

Statement

Statement on the PCAOB 2022 Budget



Commissioner Elad L. Roisman

Dec. 15, 2021

My thanks go to the staff in our Office of Chief Accountant for their work with the Public Company Accounting Oversight Board (“PCAOB”) on the 2022 budget.

We will shortly have a new five-person Board in place, with a new Chair. I have confidence in each of the new and returning members, and I look forward to them getting down to work in the new year. Nevertheless, I remain deeply troubled by the lack of transparency and process with which the Commission removed and replaced the previous Board Chairman and sought to fill all five Directors’ seats, including those that were occupied by Directors whose terms had not ended.^[1] I have expressed my views elsewhere,^[2] so I will be brief today; but I do not want to brush my concerns under the rug.

Reliable financial statements are a pillar, if not the cornerstone, of our excellent capital markets. The PCAOB is charged with overseeing the audits of public companies and SEC-registered brokers and dealers in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.^[3] The budget before us is reasonable and will provide funding for the PCAOB to carry out its important work.

Financial audit standards have evolved over decades, and arguably centuries, ^[4] leading to the emergence in the 20th century of public company auditing and accepted accounting standards.^[5] One of the hallmarks of the profession has been its steadiness. The standards should be built over time, refined as needed, but developed as a cohesive whole. This, I believe, is the reason that the PCAOB was created as an entity independent from other federal financial regulators and the executive branch.

The Commission’s actions earlier this year risked tainting the independence of the Board and undermining the steadiness of its work and its perception in the markets. I am saddened that the new Board will inherit these added challenges. Nevertheless, I believe each Director will work hard to further the agency’s important mission, and I wish them only success.

^[1] Commissioners Hester M. Peirce and Elad L. Roisman, “Statement on The Commission’s Actions Regarding the PCAOB” (June 4, 2021), <https://www.sec.gov/news/public-statement/peirce-roisman-pcaob-2021-06-04>.

^[2] See *id.*

^[3] See PCAOB, “Mission, Vision, and Values,” <https://pcaobus.org/about/mission-vision-values#:~:text=The%20PCAOB%20oversees%20the%20audits,accurate%2C%20and%20independent%20audit%20reports>.

^[4] See T.A. Lee, “The Historical Development of Internal Control from the Earliest Times to the End of the Seventeenth Century,” *Journal of Accounting Research*, Vol. 9, No. 1 (Spring, 1971), at 150-157,

<https://www.jstor.org/stable/pdf/2490208.pdf?refreqid=excelsior%3Ac5b28c10a216ff7dd76987510edd9eb8>

[5] Howard B. Levy, "History of the Auditing World, Part 1," The CPA Journal (Nov. 2020),
<https://www.cpajournal.com/2020/11/25/history-of-the-auditing-world-part-1/>.