



Deloitte & Touche LLP
30 Rockefeller Plaza
New York, New York 10112
USA

www.deloitte.com

September 10, 2018

Ms. Phoebe W. Brown
Secretary
Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006

Re: No. 2018-001, PCAOB Draft Strategic Plan 2018-2022

Dear Ms. Brown:

Deloitte & Touche LLP is pleased to respond to the request for public comment from the Public Company Accounting Oversight Board (the PCAOB or the Board) on its *Draft Strategic Plan 2018-2022* (the Plan).

Since its creation under the Sarbanes-Oxley Act of 2002, the PCAOB has matured into a strong, effective, and internationally respected audit regulator and standard setter. As the profession and the capital markets continue to evolve, it is prudent for the Board to periodically step back and reconsider its primary areas of strategic focus to ensure that it is adapting to the changing world in a way that is consistent with its Sarbanes-Oxley mission.

We support the Plan the Board has put forward. We appreciate the Board's consultative approach to developing the Plan and value the opportunity we had to be among the stakeholders that provided observations during the PCAOB's initial outreach. The Board's thoughtful approach has resulted in a Plan that will serve it well over the next five years, as the audit environment and the needs of the capital markets evolve.

For example, the Board's first goal appropriately focuses on driving continuous improvement in audits not only by *"detecting audit deficiencies, but also preventing them from occurring in the first place."* The combined effect of the PCAOB's main programs—standard setting, inspections, and enforcement—centralized in one regulator are a key element of the PCAOB's success. A renewed focus on how these programs work together, especially the balance between prevention, detection, deterrence and remediation, will be important to the PCAOB's continued success.

The balance of these factors is especially important in the PCAOB's inspection program. Since its inception, that program has driven significant improvement in quality across the profession. This is evidenced by the general trend in the nature of inspection findings in public company audits from those addressing basic audit performance issues to those focused on more narrow and complex areas of the audit. The PCAOB has an opportunity to

leverage the extensive knowledge it has gained from the success of the inspection program to support its prevention efforts. Specific ways it might do this include providing the profession with guidance based on best practices it has observed over time, using inspection data to help develop indicators of audit quality to better inform stakeholders, and continuing to refine and enhance the way inspection observations are considered in the PCAOB's standard setting activities (*e.g.*, persistent levels of audit findings in certain areas might indicate that additional standard setting would be beneficial).

A focus on optimizing its use of data from all of its activities will also support the Board's second goal to "*[a]nticipate and respond to the changing environment, including emerging technologies and related risks and opportunities.*" As the business environment continuously evolves, firms must make significant investments in new audit methodologies, technologies, and talent models in order to keep pace. We are confident that the investments we are making in these areas will result in quality improvements and thus serve the interests of the investing public and the companies we audit. The Board's focus on understanding these advances will support continuous improvement in audits by helping the PCAOB to remain nimble and effectively regulate the profession as it evolves toward the audit of the future. We look forward to continuing to engage with the Board as we transform the way in which we conduct audits in the digital age.

We therefore are pleased that the Board intends to continue the consultative approach it took to developing the Plan as it executes its strategy. Specifically, we believe that the Board's third goal, to enhance transparency and accessibility through "*[c]ontinuous and interactive engagement with investors and other stakeholders*" will benefit all of its programs. For example, engagement with the profession during both the development and the implementation of standards supports the profession's ability to comply with those standards. Constructive engagement between the PCAOB and the profession will become even more important as external factors, including technological advances and increasing globalization of the companies we audit, make the audit environment increasingly dynamic.

Engagement with investors can help the PCAOB better understand the information on which they rely, and therefore how the audit might adapt to better meet investor needs in this changing environment. There are many venues in which the PCAOB can engage with investors and other stakeholders, including its own advisory groups. We are supportive of the PCAOB's continued examination of how to maximize these groups' ability to provide timely, relevant, and useful advice to the Board, as well as the Board's consideration of other ways to engage with stakeholders.

We also believe that the Board's focus on the timeliness, usefulness, and clarity of PCAOB information, such as firm inspection reports, will support its engagement with stakeholders, as well as its overall mission, by increasing understanding of the PCAOB's work. The Board could also explore new ways to use the information it has gathered through its inspection program to share insights with investors and other stakeholders about the PCAOB's view of the general state of audit quality.

We are encouraged to see that the Board is considering ways to optimize its own internal operations to reinforce its culture and accountability, as reflected in the last two goals of the Plan. Many of the operational objectives that the Board lays out under its fourth and fifth goals, including the use and security of its own technology and data, and the development of its own professionals, will help the PCAOB support the other aspects of the Plan.

The Board's operational areas of focus are very consistent with those on which the profession must focus as it continues its evolutionary journey. Especially in light of rapid technological advances, it is imperative that the profession is able to attract high quality talent from various fields, while still fostering core audit skills including professional skepticism and professional judgement. We look forward to engaging with the Board about our respective efforts to continue to attract the talent needed to support audit quality, both in the profession and at the PCAOB.

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We appreciate the opportunity to provide our perspectives on the Board's draft strategic plan, and we look forward to engaging further as the Plan is finalized and implemented. As it implements the Plan, we also encourage the Board to leverage its reputation as a strong regulator to influence its international counterparts, in order to promote continued improvement and development of audits for the benefit of investors around the globe.

If you have any questions or would like to discuss our views further, please contact Joe Ucuozglu at (202) 879-3109 or Dave Sullivan at (714) 436-7788.

Sincerely,

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Deloitte & Touche LLP

cc: William D. Duhnke III, Chair
J. Robert Brown, Jr., Board member
Duane M. DesParte, Board member
Kathleen M. Hamm, Board member
James G. Kaiser, Board member
Wesley R. Bricker, Chief Accountant, U.S. Securities & Exchange Commission
Marc A. Panucci, Deputy Chief Accountant, U.S. Securities & Exchange Commission