

Via E-Mail

February 28, 2022

Erica Williams  
Chair  
Public Company Accounting Oversight Board  
100 F Street NE  
Washington, DC 20549

**Re: PCAOB Release No. 2022-001**

Dear Chair Williams and Board Members DesParte, Ho, Stein, and Thompson:

CFA Institute<sup>1</sup> welcomes the opportunity to comment on the Public Company Accounting Oversight Board's ("PCAOB's" or "Board's") Request for Public Comment, [Advisory Groups – Draft Governance Frameworks](#) (the "Request"). CFA Institute has a long history of promoting fair and transparent global capital markets and advocating for strong investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate financial reporting and disclosures – and the related independent audits – provided to investors and other end users are reliable and of high quality.

**Public Due Process**

We laud the new Board's quick action to reestablish the advisory groups. This Request comes within 30-days of the seating of all new Board members and demonstrates, in our view, a commitment to seeking public feedback on the Board's actions. We appreciate the timeliness and responsiveness of the Board in this regard and their outreach to investors during their short tenure. Such actions build transparency, accountability, trust, and engagement with the Board's entire stakeholder community – not simply investors – and demonstrates the Board's willingness to engage in the public interest.

**The Importance of Advisory Groups**

**Advisory Groups, and Investor Participation, Over the Last Three Years** – In 2018, the PCAOB effectively disbanded its two advisory groups<sup>2</sup> after adopting its [2018-2022 strategic plan](#).<sup>3</sup> Over the last three years (the last meeting was in November 2018), CFA Institute expressed concerns to the Board members, and SEC, about the Board's failure to convene advisory groups. We also expressed concern when in early 2021, without any due process, the PCAOB adopted changes to its advisory groups that would have the effect of dissolving the investor advisory group and excluding, from the newly formed Standards Advisory Group, investor input from organizations such as CFA Institute.

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<sup>1</sup> With offices in Charlottesville, New York, Washington, DC, Brussels, Hong Kong, Mumbai, Beijing, Shanghai, Abu Dhabi and London, CFA Institute is a global, not-for-profit professional association of more than 181,000 members, as well as 160 member societies around the world. Members include investment analysts, advisers, portfolio managers, and other investment professionals. CFA Institute administers the Chartered Financial Analyst® (CFA®) Program.

<sup>2</sup> The PCAOB established its Investor Advisory Group (IAG) in July 2009 as a "forum for those representing investors to provide...views and advise on matters affecting investors and the work of the PCAOB." The PCAOB established its Standing Advisory Group in June 2004 "to provide expert advice and recommendations..."

<sup>3</sup> As noted in the [PCAOB Strategic Plan 2018-2022](#) (November 15, 2018): "Numerous commenters addressed our advisory groups, with some supporting a continuation of the existing advisory groups and others supporting significant changes to them. As we reassess our use of advisory groups in connection with Goal 3, Objective 2, we will carefully consider the positions set forth in the comment letters. We expect to announce changes to our advisory groups shortly."

***The Important Function of Advisory Groups, Such as SAG, to the PCAOB*** – CFA Institute has actively engaged with, and been a member of, the PCAOB’s former Standing Advisory Group (“SAG”) during its existence. The public forum of the SAG meetings served several important functions in that the meetings:

- Allowed stakeholders to make positions (other than expressed in comment letters) and conversations public;
- Enabled stakeholders to publicly engage and exchange ideas with each other rather than having conversations directly with the PCAOB – thereby creating a public, interactive exchange of ideas and views; and
- Allowed the public to witness the meetings and the press to communicate the exchange to a broader audience.

We have also witnessed in these public meetings that public statements of participants can bring about consensus and change the direction of projects – for example, as it did with the disclosure of audit partner names, when company CFOs publicly expressed that if they are named so too should audit partners be disclosed.

***The Significance of the Investor Advisory Group*** – Investors believe strongly in the importance of a separate investor advisory group as it provides an important forum where the Board and PCAOB staff can gain an investor perspective on audit issues and where the effects of auditing issues and standards – and the Board’s other activities – can be discussed in an investor-friendly parlance that facilitates understanding and feedback. We believe it is particularly important as an instrument of education for the Board and PCAOB staff – as most do not bring an investor perspective to the auditing process. Gaining this perspective is important as investors are those for whom audits are performed – and investors compensate auditors, the board, management and the PCAOB to look after their investments. That said, audit is a credence good as investors get little insight into the audit and its quality – the good they have purchased. Investors seek to enhance transparency and accountability to be able to measure the quality of the audit. As such, investor perspectives on the actions of PCAOB are key to the PCAOB’s effectiveness in serving investors and the public interest.

### ***The Proposed Investor Advisory Group (“IAG”) and Standards and Emerging Issues Advisory Group (“SEIAG”) Frameworks***

With our overarching perspectives on the importance of the advisory groups established above, we provide specific comments on the IAG and SEIAG as proposed in the Request as follows:

- 1) ***Investor Advisory Group (“IAG”)*** – We support the various dimensions of the IAG as articulated on Page 2 of the Request.
  - a. ***Purpose & Role*** – We would observe that the Purpose & Scope of the IAG seems to be broader and more comprehensive than that of the SEIAG. We welcome that as the nature of items investors may want to discuss with the Board and PCAOB staff may be broader than simply standards and emerging issues. See also our discussion on the Purpose & Role of the SEIAG below.
  - b. ***Coordination with SEIAG*** – We support the cross membership of one member between the IAG and SEIAG. We also believe it is important to that the PCAOB describe the coordination between the IAG and SEIAG as it relates to the timing of meetings and topics covered. We believe there should be a degree of cohesiveness of meetings and topics between the two so as to amplify the benefits of the committees.
- 2) ***Standards and Emerging Issues Advisory Group (“SEIAG”)*** –
  - a. ***Purpose & Role*** – We believe that the purpose and role may need to be broader than “*on matters other than standards that are of significance to the PCAOB, including emerging audit issues.*” For example, we have suggested the PCAOB undertake a revised strategic review. This would be

a topic we think would be a useful conversation with a SEIAG. We wonder whether such a topic of discussion is included in this definition.

- b. **Size & Composition** – We believe the size of the SEIAG is reasonable – giving sufficient size to obtain a diversity of views while not being unmanageable. We support the comments included in the letter from the Council of Institutional investors related to bullet #2 under composition.
- c. **Leadership** – We believe the SEIAG being Chaired by the Chief Auditor may limit the Purpose and Role to standards. We believe there may need to be a broader scope that necessitates engagement/leadership from other areas within the PCAOB. We also believe that – like other advisory committees at, for example, the FASB and IASB – that the group may need a Co-Chair who is a member of the SEIAG from outside the PCAOB. We believe this approach provides a degree of balance and perceived independence in the topics discussed.
- d. **Coordination with IAG** – See above.
- e. **Other** – The previous SAG included a Technology Task Force. This is not discussed in the materials. We would like such a task force should continue as we believe technology is an important element of the future of audit.

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Thank you for your consideration of our views and perspectives. We believe addressing the status of the advisory committees promptly is an important demonstration to the public, especially investors, of the PCAOB's commitment and forward direction. We would welcome the opportunity to meet with you should you have any questions on, or seek further elaboration of, our views. I may be contacted by email at [sandra.peters@cfainstitute.org](mailto:sandra.peters@cfainstitute.org) or by phone at 347.413.0774.

Sincerely,

/s/ Sandra J. Peters

Sandra J. Peters, CPA, CFA  
Senior Head, Global Financial Reporting Policy Advocacy  
CFA Institute

CC: Phoebe Brown, Office of Secretary, PCAOB  
SEC Chair Gary Gensler  
SEC Commissioner Hester Peirce  
SEC Commissioner Allison Heron Lee  
SEC Commissioner Caroline Crenshaw  
SEC Acting Chief Accountant Paul Munter