



IFIAR 2019 Member Profile – PCAOB

<p>1. Jurisdiction</p>	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>United States of America</p>
<p>2. Member¹</p>	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Public Company Accounting Oversight Board (PCAOB)</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>Mrs. Liza McAndrew Moberg, Director, Office of International Affairs</p> <p>1666 K Street NW Washington, DC 20006-2803 Phone: +1 (202) 207-9252</p> <p>https://pcaobus.org/</p> <hr/> <p>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> <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 SEC-registered brokers or dealers (“broker-dealers”); 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.

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>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?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</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 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> <ul style="list-style-type: none"> • Chairman: William D. Duhnke III • Member: J. Robert Brown • Member: Kathleen M. Hamm • Member: James G. Kaiser • Member: Duane M. DesParte <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>

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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <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> <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 interest or personal relationship which might reasonably create the appearance of affecting his or her 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>4. 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 operations. 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>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>The Board is required by the Act 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 <i>annually</i> for registered firms that provide audit reports for more than 100 issuers and <i>at least triennially</i> 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.</p> <p>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.</p>
<p>6. Audit and Financial 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 December 31, 2018, there were 1,862 firms registered with the PCAOB, including 984 domestic firms and 878 non-U.S. firms located in 84 countries. The PCAOB conducts regular, periodic inspections of hundreds of those firms, but not all of those firms. In general, the PCAOB inspects each firm that issues audit reports opining on the financial statements of issuers either annually or triennially, depending upon whether the firm provides audit reports for more than 100 issuers (annual inspection) or 100 or fewer issuers (triennial inspection). There are 11 firms that are inspected annually. See the most recent PCAOB Annual Report (located here) for details on the amount of audit reports per registered firm. 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 2017 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>



Audit Firm	Audit Opinions Issued	Market Capitalization	Audit Fees
Deloitte & Touche LLP	13%	21%	22%
Ernst & Young LLP	16%	33%	25%
KPMG LLP	11%	16%	17%
PricewaterhouseCoopers LLP	12%	27%	28%
BDO USA, LLP	4%	0%	2%
Grant Thornton LLP	4%	1%	2%
GPPC Firms	60%	98%	96%
Non-GPPC Firms	40%	2%	4%
Total	100%	100%	100%

out of approximately 6,570 opinions issued
 out of approximately \$31 trillion
 out of approximately \$11.5 billion

Sources: Percentages above on Audit Opinions Issued and Audit Fee are derived from Audit Analytics data. Market Capitalization data is from Standard & Poor's.

<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p> <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: _____ </p> <p>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?</p> <p> <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight </p> <p>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.</p> <p>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.</p>
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	<p>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?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>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.</p> <p>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.</p>
	<p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education 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 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.</p>
	<p>7.5 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 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>Not applicable.</p> <p>Note that the US Securities and Exchange Commission also has authority to take enforcement actions against auditors of issuers and auditors of broker-dealers.</p>



	<p>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:</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>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>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:</p> <p>Not applicable.</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>In 2018, the PCAOB continued conducting and issuing reports on inspections of auditors. See here for inspections reports and here for the PCAOB’s most recent Strategic Plan.</p> <p>The PCAOB also conducted a variety of other activities including enforcement proceedings, finalizing a new estimates standard and amendments to auditing standards, holding several meetings, and entering into a cooperative agreement with Austria. Additional information, including press releases, can be found here.</p>