



IFIAR 2021 Member Profile – PCAOB

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: United States of America
2. Member¹	2.1 Insert the name of the Member, both in the local language and in English: Public Company Accounting Oversight Board (PCAOB)
	2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: 1666 K Street NW Washington, DC 20006-2803 Phone: +1 (202) 207-9252 Website: https://pcaobus.org/
	2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation: <p>The PCAOB was created by the Sarbanes-Oxley Act of 2002 (the “Act”), as amended. Section 101(a) of the Act states that the PCAOB is established “to oversee the audit of companies that are subject to the securities laws, and related matters, in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports.”</p> <p>The Board has four primary responsibilities:</p> <ol style="list-style-type: none"> 1. Registration of accounting firms that audit issuers (essentially, public companies that have certain U.S. reporting obligations under the Securities and Exchange Act of 1934), or brokers or dealers (“broker-dealers”) registered with the U.S. Securities and Exchange Commission (“SEC”); 2. Inspection of registered accounting firms; 3. Establishment of standards for auditing, quality control, ethics, and independence, as well as attestation, relating to audits of issuers and broker-dealers; and 4. Investigation and discipline of registered accounting firms and their associated persons for violations of law, rules, or professional standards relating to audits of issuers or broker-dealers.
	2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.



	<p>If yes, please describe these changes with an appropriate level of detail:</p>
<p>Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.²</p> <p>The PCAOB Board members are:</p> <p>Chairman: William D. Duhnke III Member: Duane M. DesParte Member: Rebekah Goshorn Jurata Member: Megan Zietsman <i>[At the time of submission in March 2021, one position was vacant]</i></p> <p>All Board members are independent of the profession.</p> <hr/> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>Pursuant to Section 101 of the Act, the members of the Board, including a Chairman, are appointed by the SEC after consultation with the Chairman of the Board of Governors of the Federal Reserve System and the Secretary of the U.S. Department of Treasury. The PCAOB Chairman cannot have been a practicing certified public accountant for at least five years prior to his or her appointment to the Board.</p> <p>The Act provides that the Board shall have five members and that two, and only two, members shall be or have been certified public accountants. The Act provides that a vacancy does not affect the powers of the Board.</p> <p>The Act also requires that all members of the Board serve on a full-time basis, and may not, concurrent with service on the Board, be employed by any other person or engage in any other professional or business activity.</p> <hr/> <p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>3.4 If the answer to question 3.3 is "No", is the majority of the members of the governing body non-practitioner?</p>

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.



	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>The Board’s Ethics Code provides that, for a period of 12 months from the date of appointment, a Board member may not participate in the making of any decision which is reasonably likely to have a material effect, direct or indirect, on the Board member’s former employer, business partner, or client. This rule applies to the Board member’s employers, business partners, and clients during the five years preceding the Board member’s appointment. In addition to this “cooling off” period, the Ethics Code provides that the Board member shall recuse himself or herself from any Board function or activities if a Board member becomes, or reasonably should become, aware of facts that would lead a reasonable person to believe that he or she, or his or her spouse, spousal equivalent, or dependents, may have a financial or personal interest which might reasonably create the appearance of affecting his or her independence or objectivity with respect to the Board’s function or activities.</p> <p>Board members shall be restricted from practice before the Board, and the Commission with respect to Board-related matters, for one year following termination of Board membership. In addition, former Board members shall not practice before the Board, or the Commission with respect to Board-related matters, on a particular matter in which the Board member participated personally and substantially as a Board member.</p> <p>The chairperson may not have been a practicing certified public accountant for at least five years prior to his or her appointment to the Board.</p> <p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p>
<p>Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p>



	<p>Section 109 of the Act provides that funds to cover the Board’s annual budget (less registration fees and annual fees paid by public accounting firms as mentioned below) are to be collected from issuers and broker-dealers. The amount due from such companies is referred to in the Act as the Board’s accounting support fee. Once each year, the Board will compute the aggregate amount of such fees that will be assessed to issuers and broker-dealers based on the Board’s budget for that year, as approved by the SEC. Failure to pay constitutes a violation of the Securities Exchange Act of 1934, as amended, and the Board refers such failures to the SEC. In addition to the accounting support fees, fees are also collected from public accounting firms to cover the costs of processing and reviewing registration applications, and for the costs of processing and reviewing periodic reports that firms are required to submit.</p> <hr/> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>Refer to the response in 4.1 above.</p>
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>For more information on the PCAOB’s direct responsibility for Inspections, and PCAOB inspections more generally, please click here: https://pcaobus.org/oversight/inspections</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p>Not applicable.</p> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>The PCAOB’s inspection authority encompasses only matters related to audits of issuers or audits of broker-dealers.</p> <p>Section 104 of the Act requires the Board to conduct inspections of issuers’ auditors to assess compliance with the Act, the rules of the Board, the rules of the SEC, and professional standards, in</p>



connection with the firm’s performance of audits, issuance of audit reports, and related matters involving issuers. The Act requires the Board to conduct inspections *annually* for registered firms that provide audit reports for more than 100 issuers and *at least triennially* for registered firms that regularly provide audit reports for 100 or fewer issuers. Board rules also require the Board to inspect, in each year, at least five percent of registered firms that play a substantial role in the audits of issuers but do not issue audit reports for issuers.

The Act authorizes the Board to conduct inspections of broker-dealers’ auditors. The Board currently conducts such inspections pursuant to Board rules governing an interim program of such inspections. The interim program does not include an inspection frequency requirement.

6. Audit and Financial Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p>As of February 1, 2021, 1,723 firms were registered with the PCAOB, including 871 domestic firms and 852 non-U.S. firms located in 87 jurisdictions. In general, the Act requires the PCAOB to inspect each firm that issues audit reports opining on the financial statements of issuers, with the minimum inspection frequency depending upon whether the firm provides audit reports for more than 100 issuers (annual inspection) or 100 or fewer issuers (triennial inspection). Currently, 11 firms require annual inspections. The number of those firms that engage in conduct that subjects them to Board inspection varies over time.</p> <p>Since it began inspecting audit firms in non-U.S. jurisdictions in 2005, the PCAOB has conducted inspections in 51 non-U.S. jurisdictions, including joint inspections with audit regulators in 22 non-U.S. jurisdictions.</p> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <p style="text-align: center;">Fiscal Year 2019 Opinions and Audit Fees by Firms Headquartered in the U.S. (Excludes Mutual Funds and Trusts)</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2" style="text-align: left;">Audit Firm</th> <th colspan="3" style="text-align: center;">% Share of:</th> </tr> <tr> <th style="text-align: center;">Audit Opinions Issued</th> <th style="text-align: center;">Market Capitalization</th> <th style="text-align: center;">Audit Fees</th> </tr> </thead> <tbody> <tr> <td>Deloitte & Touche LLP</td> <td style="text-align: center;">15%</td> <td style="text-align: center;">21%</td> <td style="text-align: center;">22%</td> </tr> <tr> <td>Ernst & Young LLP</td> <td style="text-align: center;">16%</td> <td style="text-align: center;">35%</td> <td style="text-align: center;">25%</td> </tr> <tr> <td>KPMG LLP</td> <td style="text-align: center;">10%</td> <td style="text-align: center;">14%</td> <td style="text-align: center;">16%</td> </tr> <tr> <td>PricewaterhouseCoopers LLP</td> <td style="text-align: center;">12%</td> <td style="text-align: center;">27%</td> <td style="text-align: center;">29%</td> </tr> <tr> <td>BDO USA, LLP</td> <td style="text-align: center;">4%</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">2%</td> </tr> <tr> <td>Grant Thornton LLP</td> <td style="text-align: center;">5%</td> <td style="text-align: center;">1%</td> <td style="text-align: center;">2%</td> </tr> <tr> <td style="text-align: center;">GPPC Firms</td> <td style="text-align: center;">61%</td> <td style="text-align: center;">99%</td> <td style="text-align: center;">96%</td> </tr> </tbody> </table>	Audit Firm	% Share of:			Audit Opinions Issued	Market Capitalization	Audit Fees	Deloitte & Touche LLP	15%	21%	22%	Ernst & Young LLP	16%	35%	25%	KPMG LLP	10%	14%	16%	PricewaterhouseCoopers LLP	12%	27%	29%	BDO USA, LLP	4%	0%	2%	Grant Thornton LLP	5%	1%	2%	GPPC Firms	61%	99%	96%
Audit Firm	% Share of:																																			
	Audit Opinions Issued	Market Capitalization	Audit Fees																																	
Deloitte & Touche LLP	15%	21%	22%																																	
Ernst & Young LLP	16%	35%	25%																																	
KPMG LLP	10%	14%	16%																																	
PricewaterhouseCoopers LLP	12%	27%	29%																																	
BDO USA, LLP	4%	0%	2%																																	
Grant Thornton LLP	5%	1%	2%																																	
GPPC Firms	61%	99%	96%																																	



	Non-GPPC Firms	39%	1%	4%
	Total	100%	100%	100%
		<i>out of approximately 6,140 opinions issued</i>	<i>out of approximately \$35.1 trillion</i>	<i>out of approximately \$11.8 billion</i>
Sources: Percentages above on Audit Opinions Issued and Audit Fee are derived from Audit Analytics data. Market Capitalization data is from Standard & Poor's.				

Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight	7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight: <input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input checked="" type="checkbox"/> Other: <u>See 7.6 below</u>
	7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization? <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures. Section 101 of the Act provides that the PCAOB's duties include, among other things, to register public accounting firms that prepare audit reports for issuers or broker-dealers in accordance with Section 102 of the Act. The PCAOB's duties do not include licensing individuals as certified public accountants; such licensing is done by boards of accountancy at the state, not federal, level.
	7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization? <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.



Section 101 of the Act provides that the PCAOB's duties include, among other things, to establish or adopt, or both, by rule, auditing, quality control, ethics, independence and other standards relating to the preparation of audit reports for issuers and broker-dealers in accordance with Section 103 of the Act.

7.4 If the Member has the responsibility for Permanent Education of Auditors, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?

- Directly Through Oversight

If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

7.5 If the Member has the responsibility for Enforcement, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?

- Directly Through Referral

For more information on the PCAOB's direct responsibility for Enforcement, and PCAOB enforcement more generally, please click here: <https://pcaobus.org/oversight/enforcement>

If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

Note that SEC also has authority to take enforcement actions against auditors of issuers and auditors of broker-dealers.

7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:

In addition to the items mentioned above, Section 101 of the Act provides that the PCAOB's duties include, among other things, to perform such other duties or functions as the PCAOB (or the SEC by rule or order) determines are necessary or appropriate to promote high professional standards among, and improve the quality of audit services offered by, registered public accounting firms and associated persons thereof, or otherwise to carry out the Act, in order to protect investors, or further the public interest.



Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight	8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation: Not applicable.
Major Events and Activities	9.1 Describe any recent major events and activities: <p>In 2020, the PCAOB continued conducting inspections and investigations of auditors, and released its new format of inspection reports to enhance their clarity and usefulness. The PCAOB streamlined inspection report contents to enhance readability, utilized new charts and graphs to make the information more digestible, and included new information not previously communicated in inspection reports to enhance transparency. To introduce and acclimate stakeholders to the redesigned report, the PCAOB issued a Guide to Reading the PCAOB’s New Inspection Report. See here for inspections reports.</p> <p>The PCAOB also conducted a variety of other activities including providing information and updates in light of the COVID-19 pandemic; adopting amendments to align independence requirements with amended SEC rules; issuing an October interim analysis report (and accompanying white papers on stakeholder engagement and econometric analysis); providing PCAOB perspectives on the initial impact of CAM requirements, with a focus on audit firms’ and engagement teams’ responses to the requirements, investors’ use of CAM communications, and audit committee and preparer experiences related to CAM implementation; hosting webinars on the implementation of auditing standards; hosting a webinar for audit committee members; launching a new brand and redesigned website; and holding several (primarily virtual) meetings, including hosting IFIAR’s February 2020 Inspection Workshop in Washington, D.C. Additional information, including press releases, can be found here.</p> <p>For more information on the PCAOB, see here for the PCAOB’s most recent Strategic Plan and here for the PCAOB’s most recent Annual Report.</p>