Statement at Open Meeting on the PCAOB Proposed Budget and Accounting Support Fee for 2015

Chair Mary Jo White

Feb. 4, 2015

Good morning. This is an open meeting of the U.S. Securities and Exchange Commission on February 4, 2015 under the Government in the Sunshine Act.

Under the Sarbanes-Oxley Act, the Commission has the responsibility to oversee the Public Company Accounting Oversight Board (PCAOB) and approve the PCAOB's annual budget and support fee. And today, the Commission will consider the proposed 2015 budget and accounting support fee for the PCAOB.

The PCAOB is empowered with the authority to oversee the audits and auditors of the financial statements of U.S. public companies, as well as those of the financial reports of SEC-registered broker-dealers, which was added to their mandate by the Dodd-Frank Act and SEC rules. Its work is critical to investor protection and our markets. In exercising our oversight responsibility, the Commission must make sure that the PCAOB has the funds it needs to fulfill its mission and that it responsibly and optimally uses those funds.

One of the PCAOB's most important mandates is to conduct inspections of accounting firms registered with the Board, regardless of where the firms are located. Approximately 2,300 accounting firms are registered with the PCAOB, and about 900 of those firms are located in over 80 non-US jurisdictions. It is essential that the PCAOB continue its focus on inspections of firms, both in the U.S. and abroad, to help to ensure that investors are receiving informative, accurate, and independent audit reports. I will be especially interested to hear from Chairman Doty today on his assessment of the progress the PCAOB has made with respect to its ability to inspect foreign firms, including in China.

Last year, I encouraged the Board to expand its interim inspection program for audits of broker-dealer financial statements. I am pleased that the Board has done so and is considering ways to continue to expand this program while making meaningful progress to establish the permanent program, and I look forward to hearing more about the PCAOB's plans for its permanent program. The Board has issued three annual public progress reports in connection with its inspection of broker-dealer audits. It also recently issued a report describing initial findings from inspections of some of the first audits of broker-dealers conducted under the PCAOB standards. The findings of the reports issued to date generally indicate the need for auditors to make substantial improvements in the quality of broker-dealer audits they perform. I expect the PCAOB to continue to apply its full complement of standard setting, inspection, enforcement, outreach, and other resources to this issue.

In addition to its focus on inspections, I again strongly encourage the Board to enhance the urgency and prioritization of standard setting. These are important undertakings. Projects on the PCAOB's current standard setting agenda include, for example, updates to standards on quality control; auditing accounting estimates, including fair value; auditors' responsibilities with respect other firms; auditors' use of specialists; and going concern. These projects, which have been on the PCAOB's agenda for a number of years, address important areas where clear and robust auditing and quality control standards are needed. The PCAOB also has important standard setting projects underway to consider improvements to the content of the auditor's report and to consider providing transparency into certain participants in the audits, including the names of engagement partners and the identity of other firms. I expect that the Board will press ahead on its standard setting agenda and will keep the Commission and its staff apprised of developments. I also understand that the Board will engage in an evaluation of ways it can improve its standard setting processes. I applaud this effort. It is a very important undertaking and I look forward to seeing the results.

This past year, the Board developed and published economic analysis guidance for its standard setting activities, which should aid in the adoption of standards for auditors that are more effective in serving the public interest and protecting investors. The Board also established a Center for Economic Analysis and is continuing to define the role and activities of the Center. I expect the Board will continue its oversight of this process to ensure that the new Center's activities are aligned with the Board's mission and integrated well into the organization's various workstreams.

The Board has been regularly informing the Commission and its staff of developments in a variety of areas, including its inspection and information technology programs. I know that the Board and its staff will continue to keep us informed of developments in these programs and will continue to work closely and productively with the SEC staff.

I would like to thank Jim Doty, Chairman of the PCAOB, for being here today, his leadership of the Board and his tireless efforts to improve audit quality for the benefit of investors and our markets. I would also like to thank all of the Board members and the PCAOB staff for their hard work and dedication to the critical work of the Board. I want to note the presence of Board members, Lew Ferguson, Jeanette Franzel, Jay Hanson, and Steve Harris. Thank you for your service and for being here today. Finally, I want to thank the staff at the SEC, including Jim Schnurr, Brian Croteau, Jeff Minton, Kevin Stout, Khalid Shah, and Matt Hodder in OCA, as well as Ken Johnson, Rick Taylor and Nicole Puccio from OFM, who worked hard and constructively on the review of the PCAOB's 2015 budget.

I will now turn this meeting over to Jim Schnurr, the SEC's Chief Accountant, to be followed by remarks from Ken Johnson, the Director of the SEC's Office of Financial Management, and Chairman Doty, and then open it up to questions and comments.

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