

IFIAR 2023 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 or “Board”)
	2.2 Include relevant contact information, including postal address, telephone number(s), a general email address (if any) and a link to the Member’s website: 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: The PCAOB was established 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 for companies the securities of which are sold to, and held by and for, public investors.” Under Section 101(c) of the Act, the Board has four primary responsibilities: 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 certain brokers or dealers (“broker-dealers”) registered with the U.S. Securities and Exchange Commission (“SEC”); 2. Inspection of registered accounting firms;

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>3. Establishment of standards for auditing, quality control, ethics, and independence, as well as attestation, relating to audits of issuers and broker-dealers; and</p> <p>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.</p> <p>2.4 Please indicate whether the Member has responsibility for the following tasks within the area of Audit Oversight:</p> <p><input type="checkbox"/> Licensing</p> <p><input checked="" type="checkbox"/> Registration</p> <p><input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting</p> <p><input type="checkbox"/> Permanent Education / Continuous Training of Auditors</p> <p><input checked="" type="checkbox"/> Inspection</p> <p><input checked="" type="checkbox"/> Enforcement</p> <p><input checked="" type="checkbox"/> Other: In addition to the items mentioned above, Section 101(c) 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.</p>
<p>3. 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, where possible, the names, the organization they represent (if any) and brief backgrounds of the governing body members, or provide a link to a page on your website where this information is provided.</p> <p>The PCAOB Board members are:</p> <p>Chair: Erica Y. Williams</p> <p>Member: Duane M. DesParte</p> <p>Member: Christina Ho</p> <p>Member: Kara M. Stein</p> <p>Member: Anthony C. Thompson</p> <p>All Board members are independent of the profession.</p> <p>For more information, please see the Board Profiles</p>

3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body? E.g. Does national legislation require representatives on the governing body from certain organizations, or with specific experience, etc.

Pursuant to Section 101(e) of the Act, the Board shall have five members, appointed from among prominent individuals of integrity and reputation who have a demonstrated commitment to the interests of investors and the public, and an understanding of the responsibilities for and nature of the financial disclosures required of issuers under the securities laws and the obligations of accountants with respect to the preparation and issuance of audit reports with respect to such disclosures.

The Act provides that two, and only two, members shall be or have been certified public accountants. The PCAOB Chairperson cannot have been a practicing certified public accountant for at least five years prior to his or her appointment to the Board.

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.

3.3 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?

Yes **No**

Does this include a “cooling-off” period for former auditors?

Yes **No**

If yes to either of the above, please describe:

(a) See response to 3.2 above for general restrictions related to certified public accountants serving on the Board.

(b) The Board’s Ethics Code provides, among other things, that no Board member or Staff shall act in a manner which might reasonably result in or reasonably create the appearance that he or she is: (1) using his or her official position with the Board, or confidential information obtained through service for the Board, for the private gain of any person; (2) giving preferential treatment to any person with respect to the Board member or employee’s work for the Board; (3) losing independence or objectivity with respect to his or her work for the Board; (4) adversely affecting the public confidence in, or the integrity, independence or objectivity of the Board; or (5) otherwise hindering the interests or reputation of the Board.

	<p>(c) 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>(d) Board members shall be restricted from practice before the Board, and the SEC 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 SEC with respect to Board-related matters, on a particular matter in which the Board member participated personally and substantially as a Board member and which involved a specific party or specific parties at the time of such participation.</p>
4. Independence safeguards	<p>4.1 Please describe the national independence requirements for the governing body and its members, and legal or regulatory requirements/provisions in place that safeguard their independence from the audit profession.</p> <p>Please see 3.2 and 3.3(b) – 3.3(d) above for PCAOB members</p> <p>Are employees of the Member covered by the same or separate set of independence requirements?</p> <p><input type="checkbox"/> Same set of requirements <input checked="" type="checkbox"/> Different set of requirements</p> <p>If there are separate independence requirements for employees, please describe:</p> <p>While only Board Members are subject to the requirements set forth in 3.2 above, all employees of the PCAOB are subject to the Ethics Code. All employees of the Board are subject to the general requirements described above in 3.3(b). Certain employees of the Board known as professional staff are subject to the cooling-off period described above in 3.3(c) and the post-employment restrictions described in 3.3(d).</p>

	<p>4.2 Are there any additional safeguards in place that provide for the Member’s overall independence from the audit profession? E.g. through the appointment process, specific Board actions, etc.</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe:</p>
<p>5. Funding Arrangements</p>	<p>5.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget:</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, in accordance with the Act, 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>5.2 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>Please refer to the response in 5.1 above.</p>
<p>6. Audit Market</p>	<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, 2023, 1,658 firms were registered with the PCAOB, including 801 domestic firms and 857 non-U.S. firms located in 91 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, 14 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 56 non-U.S. jurisdictions, including joint inspections with audit regulators in 25 non-U.S. jurisdictions.</p>																																								
	<p>6.2 Please describe the sizes (in terms of revenue / number of listed entity clients / number of partners and audit staff / etc. – whichever measure is commonly used and available in your jurisdiction) and market shares of each of the largest audit firms in the Member’s jurisdiction.</p> <p style="text-align: center;">Fiscal Year 2021 Opinions and Audit Fees by Firms Headquartered in the U.S. (Excludes Mutual Funds and Trusts)</p> <p style="text-align: right;">% Share of:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Audit Firm</th> <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;">12%</td> <td style="text-align: center;">21%</td> <td style="text-align: center;">24%</td> </tr> <tr> <td>Ernst & Young LLP</td> <td style="text-align: center;">15%</td> <td style="text-align: center;">37%</td> <td style="text-align: center;">26%</td> </tr> <tr> <td>KPMG LLP</td> <td style="text-align: center;">9%</td> <td style="text-align: center;">13%</td> <td style="text-align: center;">14%</td> </tr> <tr> <td>PricewaterhouseCoopers LLP</td> <td style="text-align: center;">10%</td> <td style="text-align: center;">26%</td> <td style="text-align: center;">28%</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;">4%</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;">54%</td> <td style="text-align: center;">99%</td> <td style="text-align: center;">96%</td> </tr> <tr> <td>Non-GPPC Firms</td> <td style="text-align: center;">46%</td> <td style="text-align: center;">1%</td> <td style="text-align: center;">4%</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">100%</td> <td style="text-align: center;">100%</td> <td style="text-align: center;">100%</td> </tr> </tbody> </table> <p style="text-align: center;"><i>out of approximately 6,900 opinions issued</i></p> <p style="text-align: center;"><i>out of approximately \$53.8 trillion</i></p> <p style="text-align: center;"><i>out of approximately \$15.5 billion</i></p> <p><i>Sources: Percentages above on Audit Opinions Issued and Audit Fee are derived from Audit Analytics data. Market Capitalization data is derived from Standard & Poor’s.</i></p>	Audit Firm	Audit Opinions Issued	Market Capitalization	Audit Fees	Deloitte & Touche LLP	12%	21%	24%	Ernst & Young LLP	15%	37%	26%	KPMG LLP	9%	13%	14%	PricewaterhouseCoopers LLP	10%	26%	28%	BDO USA, LLP	4%	0%	2%	Grant Thornton LLP	4%	1%	2%	GPPC Firms	54%	99%	96%	Non-GPPC Firms	46%	1%	4%	Total	100%	100%	100%
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7. Inspection System	<p>7.1 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>																																								
	<p>7.2 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>																																								

If directly, please describe the responsibility, including the follow-up and reporting process, and the regulatory measures available to be taken as a result of inspections (if described in Question 11 Enforcement, please reference that section for details on such measures).

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 by the Member:

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

7.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:

The PCAOB’s inspection authority encompasses only matters related to audits of issuers and audits of broker-dealers.

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 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.

7.4 Does the Member have its own inspection staff, use reviewers from the professional body or sub-contract to third parties, independent contractors, etc. for the conduct of inspections? Please tick the boxes that apply: (multiple responses allowed) Note that there is no need to tick a box if non-employee reviewers are used very occasionally and are not a core staffing approach.

- | | |
|---|--|
| <input checked="" type="checkbox"/> Employees of the Member | <input type="checkbox"/> Professional body |
| <input type="checkbox"/> Third Parties | <input type="checkbox"/> Other |

	<p>Please explain below:</p> <p>All aspects of every PCAOB inspection are performed by PCAOB employees.</p>
<p>8. Licensing</p>	<p>8.1 If the Member has the responsibility for <u>Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Licensing conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>If through oversight, please indicate the name of the other organization and its composition. 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.</p> <p>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.</p>
<p>9. Registration</p>	<p>9.1 If the Member has the responsibility for <u>Registration</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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.</p> <p>Section 101(c) 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.</p>
<p>10. Audits and/or Ethics Standard Setting</p>	<p>10.1 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?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p>

	<p>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.</p> <p>Section 101(c) 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.</p>
11. Permanent Education / Continuous Training of Auditors	<p>11.1 If the Member has the responsibility for <u>Permanent Education / Continuous Training of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education / Continuous Training of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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.</p> <p>Not applicable</p>
12. Enforcement	<p>12.1 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If directly, please describe the responsibility and procedures applied (including investigations, disciplinary actions or sanctions), as well as the reporting process for disciplinary action.</p> <p>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.</p> <p>See 2.3 above.</p>

	<p>For more information on the PCAOB’s direct responsibility for Enforcement, and PCAOB enforcement more generally, please click here: https://pcaobus.org/oversight/enforcement</p> <p>Please note that SEC also has authority to take enforcement actions against auditors of issuers and auditors of broker-dealers.</p>
13. Other Responsibilities in Audit Oversight or Audit Regulation	<p>13.1 If the Member has the responsibility for <u>other tasks within the area of Audit Oversight or Audit Regulation</u>, please describe with an appropriate level of detail:</p> <p>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.</p>
14. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight or Audit Regulation	<p>14.1 Please describe with an appropriate level of detail, the responsibility of the Member for <u>tasks outside the area of audit oversight or audit regulation</u> such as supervision of financial reporting or securities regulation:</p> <p>Not applicable.</p>
15. Member Update for public information (if any)	<p>15.1 Are there any major news, activities, events or updates (on audit matters, the Member’s organization, the governing legislation or the authority/responsibilities) that you wish to keep the public informed of since completing last year’s Member Profile?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p>In March 2022, the PCAOB approved new charters governing the membership and activities of the Investor Advisory Group (IAG) and the Standards and Emerging Issues Advisory Group (SEIAG). The IAG will advise the PCAOB on matters concerning the PCAOB’s mission to oversee the audit of companies that are subject to securities laws and related matters, including investors’ perspectives on key areas of concern and potential emerging issues related to the PCAOB’s oversight activities. The SEIAG will advise the PCAOB on existing standards, proposed standards, potential new standards, and on matters other than standards, such as emerging issues, that are of significance to the PCAOB.</p>

In May 2022, the PCAOB published its standard setting and research agenda. The agendas provide transparency by informing stakeholders about projects that are actively being developed by PCAOB staff and the anticipated timeline of each project.

In June 2022, the PCAOB adopted new requirements for Lead Auditor's Use of other Auditors, strengthening the requirements that apply to audits involving multiple firms.

In November 2022, the PCAOB issued for public comment a proposed new Quality Control Standard, grounded in firm's proactively identifying and managing risk to quality.

In November 2022, the PCAOB launched its Board-member led Technology Innovation Alliance Working Group to advise the Board on the impact of emerging technologies and provide recommendations for PCAOB oversight.

In August 2022, the PCAOB signed an agreement with Chinese authorities to allow the PCAOB access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong, consistent with US law. In December 2022, the PCAOB ***vacated*** its December 2021 Determinations under the Holding Foreign Companies Accountable Act that the Board was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong.

In December 2022, the PCAOB issued for public comment a proposed new auditing standards for the Auditor's Use of Confirmations.