accepted for publication	0	0	1	3	2
Number of citations to research papers developed by economic research fellows	0	32	35	81	130
<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 on 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. 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.</p> <p>The first two fellows joined the PCAOB's ERA in September 2014. As of June 30, 2017, the Board approved the appointment of five further Economic Research Fellows (two in 2015, one in 2016 and two in 2017). Through November 15, 2017, the following working papers have been made public for peer review:</p> <p>2017</p> <ul style="list-style-type: none"> • Auditor Size, Partner-Specialization, and Private Company Audit Quality: Insights from the Broker-Dealer Industry, Zach Kowaleski • Heckroc: ROC Curves for Selected Samples, <i>Jonathan A. Cook</i> and Ashish Rajbhandari; accepted for publication in <i>The Stata Journal</i> • Random Forests and Selected Samples, <i>Jonathan A. Cook</i> and <i>Saad Siddiqui</i> • On the Economics of Audit Partner Tenure and Rotation: Evidence from PCAOB Data, Brandon Gipper, Luzi Hail, and Christian Leuz 					

- Consequences of Low-Quality Audits for Engagement Partners, Daniel Aobdia and Reining Petacchi
- Direct Measures of Auditors' Quantitative Materiality Judgments: Properties, Determinants and Consequences for Audit Characteristics and Financial Reporting Reliability, Preeti Choudhary, Kenneth Merkley, and Katherine Schipper

2016

- Do Auditors Correctly Identify and Assess Internal Control Deficiencies? Evidence from the PCAOB Data, Daniel Aobdia, Preeti Choudhary, and Gil Sadka
- Does Engagement Partner Perceived Expertise Matter? Evidence from the U.S. Operations of the Big 4 Audit Firms, Daniel Aobdia, Saad Siddiqui, and Andrés Vinelli
- ROC Curves and Nonrandom Data, Jonathan A. Cook. Published in Pattern Recognition Letters, 2017, 85(1): 35-41

2015

- The Impact of the PCAOB Individual Engagement Inspection Process – Preliminary Evidence, Daniel Aobdia
- The Validity of Publicly Available Measures of Audit Quality. Evidence from the PCAOB Inspection Data, Daniel Aobdia
- What's in a Name? Reputation and Monitoring in the Audit Market, Somdutta Basu and Suraj Shekhar
- Does the Organization and Culture of the Largest Audit Firms Influence their Audit Quality and Efficiency?, Daniel Aobdia
- Public Audit Oversight and Reporting Credibility: Evidence from the PCAOB Inspection Regime, Brandon Gipper, Christian Leuz, and Mark Maffett

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	2016		2017		2018 Projected
	Projected	Actual	Projected	Actual	
Number of submissions	70	83	80	81	81
Number of papers presented	8	6	6	7	7
Total number of attendees	198	198	198	194	194
Number of academics attending	120	120	120	140	140
Total number of non-PCAOB, non-academic attendees	10	10	10	8	8
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	74%	77%	74%	75%	75%
Percentage of attendees that responded to the feedback survey	30%	31%	30%	34%	34%
Percentage of feedback survey respondents that were satisfied or very satisfied with the conference content	80%	79%	80%	80%	80%
Hours of CPE credit issued to participants requesting CPE credit	426	334	426	386	386

In conjunction with the *Journal of Accounting Research*, the PCAOB holds an annual economic conference to present and discuss scholarly papers on audit-related topics and 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.

75% of U.S.-based academics who attended the 2017 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 2018, ERA intends to maintain the size of the conference at a similar level to that of 2015, 2016, and 2017.

Measure 1-7.3: Internal Seminar Series – Number of seminars and attendees and CPE credit issued					
Performance Measure	2016		2017		2018 Projected
	Projected	Actual	Projected	Estimate	
Number of seminars	6	6	6	4	4
Total number of attendees	393	528	600	412	412
Hours of CPE credit issued to participants requesting CPE	173	273	270	95	95
<p>Internal PCAOB seminars are forums for scholars to present research on issues and analytical techniques directly related to the PCAOB’s oversight activities and discuss the research 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 2017, ERA organized four PCAOB-wide seminars (open to all PCAOB staff) on a range of general-interest topics. In addition, ERA organized two additional seminars by outside speakers on focused topics for which attendance was limited to specific PCAOB staff. Six PCAOB-wide seminars are planned for 2018.</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, Forums for Auditors of Broker-Dealers, and its progress in establishing relationships with non-U.S. regulators.

Measure 2-1: Feedback from Forums on Auditing in the Small Business Environment			
Relevance of Measure: This measure shows the extent to which participants in Forums/Webinars believe that the events 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.			
Performance Measure	2016	2017	2018
Number of Attendees – In-Person Forums	706	317	
Number of Attendees – Live Streaming	N/A	363	
Number of Attendees – Live Webinars	N/A		
Projected Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0	90%	90%	90%
Actual Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0	100%	100%	
Number of survey respondents	493	471	
Overview of Changes in Activities:			
The results of this measure are used to shape the content and focus of future Forums.			
The PCAOB held seven Forums in 2016, which followed a format similar to that of 2015, but included a panel discussion on monitoring audit quality. A total of 706 people attended these Forums; 493 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 has held two in-person forums in 2017, one of which had live streaming capabilities for participants unable to attend the forum. The format is similar to that of prior years. A total of 680 people attended these Forums; 471 responded to the survey, with 100% rating the Forums 4.0 higher meeting the target of a minimum of 90% of its sessions during 2017. The PCAOB also plans to hold one webinar in 2017.			

Measure 2-2: Feedback from Forums for Auditors of Broker-Dealers			
Relevance of Measure: This measure shows the extent to which participants in Forums/Webinars 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.			
Performance Measure	2016	2017	2018
Number of Attendees – In-Person Forums	735		
Number of Attendees – Live Streaming	N/A		
Number of Attendees – Live Webinars	1215	594	
Projected Percentage of Broker-Dealer Forum Sessions Rated 4.0 or higher out of 5.0	85%	90%	90%
Actual Percentage of Broker-Dealer Forum Sessions Rated 4.0 or higher out of 5.0	100%		
Number of survey respondents	911		
Overview of Changes in Activities:			
<p>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.</p> <p>In 2016, the PCAOB held five Forums for Auditors of Broker-Dealers following a format similar to that of prior years. A total of 735 people attended these Forums, 488 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.</p> <p>In 2016, the PCAOB also held two webinars for auditors of broker-dealers. A total of 1,215 people signed into the webinars and 423 of these people completed the evaluations of this webinar, with 100% rating the webinar 4.0 or higher.</p> <p>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. One of these forums will have live streaming capabilities to provide greater opportunity for auditors to attend the forum. The PCAOB has held one webinar in 2017. A total of 594 people attended this webinar; 184 responded to the survey with 100% rating the Forums 4.0 or higher meeting the target of a minimum of 85% of its sessions. 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 and 2018. This is an increase from the 85% minimum of prior years.</p>			

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

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

Performance Measure	2016	2017	2018
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Establish or maintain working relationship with non-U.S. regulators in jurisdictions with which the PCAOB has concluded a cooperative arrangement

Projected Number of Jurisdictions	27	26	26
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Actual Number of Jurisdictions	22		
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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

Projected Number of Jurisdictions	26	26	26
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Actual Number of Jurisdictions	26		
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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

Projected Number of Jurisdictions	3	1	2
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Actual Number of Jurisdictions	5		
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Overview of Changes in Activities:

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.

In 2016, the PCAOB concluded a cooperative arrangement with Italy, bringing the total number of cooperative arrangements reached with non-U.S. auditor oversight authorities to 22. In three EU member states where the PCAOB was required to inspect (Belgium, Ireland, and Portugal), the PCAOB remained unable to conduct inspections of registered firms in 2016 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 2016, the PCAOB continued to engage 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 negotiated 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, 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 firms that issue audit reports but then go two consecutive years without issuing an audit report, the PCAOB does not currently need to inspect in two member states where inspections had previously been required (Czech Republic and Poland) and so efforts to negotiate cooperative arrangements in those EU member states were suspended. In 2016, the PCAOB signed amended cooperative arrangements with Denmark, Finland, France, Germany, Luxembourg, Norway, Spain and Sweden.

In 2016 and 2017, the PCAOB continued to face obstacles to conducting required inspections in China and Hong Kong. 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, but is attempting to work through remaining obstacles in 2017. The PCAOB continued discussions with Chinese authorities regarding the PCAOB's ability to inspect Hong Kong-based firms' audits of issuers based in mainland China.

In 2017, the PCAOB concluded a cooperative arrangement with Ireland, bringing the total number of cooperative arrangements reached with non-U.S. auditor oversight authorities to 23, and signed an amended cooperative arrangement with the United Kingdom. In 2018, 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.

Measure 2-4: International Institute on Audit Regulation Feedback			
Relevance of Measure: This measure shows the percentage of participants who agree that the International Institute on Audit Regulation was effective in meeting its objectives based on participants' responses to a survey distributed at the Institute.			
Performance Measure	2016	2017	2018
Overall, the program addressed the current issues facing audit oversight globally			
Projected percentage of Institute participants that agree	90%	90%	90%
Actual percentage of Institute participants that agree	95%		
Overall, the program promoted discussion among our diverse group of attendees			
Projected percentage of Institute participants that agree	90%	90%	90%
Actual percentage of Institute participants that agree	88%		
Number of survey respondents to the above measures	43		
Number of participants	101		
Overview of Changes in Activities:			
<p>The PCAOB hosts the International Institute on Audit Regulation (the “Institute”) 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 tenth Institute on December 12-14, 2016. In 2016, topics discussed included governance and disclosure, investor perspectives, technology and data analytics, cybersecurity, regulatory enforcement, and moving audit regulation forward in the current environment. In addition to featuring a panel of PCAOB Board members, guest speakers included political analyst, journalist, and American Enterprise Institute Resident Fellow Michael Barone, SEC Chief Accountant Wesley R. Bricker, and U.S. Treasury Deputy Secretary Sarah Bloom Raskin. The PCAOB will host the eleventh Institute on December 7-8, 2017.</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.

Performance Indicator	2016	2017	2018
Projected Number of Participants	70	70	70
Actual Number of Participants	101		
Projected Number of Jurisdictions	30	30	30
Actual Number of Jurisdictions	37		

Overview of Changes in Activities:

The PCAOB hosted the tenth Institute for non-U.S. regulators and government officials on December 12-14, 2016, with attendance of 101 representatives from 37 jurisdictions and four international organizations. 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.

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

The measures related to this goal assist in assessing the level of engagement of the PCAOB workforce.

Measure 3-1: Employee Engagement and Performance Enablement		
<p>Relevance of Measure: The PCAOB conducts a biennial engagement survey that measures two indexes: employee engagement and performance engagement.</p> <p>The employee engagement index measures the PCAOB’s workforce’s loyalty, pride, advocacy, and satisfaction. It also shows its level of commitment to the PCAOB and employee motivation to contribute to the organization’s goals. Employee engagement is a reflection of the passion and energy that the workforce brings to the workplace.</p> <p>The performance enablement index measures the PCAOB workforce’s ability to perform quality work and serve its stakeholders. It also focuses on its passion to maximize performance.</p> <p>The PCAOB’s engagement survey completion rate measures the percentage of employees that responded to the survey.</p>		
Performance Measure	2016	2018
Employee Engagement Index (percent favorable)	67%	
Performance Enablement Index (percent favorable)	71%	
Engagement Survey Completion Rate	82%	
<p>Overview of Changes in Activities:</p> <p>The results of these measures are used to monitor the level of employee engagement and performance enablement across the PCAOB. The PCAOB strives to increase its employee engagement and enablement scores by leveraging its strengths and implementing initiatives focused on areas of opportunity.</p> <p>Employees are encouraged to participate in the biennial engagement survey.</p>		