

# Strategic Plan

---

2018 - 2022

Draft for Comment

# Table of Contents

Message from the Chairman	2
About the PCAOB	3
Our Mission, Vision, and Values	4
Key Factors Affecting our Strategic Outlook	5
Our Strategic Goals	7
GOAL ONE	7
Drive improvement in the quality of audit services through a combination of prevention, detection, deterrence, and remediation.	
GOAL TWO	9
Anticipate and respond to the changing environment, including emerging technologies and related risks and opportunities.	
GOAL THREE	10
Enhance transparency and accessibility through proactive stakeholder engagement.	
GOAL FOUR	11
Pursue operational excellence through efficient and effective use of our resources, information, and technology.	
GOAL FIVE	13
Develop, empower, and reward our people to achieve our shared goals.	

## Message from the Chairman

Each year since 2007, the Public Company Accounting Oversight Board has drafted a strategic plan with at least a five-year outlook. Traditionally, that plan has been developed and updated through an inward-facing process, based on input from the top leadership of our organization.

Like most strategic plans, those plans did not change materially from year to year, except as necessary to reflect changes in the external environment and the emergence of new opportunities and threats.

While that approach has served the PCAOB in the past, as a Board we elected to take a markedly different approach this year. Let me highlight a few of the most significant changes to our process, which has been both broader and deeper than in past years.

First, the Board decided to reach far beyond our own walls for input. We engaged a strategic planning consultant, who hosted an anonymous public survey seeking views on our strategic priorities. We received an incredible response. Hundreds weighed in, including dozens of investors, audit committee members and directors, academics, foreign audit regulators, auditors, and others. Our consultant also engaged more than three dozen external parties in a series of one-on-one facilitated interviews, collecting feedback from key stakeholders on a non-attribution basis.

Second, we sought feedback from all of our employees, not just our leadership, and received incredible insight in response. Our outreach revealed thoughtful consideration of the current state of audits and the audit profession, the evolving risk landscape, the rapidly changing environment in which we operate, and how we can improve our oversight activities and operations.

Based on the input we received and our own analysis, we identified the following areas of strategic focus:

- We must enhance our approach to driving continuous improvement in the quality of audit services, and more clearly communicate how we are helping to drive that improvement.
- We must be more innovative in our oversight activities — particularly with respect to our approach to inspections and standard setting — and at the same time prepare for significant market-driven changes in the audit profession.
- We must engage more often and more directly with investors, audit committees, and our other stakeholders to promote robust and timely dialogue regarding the quality of audit services.
- We must optimize our operations and enhance the culture of our organization.

The Board welcomes and embraces feedback. We are committed to working with those who seek to continuously improve the state of audit quality.

Respectfully,



William D. Duhnke III  
Chairman

# About the PCAOB

The PCAOB was established by the Sarbanes-Oxley Act of 2002 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.

Since 2010, the PCAOB’s mission has also included overseeing the audits of brokers and dealers registered with the Securities and Exchange Commission.

The PCAOB has four primary duties:

- Register public accounting firms that prepare audit reports for issuers, brokers, and dealers.
- Establish or adopt auditing and related attestation, quality control, ethics, and independence standards.
- Inspect registered firms’ audits and quality control systems.
- Investigate and discipline registered public accounting firms and their associated persons for violations of specified laws, rules, or professional standards.

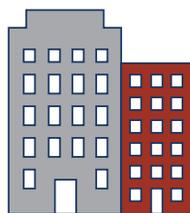
In support of our mission, we also conduct economic research and risk analysis, engage with our stakeholders and other domestic and international regulators, and manage a talented workforce and the technology and resources we need to perform our duties.

The Board of the PCAOB is comprised of five members, including a chairman, who are appointed to staggered five-year terms by the SEC, after consultation with the chair of the Board of Governors of the Federal Reserve System and the secretary of the Treasury. The SEC has oversight authority over the PCAOB, including the approval of the Board’s rules, standards, and budget.

As of 2018, the PCAOB has approximately 800 staff members.<sup>1</sup> We maintain our headquarters in Washington, DC, and have offices located in 15 cities across the United States. Approximately 1,900 public accounting firms located in nearly 90 jurisdictions across the globe are currently registered with us. About 600 of those registered firms audit 10,786 issuers that file financial statements with the SEC or otherwise play a substantial role in those audits.

Those issuers include 7,659 public companies that represent about \$41.3 trillion of global market capitalization. In addition, approximately 450 registered firms perform audits of more than 3,400 SEC-registered broker-dealers. Approximately 141 of those broker-dealers carry customer assets totaling more than \$3.5 trillion.

## PCAOB-Registered Firms by the Numbers



**600** registered firms audit more **10,000** issuers.



**450** firms perform audits of **3,400** SEC-registered broker-dealers.

<sup>1</sup> The data presented in this paragraph is as of June 30, 2018.

# Our Mission, Vision, and Values

## Mission

The PCAOB oversees the audits of public companies and SEC-registered brokers and dealers in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.

## Vision

The PCAOB will be a trusted leader that promotes high quality auditing through forward-looking, responsive, and innovative oversight. At all times, we will act with integrity, pursue excellence, operate with effectiveness, embrace collaboration, and demand accountability.

## Values



### INTEGRITY

We adhere to the highest standards of ethical and professional conduct. We engage internally and externally in a manner that is consistent, honest, and fair.



### EXCELLENCE

We pursue excellence in all we do. We are committed to further developing the many talents of our people so that we can improve our oversight and operations.



### EFFECTIVENESS

We manage our resources effectively and efficiently. We respond to a changing environment by implementing relevant, timely, and innovative solutions to achieve our mission.



### COLLABORATION

We are dedicated to a culture of collaboration and inclusiveness, which we foster by encouraging openness, accessibility, trust, and respect. We embrace a diverse set of experiences, skills, perspectives, and backgrounds, which enriches our work and enhances the effectiveness of our efforts.



### ACCOUNTABILITY

We depend on the diligence and dedication of our people to accomplish our mission and implement our vision. We owe each other our very best effort and expect to be held accountable. We recognize and reward outstanding performance.

# Key Factors Affecting our Strategic Outlook

As a central part of our strategic planning process, we sought input from our stakeholders on the factors that they believe are most likely to impact our ability to succeed over the next five years. Their responses, coupled with our own assessment of our oversight programs and the environment in which we operate, yielded three primary conclusions that directed our strategic planning efforts.

- **First**, the quality of audit services has improved substantially since the formation of the PCAOB, but more remains to be done. To make further progress, we must regularly assess our oversight activities and the operations that support them and adjust accordingly in response to current and emerging risks and opportunities.
- **Second**, advancements in technology and data collection and analytics are rapidly disrupting the broader financial reporting system. Both the pace and direction of change will have significant implications for the audit profession. We must anticipate and respond appropriately to those changes.
- **Third**, substantial opportunities exist for us to engage more effectively with investors, audit committees, and other stakeholders and to provide them with more timely and relevant information regarding our oversight activities.

## Need for Further Improvement in the Quality of Audit Services

There is broad consensus that the quality of audit services has improved since the PCAOB first opened its doors in 2003. To drive additional improvements, however, we must regularly reassess our approach to oversight and seek the most efficient and effective means to accomplish our mission. As we revisit our oversight activities, we also must take advantage of opportunities to improve our internal operations while reinforcing a culture that supports our values in pursuit of our goals.

## Disruptive Technological Change

Technological innovations will alter the timing, nature, and amount of information available to auditors, the judgments auditors make in critical areas of their audits, and the skill sets used to perform audit engagements. While these advancements present great promise, they also present significant risks. As an organization, we must ensure that our oversight programs anticipate and respond appropriately to the risks and opportunities that these changes present.

## Stakeholder Engagement and Communications

Investors, audit committees, and our other stakeholders require timely, relevant, and usable information. By engaging in consistent dialogue and publishing responsive and timely information regarding our oversight activities, consistent with the Sarbanes-Oxley Act of 2002, we can more effectively accomplish our mission. Therefore, we must improve our engagement and communication with our stakeholders.

In developing the strategic plan that follows, we have taken these three main factors into consideration. The goals and objectives expressed in this plan are designed to take advantage of the opportunities presented to us by using our strengths, and recognizing and addressing our weaknesses with the goal of minimizing or mitigating any threats to our success.

# Our Strategic Goals

## GOAL ONE

### **Drive improvement in the quality of audit services through a combination of prevention, detection, deterrence, and remediation.**

We are successful when our oversight promotes continuous improvement in the quality of audit services. To drive such improvement, we must focus not only on detecting audit deficiencies, but also preventing them from occurring in the first place. This requires a forward-looking approach to the design and conduct of our oversight of registered firms.

In support of this goal, we have identified four objectives to guide our efforts.

#### OBJECTIVE ONE

### **Conduct inspection activities to facilitate more timely and relevant feedback to our stakeholders.**

We will plan, conduct, and report on our inspections activities so that we can provide more timely and relevant feedback. We will scope and conduct our inspection activities using robust economic, risk, and data analysis. Our efforts will help registered firms to better prevent and remediate deficiencies and other weaknesses in their audits and audit practices. We will communicate, as soon as practicable, the nature and significance of our inspection results. Finally, we will regularly assess our inspections approach and the processes and technology that support it.

#### OBJECTIVE TWO

### **Better leverage economic and risk analysis to more effectively set standards, rules, and guidance.**

Our standards, rules, and guidance provide a framework for the conduct of audits. We will regularly evaluate and refine our framework to ensure that it remains effective. Our evaluation will include robust economic and risk analysis, including post-implementation reviews of new or amended standards, and will better leverage data from our oversight activities.

OBJECTIVE THREE

**Enforce accountability and deter improper conduct by addressing violations of PCAOB standards and rules, and related federal securities laws.**

When registered firms and their associated persons engage in improper conduct, we will take prompt action to hold them accountable. We will prioritize our enforcement efforts to address those issues that pose the greatest risk to investors and are most likely to deter improper conduct, and we will collaborate with the SEC as we do so.

OBJECTIVE FOUR

**Determine, develop, and communicate indicators of audit quality.**

Our oversight activities — and our inspections in particular — yield a significant amount of data. We will more effectively analyze this data to further identify and communicate factors that correlate with the quality of audit services. We will work collaboratively with others who collect data and conduct research on the quality of audit services.

## GOAL TWO

# Anticipate and respond to the changing environment, including emerging technologies and related risks and opportunities.

Advancements in technology are affecting the timing, nature, preparation, and use of financial information. Auditors are rapidly expanding their use of technology to plan and perform audits. Our oversight activities must anticipate and respond to these innovations and their corresponding risks and opportunities.

We have identified three objectives to support our achievement of this goal.

### OBJECTIVE ONE

## Assess and address the impact of emerging technologies on the quality of audit services.

Innovations in data analytics and technology have great potential to improve the efficiency and effectiveness of financial reporting and the audit process. We will monitor the development and implementation of emerging technologies to analyze their implications for the quality of audit services and respond accordingly. We will ensure that our oversight activities do not impede innovations that support informative, accurate, and independent audit reports.

### OBJECTIVE TWO

## Understand and consider investors' audit expectations.

As investors request, and issuers provide, financial information in different forms, the expectations of an audit are evolving. Through external engagement, and in coordination with the SEC, we will seek to better understand investors' expectations and will consider the related risks and opportunities for our oversight activities.

### OBJECTIVE THREE

## Assess the changing information security environment and understand the related risks.

Unauthorized access to information systems and data can result in the manipulation of data, the loss of proprietary and sensitive information, the destruction of systems, or reputational damage. As cyber- and information-security risks evolve, we will monitor those risks and assess their impact on our oversight activities.

## GOAL THREE

# Enhance transparency and accessibility through proactive stakeholder engagement.

Continuous and interactive engagement with investors and other stakeholders enhances our ability to improve the quality of audit services.

To achieve this goal, we have set two objectives.

### OBJECTIVE ONE

## Improve the timeliness, usefulness, and clarity of PCAOB information.

Investors and other stakeholders overwhelmingly desire more timely, accessible, and useable information about our oversight activities, the quality of audit services, and our operations. We will regularly assess when, how, and what we communicate. Where appropriate, we will publish relevant data and analyses for use by researchers and the broader public.

### OBJECTIVE TWO

## Cultivate effective and dynamic dialogue with stakeholders.

We value the input of those who, like us, are committed to continuously improving the quality of audit services. We will engage with our stakeholders to facilitate a more dynamic exchange of views. We also will reassess our use of advisory groups to ensure that we are receiving timely, relevant, and useful advice. Finally, we will expand our engagement with other audit regulators around the globe to share perspectives on the risks and benefits of differing approaches to addressing the quality of audit services.

## GOAL FOUR

# Pursue operational excellence through efficient and effective use of our resources, information, and technology.

Investors and the public interest are best served by an efficient and effective PCAOB.

We will be guided by the following four objectives to achieve this goal.

### OBJECTIVE ONE

## Enhance our risk management and operational processes and capabilities.

We will develop and implement an enterprise risk management program. We will enhance our budgeting and financial management capabilities while improving our monitoring of internal processes. We will improve our operations and embrace the principles of effective change management.

### OBJECTIVE TWO

## Collect, manage, and use data to improve our internal processes and better inform our decision-making.

Data can provide powerful insights that inform better decision-making. We will integrate data analysis into our management processes. We also will identify new or enhanced ways to measure the effectiveness of our own processes and hold ourselves accountable to achieving effective results.

### OBJECTIVE THREE

## Increase and optimize our information technology investments to strengthen our capabilities.

We will reassess and optimize our information technology capabilities. Doing so will require significant investment in our infrastructure, workforce competencies, and operations. We will transform our information technology operations and the business processes and programs they support. Where feasible, we will seek to consolidate and automate our processes.

OBJECTIVE FOUR

**Strengthen protection of our sensitive and proprietary data.**

The information security landscape is constantly changing. To protect our systems and sensitive and proprietary data, we will mature our information security program, emphasizing our risk management and data loss prevention capabilities, while adhering to relevant data privacy rules and regulations.

## GOAL FIVE

# Develop, empower, and reward our people to achieve our shared goals.

Our employees are deeply committed to our mission. We will collectively reinforce a culture that expects integrity, pursues excellence, operates with effectiveness, embraces collaboration, and demands accountability.

We will seek to accomplish three objectives in support of this goal.

### OBJECTIVE ONE

## Cultivate a high performing workforce through effective recruitment, retention, training, performance management, and leadership development.

Our people are our most important asset. We will encourage and reward employees for demonstrating each of our values, emphasizing our commitment to integrity and ethical professional conduct. We will strengthen our human capital by developing, training, and empowering the next generation of leaders within our organization. We also will focus on developing and implementing a human capital strategic plan that aligns our talent management strategy with our organizational priorities.

### OBJECTIVE TWO

## Reward teamwork and eliminate organizational barriers to collaboration, transparency, and engagement.

We will promote a culture that values transparency and collaboration. We are at our best when we share information within and across disciplines. We will empower our people to take prudent risks that drive our mission forward and will recognize them for their efforts to improve our organization and its results.

### OBJECTIVE THREE

## Create a culture of inclusion that leverages the diversity of experience and perspectives of our people.

It is imperative that our people know that they are valued members of a team. We value diverse perspectives and we will leverage each individual's unique skills, knowledge, and experience, while empowering them to challenge the status quo.

Public Company Accounting Oversight Board  
1666 K Street NW  
Washington, DC 20006-2803  
[www.pcaobus.org](http://www.pcaobus.org)