

[Securities Regulation Daily Wrap Up, PCAOB NEWS AND SPEECHES —PCAOB dissolves old advisory groups, establishes new Standards Advisory Group, \(Mar. 29, 2021\)](#)

Securities Regulation Daily Wrap Up

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Unlike previous PCAOB advisory groups, the new SAG and its task forces will generally hold non-public meetings, although the Board has the discretion to call public meetings.

Members of the PCAOB unanimously [approved](#) a charter establishing a new Standards Advisory Group ("new SAG") to advise the Board on existing, proposed, and potential new or amended auditing and attestation standards. The Board also dissolved its previously established advisory groups: the Standing Advisory Group (SAG) and the Investor Advisory Group (IAG). According to PCAOB Chair Bill Duhnke, the previous advisory group model conflated the distinct functions of outreach and expert advice. Under the new SAG, task forces will be established to provide the Board with expertise, while the PCAOB's outreach efforts will continue separate from the new SAG.

New SAG. PCAOB Deputy General Counsel John Cook presented the staff's recommendation for the new SAG to the Board. The new SAG has two main features: membership and tasking. As outlined by Cook, membership of the new 18-member SAG will consist of the following:

- Five investors with substantive experience in investing or analyzing securities;
- Three individuals who are either members of an audit committee or on the board of directors of an entity whose financial statements are audited by a PCAOB-registered public accounting firm;
- Three financial oversight personnel, which can include individuals holding the title of CEO, president, CFO, chief accounting officer, controller, or similar positions;
- Three academics or others with specialized knowledge of investing, financial reporting, accounting, or auditing; and
- Four audit professionals from registered audit firms drawn from firms of differing sizes, which should include individuals with experience on audits of emerging growth companies and broker-dealers.

Regarding tasking, the PCAOB will assign the new SAG specific tasks regarding the Board's needs to formulate new standards or to amend its current standards. Specialized task forces may be assigned a "deliverable"; i.e., information, findings, recommendations, or a combination thereof.

Charter. The new SAG [charter](#) as adopted by the PCAOB outlines specific details of the advisory group's governing rules, including ethical standards, terms (initially three years for nine newly appointed members and two years for the nine other new members, with regular terms of two years following the initial appointments), and how SAG members will be selected. The charter also requires that members are to receive no compensation for their service; however, travel and related expenses will be reimbursed subject to the PCAOB's reimbursement policy.

In addition to its smaller membership, the new SAG is distinct from its predecessors in two significant ways: the meetings will generally be non-public, and they will occur on an ad hoc basis rather than semi-annually or quarterly as determined in the charters of the now-dissolved [SAG](#) and [IAG](#). According to the charter, the reason for holding non-public meetings of the new SAG is to "promote candor." The Board may call public meetings of the new SAG for any purpose, including reporting on the progress of a task force, presenting a deliverable, and promoting public awareness or discussion of a specified issue.

The Board or the SAG chair (who is not a member of the new SAG, but will be either the PCAOB chair or the chair's designee) may call a meeting of the new SAG as needed in light of tasks assigned to the SAG. The charter also notes that the Board may designate official observers for public SAG meetings and that the SAG chair may invite external experts to any public or non-public meeting of the new SAG.

SAG task force meetings will also be held on an ad hoc basis as needed and will generally be non-public. Task forces are responsible for preparing deliverables specified in tasks assigned by the Board, and a majority vote of a task force is required to approve a deliverable submission to the Board.

Member statements. The four members of the PCAOB (one seat remains empty following the [departure](#) of Jay Brown in January) unanimously approved the creation of the new SAG. Chair Duhnke touted the outreach efforts of the PCAOB outside of its former advisory groups, which have not held meetings since 2018. [According to Duhnke](#), since the [approval](#) of the PCAOB's 2018 strategic plan, the Board has reached far more stakeholders far more often and more effectively than any time before in its history. These outreach efforts included engaging with hundreds of investors, as well as audit committees and preparers. The new advisory group, by providing its expertise, will allow the Board to obtain advice on important issues related to existing or future PCAOB standards, according to Duhnke.

Member Duane DesParte [praised](#) the structure of the new SAG as having a more targeted approach to the Board's standard setting and policy than the previous advisory groups. He noted that the smaller size of the new 18-member SAG will allow for more meaningful participation from each member (the defunct advisory groups had memberships of 20 to 30 people).

Member Rebekah Goshorn Jurata also [voiced](#) her support for a more condensed membership approach to the new SAG, especially including investors with other stakeholders rather than placing them in two separate advisory groups. "Having investors included in the same group as other participants who are focused on audits and financial reporting will allow the investors to share their opinions with the group from the beginning of the process, ensuring that investors' voices are heard as part of all discussions," she remarked.

The Board's newest member, Megan Zietsman, [echoed](#) this sentiment, stating that public meetings of large groups may not be the most effective method of hearing and understanding the views or concerns of all the important stakeholders on specific matters to be addressed by the PCAOB. With a smaller group, participation of individual members will be more meaningful, Zietsman said. She also praised the tasking process of the new SAG, under which the Board will be able to seek targeted and timely feedback on specific standard setting activities.

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