



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

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

2012 – 2016

November 30, 2012

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Chairman's Message

During the course of 2011, the Board developed a new five year strategic plan, which built upon the work of prior years, to guide the organization's programs, operations and development of its budgets. The plan was structured around three overarching goals – knowledge, relevance, and people. For the first time, this plan also included a detailed analysis of the Board's views of the organization's strengths, weaknesses, opportunities and threats.

This document is an update to that five year plan and reflects accomplishments and adjustments to the Board's priorities, in light of recent developments, changing circumstances and new challenges over the past year.

The Board plans to continue to update this strategic plan on an annual basis in conjunction with the development of its annual budgets and will reconsider the overall structure and approach to the plan in the future, as appropriate in light of changes in the auditing and financial reporting environment, as well as the PCAOB's operational environment.

Developments Since November 2011

Since November 30, 2011, when the Board issued its five year strategic plan, several developments – some anticipated and some unanticipated – have affected the Board's programs, operations and/or resource needs and have caused the Board to further refine its strategies. Among these developments are –

- ***Increase in Non-U.S. Inspections:*** A significant increase in the number of PCAOB inspections of non-U.S. firms over prior years, made possible in part by an increasing number of cooperative arrangements with regulators in other jurisdictions;
- ***Development of Global Network Firm Program:*** The further development and implementation of the PCAOB's global network firm program, which has allowed inspection staff to address, with more specificity, the risks presented by the firms' global network structures and to develop a more robust analysis of quality control deficiencies in firms in these networks;
- ***High Number of Deficiencies Identified and Increased Focus on Root Cause in Inspections:*** The continuing trend of a high number of deficiencies identified in inspections and the PCAOB's increased focus on the firms' internal root cause analyses with respect to these deficiencies and related firm efforts to remediate effectively;
- ***Broker Dealer Audit Firm Inspection Program:*** Insights gained from the PCAOB's initial implementation of the Dodd-Frank Wall Street Reform and

Consumer Protection Act, including observations from the PCAOB's new interim inspection program that examines the audits of brokers and dealers;

- ***Insights and Data on Standard-Setting Projects through Public Meetings and Comment Process:*** Collection of new insights, perspectives, and data through public meetings, the public comment process on proposed rules and standards, and research on the relevance, reliability and credibility of the audit – including projects on auditor independence and transparency;
- ***Adoption of Audit Committee Communication Standard:*** Further implementation of the Board's standard-setting agenda, including adoption of a new audit committee communication standard;
- ***Issuance of a Release for Audit Committees on the PCAOB Inspection Process:*** The PCAOB's further contribution to improving the quality of corporate governance, by enhancing audit committees', investors' and others' understanding of the PCAOB's work, including the PCAOB's inspection process, through the issuance of a release for audit committees;
- ***Recent Legislation – Jumpstart Our Business Startups Act:*** Recent legislation in the form of the Jumpstart Our Business Startups Act ("JOBS Act"), and the Board's consideration of implications of this development for the Board's programs, operations and resource needs (The PCAOB expects to continue to devote significant time and resources to preparing analyses to assist the Securities and Exchange Commission in making JOBS Act determinations, as well as continuing to explore ways to further incorporate economic analysis into its rulemaking processes.);
- ***Implementation of IT Governance Framework:*** Implementation of a more robust governance framework and an information technology ("IT") strategic plan, and consideration of an enterprise architecture for the Board's IT program; and
- ***Refocusing of Research and Analysis Function:*** Reorganizing and refocusing under a new director the Board's research and analysis function.

Updates to the Plan

In light of these developments and our experience in executing our strategies under last year's five year plan, we have updated the plan to reflect modest changes, including among other things, (1) a new strategy to underscore the continuing development of the PCAOB's global network firm program; (2) a new strategy related to standard-setting for audits of emerging growth companies, in light of recent legislative developments; (3) an updated strategy related to managing knowledge and leveraging IT, reflecting enhancements to the PCAOB's IT governance and the appointment of a new director of the PCAOB's research and analysis function; and (4) revisions to the strategies related

to establishing a Center for Excellence, to take into account the guidance and advice of the new director of research and analysis.

In addition, we have updated the results for the performance measures, which have remained consistent with those in last year's plan, to reflect activity in 2011 and projected activity for 2012 and 2013. As the Board's analysis of its strengths, weaknesses, opportunities and threats evolves to reflect changing circumstances, new challenges and execution of strategies, we will further evaluate these measures.

Near Term Priorities

While the updated plan lays out the Board's goals, objectives and strategies over the next five years and we will continue to work to undertake those strategies to meet stated objectives and goals to achieve our mission, the Board views the following as priority projects for 2013 –

- Improving the timeliness, content and readability of inspection reports, including through outreach designed to improve usefulness of reports;
- Improving the timeliness of remediation determinations and providing additional information on the PCAOB's remediation process;
- 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;
- 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;
- Enhancing the framework for the PCAOB's standard-setting process in order to improve the effectiveness of the process as well as the standard-setting project tracking information provided to the investing public; and
- Enhancing PCAOB's outreach to and interaction with audit committees to constructively engage in areas of common interest, including auditor independence and audit quality.

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With all of our activities, as reflected and summarized in the foregoing, we take pride in the accomplishments and commitment of our staff and our confidence in the sense of mission exhibited throughout the PCAOB.

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 development of our budgets, in the coming years.

The Sarbanes-Oxley Act of 2002 (the "Act") established the PCAOB to oversee the audits of the financial statements of public companies.¹ In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") amended the Sarbanes-Oxley Act and, among other things, vested the PCAOB with the authority to oversee the audits of the financial statements and related review of selected practices and procedures of broker-dealers. The PCAOB's statutory mission is 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. The PCAOB is also charged with overseeing the audits of broker-dealer compliance reports under federal securities laws, to promote investor protection.

The Act charges the PCAOB to conduct its oversight of registered public accounting firms by establishing and enforcing, through inspections and discipline, auditing and related professional practice standards. In order to do so, we have designed our programs based on the components of this mandate but with a view to integrating structurally those programs' strategies and objectives. Thus, our programs are designed to address four primary responsibilities: (i) registration of accounting firms; (ii) inspections of registered firms' audits and quality control; (iii) establishment of auditing and related attestation, quality control, ethics, and independence standards for registered public accounting firms; and (iv) investigation and discipline of registered public accounting firms and their associated persons for violations of specified laws or professional standards. We recognize that meeting each of these responsibilities requires devotion of substantial attention and resources to analyzing information obtained in our inspections, investigations, and otherwise, in order to identify risks that may have resulted in, or could lead to, audit, quality control, ethics or independence failures by registered firms. We also use such analysis to identify weaknesses in, and appropriate improvements to, auditing and related professional practice standards and in considering a 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 in light of lessons learned through performance of our mission and other means.

¹ This plan uses the term "U.S. 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 that have either registered, or are in the process of registering, a class of securities with the Securities and Exchange Commission or are otherwise subject to its reporting requirements.

The Act gives the Securities and Exchange Commission (the "SEC" or the "Commission") 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 are also subject to SEC approval. And, as provided in the Act, adverse PCAOB inspection reports, remediation determinations, and disciplinary actions against registered firms and their associated persons are subject to review by the SEC.

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 budget, this Strategic Plan provides the framework for developing the PCAOB annual budget. Specifically, we have established the following three overarching goals –

- Goal 1: Our Knowledge: Foster maximum, effective use of the unique insight afforded the PCAOB into audit issues that enables the PCAOB to further investor protection**
- Goal 2: Our Relevance: Enhance the relevance, quality and transparency of the audit and strengthen skepticism, independence and objectivity in audit firm culture for the benefit of the investing public**
- Goal 3: Our People: Establish a workplace culture that promotes excellence, integrity, diversity, respect, fairness, accountability, continuous learning and careful stewardship of 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 quality and continual learning in an environment that demands the highest personal and professional conduct exercised in a consistent, equitable and balanced manner.
- ◆ **Teamwork and Diversity:** We are committed to maintaining a collaborative work environment based upon a culture of openness, cooperation, trust and respect. We are committed to enhancing our practice of inclusiveness and to seeking to enrich our programs through a staff that brings a diversity of experience, skills, cultures, and backgrounds.

Update on Analysis of and Response to 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. As part of this process, we have considered the PCAOB's *strengths* (characteristics that should endure and can be used for the PCAOB to achieve its mission), *weaknesses* (characteristics or obstacles that can be addressed or improved upon for the PCAOB to achieve its mission), *opportunities* (external factors and situations that could allow the PCAOB to further its mission) and *threats* (external challenges that may adversely affect the PCAOB's programs and operations or prevent the PCAOB from achieving its mission).²

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, correcting its weaknesses, making appropriate use of opportunities and addressing and minimizing its threats ("SWOT analysis").

We have monitored and will continue to monitor these issues and have adjusted and are prepared to further adjust our goals, objectives, and strategies, as necessary and appropriate, in light of changes in the environment.

The Board included a detailed description of its SWOT analysis in its five year strategic plan, issued on November 30, 2011. This update to that five year plan discusses the extent to which, if at all, the Board's view of its strengths, weaknesses, opportunities, and threats has changed over the past year, and highlights some examples of how the Board has addressed or plans to address these issues in the near term and what challenges remain.

Strengths

The Board continues to leverage its core strengths. These include the PCAOB's independence and institutional credibility; experienced and knowledgeable staff who are committed to our mission; a robust foundation for oversight; and unique data and analysis related to audits based on nine years of inspection and enforcement experience. We also benefit from our close working relationships with other regulators and standard setters, including the SEC, the Financial Accounting Standards Board ("FASB"), the Financial Industry Regulatory Authority ("FINRA"), and other U.S. and

² While we have categorized these issues into these four areas, there may be overlap between these categories. For example, certain weaknesses and threats present opportunities for the PCAOB to further its mission to protect investors. Also, certain issues may be viewed as both a strength and an opportunity or both a weakness and a threat.

non-U.S. regulators and standard setters. The Board has leveraged these strengths over the past year and will continue to focus on these strengths in the near term. For example –

- Staff expertise and knowledge of audit practices, together with the interaction of experienced inspections teams and the audit engagement teams with firm leaders, continue to contribute to the robustness of our oversight programs and have driven improvements in audit quality. We will continue to build on this foundation by continually challenging ourselves and audit firms to foster further improvements.
- We continue to explore ways to enhance the robust foundation for oversight, including strengthening the synergy among our core regulatory programs. We have, for example, monitored and will continue to monitor the implementation of new audit standards, such as engagement quality review and risk assessment, through our inspection program.
- Through our continued efforts to leverage information technology and enhance related processes, we are focused on making the most effective and efficient use of the unique data and analysis related to audits based on nine years of inspections and enforcement experience.
- This past year, we have continued to strengthen our working relationships with the SEC, FASB, FINRA and other U.S. and non-U.S. regulators and standard setters. In particular, we have coordinated investigations, as appropriate, with the SEC, state, or other appropriate regulators, including by sharing appropriate information with such regulators as permitted by the Act and Board's rules. We have also taken into consideration the work of other standard setters, such as FASB, the International Accounting Standards Board ("IASB"), and the International Auditing and Assurance Standards Board ("IAASB"), as it relates to our standard-setting projects. We continue to work closely with non-U.S. audit regulators to enable information sharing, joint inspections or PCAOB-only inspections, as appropriate, of registered non-U.S. firms. The Board also has continued to play a leadership role in IFIAR. We will continue to build on these relationships and others to support our programs and further our mission in the near term.
- Through enhanced staffing resources devoted to our inspection report process, we have largely eliminated a backlog of inspection reports of triennial firms and improved the timeliness of completion of all firm inspection reports.

Weaknesses

The Board continues to address and, where possible, correct weaknesses in the following areas: the non-public nature of the Board's disciplinary process under the Act, which would require legislative action to remedy; restrictions on public reporting of our

analysis of inspection results to the investing public, including audit committees; developing career and leadership opportunities for PCAOB staff; and information technology governance and enterprise architecture.

While the Board has taken some steps over the past year to mitigate these weaknesses, we will continue to focus on these issues and adjust our strategies, as appropriate, to further address these issues. For example –

- Board members and PCAOB staff have – through speeches, testimony, and otherwise – made efforts to inform interested constituencies about the benefits of public enforcement and the concurrent limitations of the confidentiality of PCAOB-filed enforcement proceedings. We will continue such outreach efforts as well as continue to seek the authority to conduct our disciplinary process in public in order to inform the profession and public of our view of the requirements of the standards and rules.
- Over the past year, the Board has worked closely with program leadership to report firm inspection results that are both timely and meaningful. In particular, over the past year, we have made enhancements and devoted additional resources to our reporting process, with a concerted effort to reduce the amount of time to issue inspection reports. We will continue to devote resources to maintain recently gained efficiencies in the reporting process while not sacrificing the quality or relevance of the reports in that process. We will also continue to focus on improving the processing of remediation submissions and addressing any related backlog issues.
- Through the medium of PCAOB Rule 4010, we publish, from time to time, summaries on inspections. We are in the process of developing summary reports on inspections of annual firms, inspections of triennial firms, and inspections findings related to internal control over financial reporting. We also issued under PCAOB Rule 4020T a progress report on the interim inspection program for audits of broker-dealers. In a continual effort to improve our processes and enhance the relevancy of the audit, we also plan to enhance our outreach efforts to seek feedback from report users on ways to improve our summary reports.
- Under the leadership of a new deputy chief administrative officer overseeing information technology, the PCAOB has adopted an information technology governance framework and implemented an IT strategic plan. We also plan to develop an enterprise architecture for the Board's IT program.
- For the past year, we have devoted resources to develop career and leadership opportunities for PCAOB staff in a continued effort to address hiring and retention challenges in a competitive market. We have launched a learning and development program, which includes, among other things, management training courses and leadership coaching. We anticipate further developing and refining

such opportunities, based on staff's and the Board's experience with this program.

Opportunities

Certain situations continue to provide the Board with the opportunity to further its mission and enhance the effectiveness of its programs. These situations include the global debate on improving the relevance and quality of the audit; the Board's new authority under the Dodd-Frank Act to share information with non-U.S. regulators on a confidential basis; the continual interaction among our standard-setting, inspections, research and analysis, and enforcement programs; public interest in PCAOB information; availability of sophisticated information, data management and analysis technology; and our new oversight authority over broker-dealer audits. In addition, the Board has the opportunity to use its regulatory experience to identify and respond to environmental risks, such as emerging markets, continuing effects of the global financial crisis, audits under International Financial Reporting Standards ("IFRS"), the growth of consulting and other business practices at large firms.

The Board has made use of these opportunities over the past year and will continue to leverage these opportunities in the near term. For example –

- This past year, through public meetings, meetings of its standing advisory and investor advisory groups, and the comment process, the Board has made an effort to ensure that competing views were heard and that there was a full opportunity for factual development of the arguments with respect to a variety of issues, including auditor independence and professional skepticism, transparency, the auditing reporting model, audit committee communications, and related parties. We will continue to engage interested parties on these and other issues.
- The Board's new authority under the Dodd-Frank Act to share information with non-U.S. regulators on a confidential basis has allowed and will continue to allow the Board to further strengthen its cross-border coordination of inspections and investigations and enhance the Board's ability to oversee registered firms outside of the United States.
- We have continued to refine our programs in response to changes in environmental factors. With this in view, we plan to enhance our information flow of firm business metrics to include trends in per partner metrics as well as business metrics of other lines of businesses. We have also continued to provide training with respect to IFRS and expect to continue to gain a better understanding of auditability issues between the PCAOB's auditing standards and IFRS, as we inspect more audits of financial statements prepared under IFRS. We will continue to monitor the changing environment and adjust our programs, as appropriate.

- Given the increased public interest in information about the PCAOB, the Board issued a summary report on the progress of the interim inspection program for audits of broker-dealers, and is in the process of developing other summary inspection reports under PCAOB Rule 4010. The Board also issued a release to enhance the understanding of audit committees, investors and others about the PCAOB's inspection process and inspection reports, including firms' responses to those reports. In addition, the Board has continued hosting its Forums on Auditing in the Small Business Environment and expanded recent Forums on Auditing Smaller Broker-Dealers to provide information about the Board's work, including its inspections process and the impact of new auditing standards.
- Over the past year, to maximize its data management and analysis capabilities, the Board has focused on implementing a more robust governance framework for its information technology program, reviewing significant information technology projects, and reviewing the scope and effectiveness of its research and analysis function.
- The Board has used its nine years of experience in establishing a robust risk-based public company auditor oversight program as the foundation for the development of a new broker-dealer auditor oversight program. Our inspection staff is conducting reviews of broker-dealer audits under an interim inspections program. In addition, the Board is gathering and analyzing information to help inform its future decisions regarding significant elements of a permanent inspection program.

In addition to these previously identified opportunities, the Board recognizes an additional potential opportunity – through its global network firm inspection program – to address certain impediments posed by the structure of large global auditing networks in identifying and analyzing systemic root causes of audit failures in firms that are affiliated with these networks. Through our global network firm inspection program, the Board is focused on addressing the structural obstacles to analyzing root causes of audit failures in firms which are affiliated with large global audit networks. While the public may perceive these networks as a single entity, from the perspective of the Board's authority to register and to inspect, these firms are a collection of individual, separately registered firms. Although large multinational audit firms design and, to some extent, implement quality control procedures on a global basis, the effectiveness of these procedures varies from affiliate to affiliate. We will continue to refine our programs in an effort to gain insight into how these centralized quality control systems operate and contribute to underlying root causes of audit failures in the separately registered firms within these networks.

Threats

The Board continues to face certain challenges that could adversely affect our programs or operations or prevent us from achieving our mission. These challenges include a competitive market for hiring and retaining experienced auditors, lack of

access to certain non-U.S. firms, and potential disengagement by non-U.S. regulators from a meaningful joint inspection process. To address the ongoing risk related to audit failures, we have designed a rigorous standard-setting program, thorough and competent inspection procedures and appropriate enforcement to maintain public confidence.

While the Board has made some progress in the past year in minimizing these challenges, we will continue to further refine our strategies to address these issues. For example –

- In an effort to address hiring and retention challenges, the Board has implemented and will continue to implement a number of strategies including outsourcing certain aspects of the recruiting process, opening or building out additional satellite locations, and closely monitoring the competitiveness of our total compensation packages.
- With respect to access to non-U.S. firms, the Board continues its efforts to meet with its non-U.S. counterparts and finalize cooperative arrangements for inspections. In 2012, the PCAOB expects to conduct approximately 220 domestic inspections and over 75 non-U.S. inspections in 25 jurisdictions. Since November 30, 2011, the PCAOB has entered into cooperative arrangements with the Netherlands, Germany, Spain, and Dubai, United Arab Emirates. In addition, as an interim step towards joint inspections in China, the PCAOB reached agreement with the Chinese authorities on a set of protocols allowing the PCAOB to observe an inspection of the quality control system of a registered accounting firm in China. As discussed with the Chinese authorities, the PCAOB expects that further observation exercises will be scheduled in the coming months. The Board will also continue its efforts to reach cooperative arrangements with certain countries in the European Union, Asia-Pacific, Latin America, and Middle East to enable information sharing, joint inspections or PCAOB-only inspections, as appropriate, with respect to registered non-U.S. firms. While progress may not be consistent across the globe, the Board will also continue to provide appropriate disclosure and consider other steps to make investors and others aware of continuing limitations on our access to registered firms abroad.
- The Board has taken steps and will continue to educate non-U.S. regulators – through its international institute, international meetings of audit regulators and otherwise – as to the value of joint inspections to the investing public in addressing audit risk.

Goals, Objectives and Strategies

Goal 1: Our Knowledge: Foster maximum, effective use of the unique insight afforded the PCAOB into audit issues that enables the PCAOB to further investor protection

Objectives:

A. Address the major issues of historical and emerging audit trends with full participation of a broad cross-section of investors, preparers, auditors, academics and the public

Strategies

- Enhance the standard-setting and rulemaking process through rigorous research, roundtables, consultation, task forces and public exposure, engaging interested parties with a variety of perspectives
- Use the Standing Advisory and Investor Advisory Groups to obtain the views of knowledgeable persons, and evaluate the use of these and other groups
- Seek insight from the academic community through our academic conference and other outreach
- Use the knowledge gained from our oversight activities and outreach to demonstrate thought leadership by publishing audit practice alerts, summary reports, research notes, policy statements, interpretative releases, speeches and other means
- Participate in and, where appropriate, take a lead in regional, national and international meetings and conferences to share knowledge and contribute to the debate on issues relevant to auditor oversight
- Refine the standard-setting process as applicable to audits of emerging growth companies and provide support to the SEC for its determination about whether new standards should apply to those companies, adding new skills and disciplines as appropriate

B. Respond to audit risks, understand root causes of, and learn from, audit failures, and communicate effective audit practices

Strategies

- Continue to develop (1) the strategy and structure of the global network firm inspections program, (2) the capabilities of its teams, and (3) the techniques used by its teams throughout all phases of a global network firm inspection
- Assess and respond to audit risk through evaluating (1) firms' actions to identify root causes of audit failures and quality control deficiencies, (2) firms' policies for internal inspections, (3) firms' remediation efforts, and

- (4) global network firm inspections' effectiveness, and refining inspection policies and procedures, where appropriate
- Through the Board's remediation framework, evaluate on a timely basis a firm's effort to identify potential systemic root causes within a firm's organizational structure, operations, policies and processes or other areas that detract from or cause deficiencies in audit quality; in making the evaluation, consider the firm's prior inspection results, current year findings, progress, and/or remediation efforts
- Assess and respond to audit deficiencies by conducting timely investigations and disciplinary proceedings
- Assess and respond to audit risk to enhance investor protection through improved audit quality by (1) developing new and updating current audit and related professional standards; (2) publishing appropriate implementation and other guidance; (3) publishing timely staff practice alerts in response to identified audit and financial reporting risks; and (4) assessing the effectiveness of the implementation of the Board's new standards
- Use risk analysis to guide inspections and investigations and to establish the standard-setting agenda, with a focus on addressing risks associated with (1) global networks of firms, (2) foreign markets, including China, (3) effects of the global financial crisis, (4) audits of financial statements under IFRS, and (5) growth of consulting practices at the largest firms
- Establish a regulatory and operational infrastructure to carry out new oversight authority relating to broker-dealer auditors by conducting an interim inspection program, gathering and analyzing information to help inform the Board's determinations about the elements of a permanent inspection program, including developing the approach to these inspections, and considering and adopting standards

C. Collect and analyze relevant data and unique knowledge, leveraging information technology as appropriate and communicate our findings as appropriate to the accounting profession and the public

Strategies

- Analyze information obtained through oversight activities and external sources – including the PCAOB tips center – to support PCAOB programs with robust assessments of risks of audit or related professional practice standard failures by registered public accounting firms
- Manage knowledge across the PCAOB's programs and operations, by leveraging IT systems under an enhanced IT governance framework and considering the scope and capabilities of the Board's research and analysis function under the leadership of a new director of this function
- Through our policy statements, other communications, and enhanced outreach, encourage audit committees, investors and others to seek a full understanding of the PCAOB's inspection process and inspection reports

- Initiate 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

D. Cooperate with and facilitate financial reporting and auditing initiatives among the SEC, FASB, FINRA, the IASB, the IAASB and other appropriate U.S. and non-U.S. regulators and standard setters

Strategies

- Analyze information obtained in inspections and other oversight activities to identify problems related to the implementation of accounting and financial reporting requirements and report findings to appropriate standard setters
- Coordinate investigations with the SEC and other regulators
- Consider the work of and coordinate with the SEC, FASB, and IASB to share comments and views on auditability of new or proposed accounting standards and, as appropriate, seek feedback on proposed auditing standards
- Collaborate with other auditing standard setters and regulators to foster better audit quality globally

Goal 2: Our Relevance: Enhance the relevance, quality, and transparency of the audit and strengthen skepticism, independence and objectivity 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

Strategies

- Seek insight through research, roundtables, consultation and public exposure into potential changes to the auditor's reporting model
- Consider and adopt appropriate standards and rules to implement changes to the audit report

B. Enhance auditors' professional skepticism, independence and objectivity

Strategies

- Monitor and hold auditors to high standards of professional skepticism, independence and objectivity through inspections and, where necessary, disciplinary proceedings
- Seek insight through research, roundtables, consultation, economic analysis, and public exposure on developing approaches to enhance

professional skepticism, independence and objectivity of auditors, including consideration of mandatory audit firm rotation, and other possible solutions

C. Improve transparency related to the PCAOB's activities and registered accounting firms, including members of large global networks, smaller public accounting firms, and broker-dealer accounting firms

Strategies

- Issue timely and meaningful inspection reports and summary reports, pursuant to Rule 4010, that communicate the PCAOB's analysis of its inspection findings and enhance outreach efforts to seek feedback from report users on ways to improve these reports
- Develop clear and convincing messages to educate the public about the work of the PCAOB
- Seek insight from interested parties and receive and respond to questions and other concerns
- Continue to inform interested constituencies about the benefits of public enforcement and the concurrent limitations of the confidentiality of PCAOB-filed enforcement proceedings
- Communicate with Congress and appropriate federal and state agencies with respect to the PCAOB's accomplishments, policies, goals, and impediments
- Educate through Forums on Auditing in the Small Business Environment and on Auditing Smaller Broker-Dealers
- Propose a reorganization of PCAOB auditing standards
- Improve transparency into the audit process, including consideration of identifying audit partners and other accounting firms participating in audits
- Disseminate appropriate and useful information about registered public accounting firms to the public in a timely and meaningful manner, including through reviewing and enhancing the PCAOB's website to make it more useful for the investing public

D. Communicate the PCAOB's contribution to improving the quality of corporate governance

Strategies

- Enhance audit committees', investors' and others' understanding of the PCAOB's work, including inspection results through the issuance of reports and other communications and enhanced outreach to achieve these objectives and to reach the intended audience
- Develop concise, summary-level reporting on the state of audit quality and other relevant information about auditing for use by those in corporate governance as well as other interested parties
- Develop methodologies and procedures to monitor the implementation of new standards enhancing communications between auditors and audit committees

E. Contribute leadership to establish effective and practical cross-border oversight of auditing to the global economy

Strategies

- Negotiate bilateral arrangements for cross-border inspections and information sharing
- Facilitate joint inspections of non-U.S. registered accounting firms
- Host and participate in educational and technical assistance programs for non-U.S. audit regulators
- Collaborate with non-U.S. audit regulators and contribute leadership to and participate in international meetings of audit regulators, including plenary and working group meetings of IFIAR
- Consider whether additional steps should be taken to protect investors in U.S. public companies that are audited by registered firms located in jurisdictions that do not allow the Board to conduct inspections

F. Establish a Center for Excellence

Strategies

- Determine the scope and capabilities of the Board's research and analysis function in light of its new director's strategy, such strategy's relationship to fraud detection and prevention and to the potential development of a PCAOB Center for Excellence, which would facilitate detection and prevention of financial reporting fraud and provide training for PCAOB staff in the area of fraud risk assessment
- With insight from the new director of the Board's research and analysis function and input from the Standing Advisory Group, engage a consultant and/or commission academic research to assist in the Board's consideration of next steps for a PCAOB Center for Excellence

- Consider information from the module of the Forums on Auditing in the Small Business Environment and Forums on Auditing Smaller Broker-Dealers, designed to gather information related to the detection and prevention of fraud

Goal 3: Our People: Establish a workplace culture that promotes excellence, integrity, diversity, respect, fairness, accountability, continuous learning and careful stewardship of our resources

Objectives:

A. Attract, retain and develop highly qualified individuals with the utmost integrity

Strategies

- Enhance the integrity of the PCAOB's programs and operations by continuously maintaining robust ethics, compliance, and internal oversight functions
- Focus on recruiting experienced and knowledgeable individuals with diverse backgrounds by enhancing and routinely reevaluating (and adjusting, if necessary) the scope, breadth, and rigor of recruiting activities to meet staffing objectives designed to achieve the mission
- Develop and implement appropriate initiatives identified in connection with the PCAOB's evaluations of its compensation and benefit program and employee satisfaction, including career and leadership development, cross-divisional training opportunities, succession planning, work-life balance components, competitive performance-based compensation and performance-management improvements

B. Foster intellectual and technical growth by developing a high caliber training program in accounting, auditing, fraud detection and leadership for the PCAOB and other appropriate regulatory bodies

Strategies

- Enhance the PCAOB's training programs and develop initiatives to deepen technical and other skills, including IFRS, fair value, and management skills
- Develop internal and external training on new PCAOB standards
- Develop resource materials, outreach, and training on fraud detection and prevention in connection with the Center for Excellence

C. Create a diverse, team-oriented, collaborative workforce that responds thoughtfully and rapidly to emerging audit issues and risks

Strategies

- Develop mechanisms to foster meaningful internal communications, including opportunities for an exchange of diverse views, among and within PCAOB's divisions and offices and between the Board and PCAOB staff
- Establish and maintain a challenging work environment that rewards excellence
- Assess and adjust, as necessary, the mix of resources – including staffing, information technology, specialized knowledge and services – in the PCAOB's programs and operations
- Facilitate collaboration and teamwork among and within PCAOB's divisions and offices and between the Board and PCAOB staff
- Continue to monitor and improve our internal processes and systems in budgeting and internal control functions to maintain updated, sound financial and risk management principles for the most effective use and stewardship of PCAOB resources

Performance Measurement

We will seek to ascertain our progress with respect to meeting our goals and objectives over the next five years, relying on a combination of qualitative as well as quantitative measures. Qualitative measures include discussions such as those found in PCAOB Rule 4010 reports, and other descriptive summaries of registered firms' audit practices that reflect the effect of the PCAOB's oversight activities. Quantitative measures, conversely, are those that may be appropriate for some objectives and may assist in demonstrating our ability to achieve results. If misconstrued or ill-defined, however, such quantitative measures may also lead to counter-productive, output-only based behaviors. For example, while simply counting the number of attendees at the PCAOB's outreach events may be useful, such statistics would ignore the more critical question of whether the information provided at such events is of value to those regulated by the PCAOB or to the investing public. Similarly, the raw number of PCAOB inspection findings, investigations or disciplinary actions during a specific time period, while useful, is less important than the improvements to audit quality that result from the PCAOB's inspection and enforcement functions, especially given the PCAOB's risk focused approach to inspections.

Recognizing these inherent limitations, we have established certain quantifiable performance measures and indicators, which are designed to assist in determining the PCAOB's progress in achieving our mission. The 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 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 or reallocate our resources, which in turn informs the PCAOB's annual budgets. For those measures or indicators that are new, historical information may not be available; however, the results will be provided in subsequent plans.

The quantitative measures and indicators that follow are organized by goal and each has a corresponding, brief description of its relevance to the organization. The measures and indicators are premised on the continuation of the PCAOB's current responsibilities and the "SWOT" analysis discussed earlier in the plan. To the extent that significant changes occur in either of these areas, those measures and indicators that are no longer relevant or appropriate may need to be altered or eliminated. As our organization gains more experience, we also will continue to seek additional ways – both qualitative and quantitative – to measure our progress in achieving our mission. Towards this end, we plan to assess the value of these measures to the oversight of the PCAOB's programs and to the public more generally and add to, delete or adjust them accordingly.

Goal 1: Our Knowledge: Foster maximum, effective use of the unique insight afforded the PCAOB into audit issues that enables the PCAOB to further investor protection

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	2011		2012		2013 Projected
	Projected ³	Actual	Projected	Estimate	
Number of Inspections Conducted:					
Domestic	7	7	7	7	6
Non-U.S.	28	30	65	60	59
Portions of Issuer Audits Inspected:					
Domestic	335	308	301	274	283
Non-U.S.	96	102	223	190	197
Overview of Changes in Inspections Activities:					
<p>Number of Inspections Conducted – The 2011 non-U.S. inspections projection assumed the PCAOB would only inspect 28 firms due to the continued delays associated with developing cooperative arrangements with non-U.S. regulators and in light of hiring constraints. The 2011 actual results were generally consistent with the 2011 projection. The increase in the number of non-U.S. inspections assumed in the 2012 projection and estimate is primarily a result of the number of firms that were inspected in 2009 and are due for inspection in 2012 as well as additional firms that are required to be inspected (in 2012 or earlier years) located in certain European jurisdictions where the PCAOB has not previously been able to conduct inspections but expects to be able to gain access in 2012. The decrease in the number of domestic firms projected to be inspected in 2013 is a result of transferring one global network firm to the non-affiliate firm inspection program to align this firm with other non-affiliate firms, which are annually inspected and have similar attributes.</p>					

³ For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2011, 2012, and 2013 budgets.

Portions of Issuer Audits Inspected – The decrease in the number of portions of domestic issuer audits inspected in 2011 as compared to the 2011 projection was a result of the need to reallocate certain domestic resources to non-U.S. inspections in order to conduct inspections in certain European jurisdictions that were not assumed in the 2011 projection.

The number of portions of domestic issuer audits estimated to be inspected in 2012 as compared to the 2011 actual results and 2012 projection differs due to the types of audit engagements selected for inspection and related fluctuations in the level of resources required. The number of portions of domestic issuer audits projected to be inspected in 2013 is consistent with the 2012 estimate. In general, the types of audit engagements selected for inspection as provided in the 2012 estimate and 2013 projection are estimated to require more resources than projected in 2012 and inspected in 2011. The decrease in the portions of domestic issuer audits projected for 2013 as compared to the 2012 projection is due to the transfer of one global network firm to the non-affiliate firm inspection program, as discussed above.

The number of portions of non-U.S. issuer audits estimated to be inspected in 2012 as compared to the 2011 actual results is due to an increase in the number of firms to be inspected. The 2012 estimated number of portions of non-U.S. issuer audits to be inspected differs from the 2012 projection due to certain changes in the mix of firms to be inspected and adjustments to the types and number of audit engagements and related inspection areas selected for inspection. The 2013 projection is generally consistent with the 2012 estimate.

Measure 1-1.2: Global Network Firm Inspections Program – Number of Reports Issued and Reports Aged Greater than 12 Months Outstanding				
Performance Measure	2011 Actual	2012		2013 Projected⁴
		Projected	Estimate	
Reports Issued:				
Domestic	4	10	9	8
Non-U.S.	98	50	40	60
Reports Aged Greater than 12 months Outstanding:				
Domestic	3	–	1	–
Non-U.S.	23	11	19	23
Overview of Changes in Inspections Activities:				
<p>In early 2011, the Division of Registration and Inspections re-organized certain of its operations and program areas. The projections for 2011 did not contemplate these organizational changes and; therefore, projected figures for 2011 are not available. Comparative information is available for 2012 and beyond.</p> <p>Reports Issued – The increase in the issuance of domestic inspections reports in 2012 is a result of the issuance of reports that were not issued in 2011, and reflects an overall timely issuance of reports in 2012 and 2013.</p> <p>In 2011, the Division focused its efforts to decrease the backlog of its non-U.S. inspection reports. As a result of these efforts, the Division issued 98 non-U.S. inspection reports in 2011 and significantly reduced its backlog. The projected decrease in the issuance of non-U.S. inspections reports in 2012 as compared to 2011 is due to the reduction in inspection report backlog in 2011 resulting in fewer reports to process in 2012. The Division expects a modest decrease in the number of domestic and non-U.S. inspection reports to be issued in 2012 as compared to the 2012 projection.</p> <p>The increase in the number of non-U.S. inspection reports to be issued in 2013 is related to the resources that will be added to the reporting area due to the overall increase in the number of firms to be inspected in 2012 and 2013.</p> <p>Reports Aged Greater than 12 months Outstanding – The decrease in the PCAOB's inspections reports aged greater than 12 months outstanding in 2012 as compared to 2011 is a result of the PCAOB's focused efforts to decrease its backlog of inspections reports.</p> <p>The increase in the non-U.S. reports aged greater than 12 months outstanding in 2013 as compared to the 2012 estimate is directly related to the increase in the number of non-U.S. inspections in 2012 and 2013 as compared to 2011.</p>				

⁴ For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2012 and 2013 Budgets.

Measure 1-1.3: Global Network Firm Inspections Program – Number of Remediation Submissions Finalized⁵				
Performance Measure	2011 Actual	2012		2013 Projected⁶
		Projected	Estimate	
Remediation:				
Domestic:				
Submissions Received	7	4	4	9
Submissions Finalized	3	11	5	13
Non-U.S.:				
Submissions Received	32	34	41	29
Submissions Finalized	17	24	38	42
Overview of Changes in Inspections Activities:				
<p>In early 2011, the Division of Registration and Inspections re-organized certain of its operations and program areas. The projections for 2011 did not contemplate these organizational changes; therefore, projected figures for 2011 are not available. Comparative information is available for 2012 and beyond.</p>				
Remediation				
<p>Domestic – Beginning in 2012, the Division dedicated additional resources to remediation as a result of backlog. The Division expects to further increase resources dedicated to remediation in 2013. As a result of these additional resources, the Division expects an increase in the number of remediation submissions finalized in 2012 as compared to 2011, including focusing on reducing its backlog. The 2012 estimate differs from the 2012 projection because it has taken longer than anticipated to process certain submissions, although it is expected that action on most of those submissions will occur in the first quarter of 2013. In 2013, the Division expects an increase in the number of submissions finalized due to finalizing remediation submissions originally projected in 2012 and the timing of when reports are issued.</p>				
<p>Non-U.S. – The increase in the number of remediation submissions expected to be finalized in 2012 and 2013 as compared to 2011 is due to additional resources dedicated to this area and the timing of when reports are issued.</p>				

⁵ Submissions Finalized represent remediation recommendations approved by the Board during the year presented.

⁶ For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2012 and 2013 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	2011		2012		2013
	Projected ⁷	Actual	Projected	Estimate	Projected
Number of Inspections Conducted:					
Domestic	182	164	184	170	174
Non-U.S.	15	12	25	17	27
Portions of Issuer Audits Inspected:					
Domestic	435	401	513	444	518
Non-U.S.	27	19	45	35	49

Overview of Changes in Inspections Activities:

Number of Inspections Conducted – The downward trend in the number of domestic inspections reflects the withdrawal of registered firms and/or firms that are registered but have not issued audit opinions since their last inspection.

The increasing trend in the number of non-U.S. inspections conducted is due to the number of firms that were inspected in 2009 and are due for inspection in 2012 as well as additional firms that are required to be inspected (in 2012 or earlier years) located in certain European jurisdictions where the PCAOB has not previously been able to conduct inspections but expects to be able to gain access in 2012. The number of firms projected to be inspected in 2013 is consistent with the 2012 projection.

Portions of Issuer Audits Inspected – The fluctuations in the number of portions of issuer audits inspected directly relate to the number and mix of the firms inspected.

⁷ For purposes of this measure, the term "projected" is synonymous with what is assumed in the 2011, 2012, and 2013 budgets.

Measure 1-2.2: Non-Affiliate Firm Inspections Program – Number of Reports Issued and Reports Aged Greater than 12 Months Outstanding				
Performance Measure	2011 Actual	2012		2013 Projected⁸
		Projected	Estimate	
Reports Issued:				
Domestic	203	187	188	170
Non-U.S.	39	22	19	20
Reports Aged Greater than 12 months Outstanding:				
Domestic	29	13	10	10
Non-U.S.	8	4	4	3
Overview of Changes in Inspections Activities:				
<p>In early 2011, the Division of Registration and Inspections re-organized certain of its operations and program areas. The projections for 2011 did not contemplate these organizational changes; therefore, projected figures for 2011 are not available. Comparative information is available for 2012 and beyond.</p> <p>Reports Issued – In 2011, the Division focused its efforts on decreasing the backlog of its inspection reports. As a result of these efforts, the Division reduced its backlog in 2011. The projected decrease in the issuance of domestic inspections reports in 2012 and 2013 is attributable to the reduction in the number of firms inspected, as discussed in Measure 1-2.1. With respect to non-U.S. reports, the projected decrease in the issuance of inspections reports in 2012 is due to the reduction in inspection report backlog in 2011 resulting in fewer reports to process in 2012. The 2013 projection is consistent with the 2012 estimate.</p> <p>Reports Aged Greater than 12 months Outstanding – The expected decrease in 2012 in the PCAOB's reports aged greater than 12 months outstanding as compared to 2011 is a result of the PCAOB's focused efforts to decrease its backlog of inspections reports. The 2012 estimate and 2013 projection are generally consistent with the 2012 projection.</p>				

⁸ For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2012 and 2013 Budgets.

Measure 1-2.3: Non-Affiliate Firm Inspections Program – Number of Remediation Submissions Finalized⁹

Performance Measure	2011 Actual	2012		2013 Projected ¹⁰
		Projected	Estimate	
Remediation:				
Domestic:				
Submissions Received	99	125	109	136
Submissions Finalized	92	133	113	130
Non-U.S.:				
Submissions Received	15	22	25	14
Submissions Finalized	9	17	19	22

Overview of Changes in Inspections Activities:

In early 2011, the Division of Registration and Inspections re-organized certain of its operations and program areas. The projections for 2011 did not contemplate these organizational changes and; therefore, projected figures for 2011 are not available. Comparative information is available for 2012 and beyond.

Remediation

The increase in projected submissions finalized in 2012 as compared to 2011 is due to the addition of remediation resources beginning in the first half of 2012 to process submissions.

The Division expects fewer domestic remediation submissions will be finalized in 2012 as compared to the 2012 projection due to an expected decrease in remediation submissions received, longer than anticipated time to process certain remediation submissions, and adding additional remediation resources later than anticipated in 2012.

The number of non-U.S. remediation submissions expected to be finalized in 2012 is generally consistent with the 2012 projection.

The increase in the projected number of domestic and non-U.S. submissions finalized in 2013 as compared to the 2012 estimate directly relates to the timing of submissions received as well as the full year impact in 2013 of the additional resources added to the area of remediation during 2012.

⁹ Submissions Finalized represent remediation recommendations approved by the Board during the year presented.

¹⁰ For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2012 and 2013 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 inspections program, which includes firms that audit issuers and are subject to inspection on an annual or triennial basis and firms that audit the financial statements of broker-dealers, but not issuers.					
Performance Measure	2011		2012		2013 Projected
	Projected¹¹	Actual	Projected	Estimate	
Number of Inspections Conducted	20	8	43	45	60
Portions of Broker-Dealer Audits Inspected	31	19	60	64	90
Overview of Changes in Broker-Dealer Inspections Activities:					
<p>The implementation of the Dodd-Frank amendments to the Act expanded the Division's oversight responsibilities to include audits of the financial statements of broker-dealers and related procedures. On August 18, 2011, the Commission approved the Interim Inspection Program pursuant to PCAOB Rule 4020T. In 2011, the Division of Registration and Inspections began conducting inspections pursuant to the Interim Inspection Program.</p> <p>Number of Inspections Conducted – In 2011, the Division was only able to conduct eight inspections due to the availability of inspection resources, the timing of the effective date of the Temporary Rule for an Interim Inspections Program coupled with the desire to coordinate inspections of firms auditing issuers and broker-dealers with the inspection of issuer audits, and the availability of firms that audit broker-dealers and did not audit issuers.</p> <p>The increase in the number of inspections conducted in 2012 and 2013 as compared to 2011 reflects the planned growth of the broker-dealer firm inspections program and assumes no hiring constraints.</p> <p>Portions of Issuer Audits Inspected – The difference in the number of portions of broker-dealer audits inspected in 2011 as compared to the 2011 projection is due to the decrease in the number of inspections conducted.</p> <p>The increase in the number of portions of broker-dealer audits to be inspected in 2012 and 2013 as compared to 2011 reflects the planned growth of the broker-dealer firm inspections program.</p> <p>Performance measures related to reports issued, reports aged greater than 12 months outstanding, and remediation are not applicable for the periods presented since the PCAOB does not intend to issue firm specific inspection reports as part of the interim inspections program.</p>					

¹¹ For purposes of this measure, the terms "projected" and "projection" are synonymous with what are assumed in the 2011, 2012 and 2013 Budgets.

Measure 1-4: Audit Firm Registration Performance					
Relevance of Measure: This measure reflects the PCAOB's performance in reviewing registration applications and requests to withdraw from registration.					
Performance Measure	2011		2012		2013
	Projected¹²	Actual	Projected	Estimate	Projected
Percentage of Received Applications Acted Upon within the Statutory Time Frame	100%	100%	100%	100%	100%
Percentage of Received Withdrawal Requests Acted Upon Within the Time Frame Specified in PCAOB Rule 2107(a)	100%	100%	100%	100%	100%
Overview of Changes in Audit Firm Registration Activity:					
<p>In 2011, the PCAOB considered and approved registration applications of 145 accounting firms, including 46 non-U.S. firms. The PCAOB disapproved two registration applications. The PCAOB also considered and granted 148 requests to withdraw from registration in 2011. Similarly, the 72 registration applications and 117 withdrawal requests received between January 1, 2012, and September 30, 2012, were acted upon within the statutory time frame. No changes to this rate of action are currently anticipated. Should there be a significant change in the number of firms seeking to register or withdraw, the PCAOB intends to adjust its registration resources accordingly to allow action to continue to occur on a timely basis.</p>					

¹² For purposes of this measure, the term "projected" is synonymous with what is assumed in the 2011, 2012, and 2013 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.¹³

Performance Measure	2011	2012	2013
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	91%	–	–

Overview of Changes in Activities:

In 2010, the PCAOB exceeded its performance measure goal of 66 percent for the year. Of the formal investigations resolved in 2010, 69 percent were resolved within the three-year time frame. In 2011, the PCAOB also exceeded its performance measure goal of 66 percent. Of the formal investigations resolved in 2011, 91 percent were resolved within the three-year time frame. In 2012 and 2013, the PCAOB expects to continue meeting its performance measure of 66% for the year. This projection, though, will depend on the Division of Enforcement and Investigations' 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. As the PCAOB conducts a greater number of investigations and disciplinary proceedings, it will assess whether its target for resolving formal investigations within three years remains appropriate.

¹³ 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., the Division of Registration and Inspections (DRI) and the Office of Research and Analysis (ORA)) to identify potential audit failures and other potential auditor misconduct for investigation. The indicator measures the percentage of new formal investigations that the Division of Enforcement and Investigations (DEI) initiates each year based on internal referrals from DRI and ORA.			
Performance Indicator	2011	2012	2013
Projected Percentage of Enforcement Cases Arising within the PCAOB	45%	50%	50%
Actual Percentage of Enforcement Cases Arising within the PCAOB	46%	–	–
Overview of Changes in Activities:			
<p>The PCAOB's investigations arise from a number of sources, including inspections of registered firms, ORA,¹⁴ 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 2012 and 2013, DEI intends to continue to look for opportunities to refine the process through which it receives referrals from DRI.</p> <p>DEI also will continue to consider carefully external sources of investigations and will focus on "high priority" matters (see Indicator 1-2) arising out of those sources.</p>			

¹⁴ Certain referrals from DRI to DEI have originated with referrals from ORA to DRI.

Indicator 1-2: Percentage of Formal Investigations Deemed "High-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 "high-priority" investigations. The indicator measures the percentage of formal investigations that the Division of Enforcement and Investigations opens each year that are deemed high-priority.

Performance Indicator	2011	2012	2013
Projected Percentage of "High-Priority" Investigations	75%	75%	75%
Actual Percentage of "High-Priority" Investigations	85%	–	–

Overview of Changes in Activities:

The Board exercises its enforcement authority strategically, focusing on serious violations of PCAOB standards or securities laws by auditors. "High-priority" investigations involve significant investor protection considerations such as improving audit quality by strengthening skepticism, objectivity and independence of the audit profession, as well as the protection of Board regulatory processes. In 2012 and 2013, the PCAOB intends to continue to deploy its resources strategically while monitoring emerging areas of risk to investors.

Goal 2: Our Relevance: Enhance the relevance, quality, and transparency of the audit and strengthen skepticism, independence and objectivity in the audit culture for the benefit of the investing public

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 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 Indicator	2011	2012	2013
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%	–	–
Number of survey respondents	503	343	–
Number of Attendees	762	564	–
Overview of Changes in Activities:			
<p>The results of this measure are used to shape the content and focus of future Forums. In 2011, the PCAOB held seven Forums and all of the sessions at the Forums were rated 4.0 or higher, exceeding the projected performance measure of 90%. A total of 762 people attended the Forums; 503 responded to a participant survey, with 100% of respondents rating the Forums 4.0 or higher.</p> <p>In 2012, the PCAOB expects to hold seven Forums updated to reflect comments and observations during the preceding year. The PCAOB plans to maintain its target rating of 4.0 or higher for a minimum of 90% of its sessions during the year. A total of 564 people attended the six Forums held through November 15, 2012; 343 responded to the survey, with 100% of respondents rating the Forums 4.0 or higher.</p> <p>In 2013, the PCAOB expects to hold seven Forums following a format similar to that of prior years. The PCAOB plans to maintain its target rating of 4.0 or higher for a minimum of 90% of its sessions during the year.</p>			

Measure 2-2: Feedback from Forums on Auditing Smaller Broker-Dealers			
Relevance of Measure: This measure shows the extent to which participants in Forums on Auditing Smaller 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	2011	2012	2013
Projected Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0	85%	85%	85%
Actual Percentage of Small Business Forum Sessions Rated 4.0 or higher out of 5.0	100%	100%	–
Number of survey respondents	158	328	–
Number of Attendees	321	506	–
Overview of Changes in Activities:			
<p>The results of this measure are used to shape the content and focus of future forums.</p> <p>As a result of the implementation of the Dodd-Frank Act amendments to the Act, the PCAOB, as part of its outreach to auditors of brokers-dealers, held two Forums targeted specifically to newer registrants with non-public broker-dealer clients in 2011. The PCAOB targeted a rating of 4.0 or higher for a minimum of 85% of its sessions during the year. A total of 321 people attended the two Forums on Auditing Smaller Broker-Dealers in 2011. A total of 158 responded to the survey, with 100% of respondents rating the Forums 4.0% or higher.</p> <p>In 2012, the PCAOB held four Forums on Auditing Smaller Broker-Dealers. The format of these events was similar to the 2011 Forums and the PCAOB planned to maintain a target rating of 4.0 or higher for a minimum of 85% of the sessions during the year. A total of 506 people attended the four Forums held through November 15, 2012; 328 responded to the survey, with 100% rating the Forums 4.0 or higher.</p> <p>In 2013, the PCAOB expects to hold four Forums on Auditing Smaller Broker-Dealers. The format of these events will be similar to the 2012 Forums and the PCAOB plans to maintain a target rating of 4.0% or higher for a minimum of 85% of the sessions during the year.</p>			

Measure 2-3: Progress in Establishing Relationships with Non-U.S. Audit Oversight Bodies			
Relevance of Measure: This measure shows the cumulative number of countries/jurisdictions with which the PCAOB established or maintained contact, a working relationship or a cooperative arrangement.			
Performance Measure	2011	2012	2013
Establish or Maintain Contact			
Projected Number of Oversight Bodies	14	14	15
Actual Number of Oversight Bodies	14	–	–
Establish or Maintain Working Relationship			
Projected Number of Oversight Bodies	11	9	12
Actual Number of Oversight Bodies	14	–	–
Establish or Maintain Cooperative Arrangement			
Projected Number of Oversight Bodies	30	32	46
Actual Number of Oversight Bodies	10	–	–
Overview of Changes in Activities:			
<p>The PCAOB develops relationships with non-U.S. regulators to facilitate its inspections of registered non-U.S. firms and exchange confidential information with regard to firms that fall within the jurisdiction of the PCAOB and the foreign regulator.</p> <p>In 2011, the PCAOB concluded bilateral arrangements with the audit regulators in the United Kingdom, Switzerland, Norway, Japan, Israel, Dubai and Taiwan. Cooperative arrangements remained under negotiation with the authorities in 14 other European Union countries, Brazil, China, Malaysia and Thailand.</p> <p>In 2012, the PCAOB has concluded bilateral agreements with the Netherlands, Germany, and Spain and has continued its negotiations with respect to cooperative arrangements with a number of countries in the European Union, Latin America, Asia-Pacific and the Middle East. The PCAOB also has concluded observations guidelines with China providing for an initial PCAOB observation of a Chinese audit inspection, which was carried out in October 2012.</p> <p>In 2013, the PCAOB plans to maintain its existing contacts and working relationships and will seek to conclude cooperative arrangements with as many of the following countries as possible: Austria, Belgium, Brazil, Chile, Cyprus, Czech Republic, Denmark, Finland, France, Greece, Hungary, Ireland, Italy Luxembourg, New Zealand, Poland, Portugal, Sweden and Turkey. It also expects to do an additional observation of a Chinese audit inspection and will continue to negotiate an agreement providing for joint inspections in China.</p>			

Measure 2-4: International Auditor Regulatory Institute Feedback

Relevance of Measure: This measure shows the percentage of participants who agree or strongly agree that the Institute was effective in meeting its learning objectives.

Performance Measure	2011	2012	2013
Projected Institute participants that agree or strongly agree (rated it 4.0 or higher out of 5.0)	85%	90%	90%
Actual Percentage of Institute participants that agree or strongly agree (rated it 4.0 or higher out of 5.0)	100%	100%	–
Number of survey respondents	42	37	–
Number of attendees	77	80	–

Overview of Changes in Activities:

The PCAOB hosted a fifth PCAOB International Auditor Regulatory Institute in November 2011. One hundred percent of survey respondents indicated agreement or strong agreement that the Institute was effective in meeting its objectives. The survey asks whether the respondents believed that, overall, the program presented useful information about the structure and operations of the PCAOB and general considerations relevant to auditor oversight.

The PCAOB also hosted a sixth PCAOB International Auditor Regulatory Institute on November 5-7, 2012. One hundred percent of survey respondents indicated agreement or strong agreement that the Institute was effective in meeting its objectives. The survey asks whether the respondents believed that, overall, the program presented useful information about the structure and operations of the PCAOB and general considerations relevant to auditor oversight. This percentage rating is comparable to that which the Institute received in 2011 and anticipates receiving in 2013.

Indicator 2-1: Number of Participants and Countries/Jurisdictions that Attend the International Auditor Regulatory Institute

Relevance of Indicator: This indicator shows the amount of interest by other countries and jurisdictions in the activities, responsibilities, and mission of the PCAOB.

Performance Indicator	2011	2012	2013
Projected Number of Participants	75	75	75
Actual Number of Participants	77	80	–
Projected Number of Countries/Jurisdictions	40	35	35
Actual Number of Countries/Jurisdictions	36	37	–

Overview of Changes in Activities:

The PCAOB hosted its fifth International Auditor Regulatory Institute for non-US regulators and government officials in November 2011. Approximately 77 representatives from 36 jurisdictions attended. These numbers represent a 10% increase in representatives attending, and a 10% decrease in jurisdictions represented relative to 2010.

The PCAOB hosted a sixth International Auditor Regulatory Institute for non-U.S. regulators and government officials on November 5-7, 2012. Approximately 80 representatives from 37 jurisdictions attended. These numbers represent a 3% increase in representatives attending, and a 1% increase in jurisdictions represented relative to 2011.

The PCAOB anticipates hosting a seventh International Auditor Regulatory Institute for non-U.S. regulators and government officials in 2013, with anticipated attendance of 75 representatives from approximately 35 jurisdictions.