

PCAOB INVESTOR ADVISORY GROUP INVESTOR SURVEY

Background

As members of the PCAOB's Investor Advisory Group (see http://pcaobus.org/About/Advisory/Pages/Investor_Advisory_Group_Members.aspx), we are very interested in presenting a broad cross-section of investor views when we meet with the PCAOB's board members and senior staff. In an attempt to inform our recommendations, we have developed a very brief survey that we are asking representatives from your organization to complete. The survey should take no longer than 10-15 minutes to complete.

We are asking at least one governance professional and at least one portfolio manager or senior analyst from your organization to complete the survey. We are requesting responses from your organization by June 30th. The survey can be accessed at: INSERT URL.

Feel free to contact either Joe Carcello (icarcell@utk.edu; 865-974-1757) or Ann Yerger (ann@cii.org; 202-261-7098) if you have any questions.

Thank you in advance for your help.

Demographic Characteristics

1. Please best describe your role at your employer.
 - a. Chief investment officer
 - b. Governance officer
 - c. Portfolio manager – equity
 - d. Portfolio manager – fixed income
 - e. Senior analyst – equity
 - f. Senior analyst – fixed income

2. Please best describe the nature of your employer's business.
 - a. Company-sponsored pension fund
 - b. Endowment
 - c. Hedge fund
 - d. Life insurance company
 - e. Mutual fund
 - f. Private equity fund
 - g. Public pension fund
 - h. Union pension fund
 - i. Other (please specify)

3. Please estimate the assets under management held by your employer (please explicitly indicate whether millions, billions, or trillions).

4. Please evaluate your own level of knowledge about how external audits are performed and the details of the audit process.

(Use 5-point Likert scale – very low; low; medium; high; very high)

Financial Reporting and Auditing

1. As you think about the financial statements (including disclosures) of public companies, how much do you rely on the auditor's opinion that the financial statements are prepared in accordance with GAAP?

(Use a 4-point Likert scale – extensively; a good bit; a little; not at all)

Please briefly explain the reason for your answer.

2. How much do you rely on the auditor's opinion that internal control over financial reporting is effective?

(Use same 4-point Likert scale)

Please briefly explain the reason for your answer.

3. What would be the effect on your level of confidence as an investor if public companies were no longer required to have their financial statements audited?

(Use 4-point Likert scale – substantially reduced; reduced a good bit; reduced a little; not reduced at all)

Please briefly explain the reason for your answer.

4. Do you believe that adequate regulatory safeguards exist to ensure that an audit firm's independence will not be impaired by its reliance on income streams produced by other segments of its business (e.g., other non-audit services, taxation, consulting)?

(Use 5-point Likert scale – strongly agree; agree; neutral; disagree; strongly disagree)

5. With respect to the previous question, do you believe you have (or have access to) the information needed to make this assessment?

(Use 4-point scale – I have all of the information I need; I have most of the information I need; I have some of the information I need; I have none of the information I need)

Please briefly explain the reason for your answer, particularly if you feel you lack information needed to evaluate threats to the independence of the external auditor.

6. Recognizing that fees paid to external auditors ultimately come out of corporate profits, do you feel that the scope of the standard independent audit is appropriate and sufficient (i.e., do you want the scope of the external audit to be expanded)?

(Use 3-point scale – the scope of the external audit should be expanded; the scope of the external audit is about right; the scope of the external audit should be reduced)

Please briefly explain the reason for your answer, particularly if you think the scope of the external audit should be expanded or reduced.

7. In evaluating the quality of the external auditor of the companies in which you have invested, do you feel you have adequate information?

(Use 4-point scale – I have all of the information I need; I have most of the information I need; I have some of the information I need; I have none of the information I need)

Please briefly explain the reason for your answer, particularly if you feel you lack information needed to evaluate the quality of the external auditor.

8. The PCAOB is working to develop a listing of audit quality indicators to help investors and audit committees assess audit quality. Please assess the importance of various possible audit quality indicators in the following areas.

	Very Important	Somewhat Important	Not Important
Partner workload			
Staff workload			
Audit team turnover			
Partner professional experience			
Staff professional experience			
Partner industry experience			
Staff industry experience			
Supervision & review			

	Very Important	Somewhat Important	Not Important
Firm tone at the top			
Firm investment in audit tools, technologies, etc.			
Focus on audit quality in firm evaluations and compensation			
PCAOB inspection findings			
Litigation against auditor			
Number of restatements by companies audited by the current audit firm			
Number of financial statement frauds where the auditor was the current audit firm			
Number of "clean" audit reports before a bankruptcy where the auditor was the current audit firm			
Number of "clean" internal control over financial reporting reports before a material weakness where the auditor was the current audit firm			

9. How confident are you that the audit committees of the companies in which you have invested are adequately representing the interests of your firm and other investors?

Use 4-point Likert scale – completely; a little; a good bit; not at all)

Please briefly explain your answer, particularly if you feel that typical audit committees are not adequately representing the interests of your firm and other investors.