

Securities Regulation Daily Wrap Up, ACCOUNTING AND AUDITING— PCAOB's Brown says Board's agenda disregards investor concerns, (Oct. 14, 2020)

Securities Regulation Daily

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By [Anne Sherry, J.D.](#)

In a statement, Robert Brown said the PCAOB's latest agendas break the promises of the Board's own strategic plan, particularly its commitment to considering investors' expectations.

PCAOB member J. Robert Brown, Jr., released a [statement](#) decrying changes to the Board's research and standard-setting agendas. Brown explained that the PCAOB got a fresh start in 2017 when the SEC appointed an entirely new board, and the refreshed Board's strategic plan promised innovative oversight and committed to consider the expectation of investors. The [revised agendas](#) that will set the PCAOB's course for the next 12 to 18 months, however, disregard investor expectations and leave legacy standards in place, Brown said.

Brown cited the strategic plan's promises that the Board would seek to "understand and consider investors' audit expectations" and "be more innovative in our oversight activities." Contrary to these statements, however, the PCAOB's updated agendas removed matters that investors identified as important, and that took on even greater significance in the pandemic. Brown calls out the Board for prioritizing global coordination over the interests of U.S. investors. He also says that the revised agendas, rather than demonstrating innovative oversight, leave in place the standards that the PCAOB adopted on an interim basis in 2003.

Through engagement, and particularly through public meetings of the PCAOB's advisory groups, prior Boards listened to investors and followed through by addressing their priorities, Brown said. For example, when investors supported standards that required identifying those participating in an audit, the PCAOB added disclosure and critical audit matters to the standard-setting agenda and ultimately adopted improvements. However, Brown said, the advisory groups have not met to discuss the latest revised agendas, which remove matters investors identified as important, including the standards on the auditor's role regarding other information and company performance measures (including non-GAAP measures); NOCLAR; and consideration of an entity's ability to continue as a going concern. This latter standard took on additional importance in view of the impact of the pandemic on the global economy, Brown added.

Brown also said that despite the Board's promises in its strategic plan, the revised agendas are not innovative. In particular, they neglect to update the interim standards adopted in 2003, during the era of self-regulation. The revised agenda does include possible revisions to the standards on quality control, but a concept release on this issue leaves open the possibility that the revised standards could involve compliance with the existing "interim" auditing standards. Brown allows that revising the interim standards would be a big project but observes that the revised agendas "do not even hint at this need, much less suggest a timetable for doing so."

The statement closed by highlighting "a serious transparency problem" at the PCAOB. Brown said that outside of advisory group meetings, the Board rarely holds roundtables or other public meetings. While standard-setting used to be the exception, where the PCAOB sought feedback through public meetings of its Standing Advisory Group and Investor Advisory Group, there have been no such public meetings in nearly two years. Accordingly, investors and other market participants have not been given sufficient opportunity to provide feedback. Brown said that the lack of public engagement "may well weaken the credibility of, and confidence in, the efforts of the PCAOB and the audits of public companies and SEC-registered broker-dealers. The result will be less trust in our system of financial reporting, an outcome that harms our capital markets."

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