

**ICGN**

International Corporate Governance Network

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### **Public Company Accounting Oversight Board Strategic Plan 2018-2022: Draft for Comment**

The International Corporate Governance Network (ICGN) is pleased to provide comments to the Public Company Accounting Oversight Board (PCAOB) draft Strategic Plan 2018-2022.

Led by investors responsible for assets under management in excess of US\$34 trillion, ICGN is a leading authority on global standards of corporate governance and investor stewardship. Our membership is based in more than 45 countries and includes companies, advisors and other stakeholders. ICGN's mission is to promote high standards of professionalism in governance for investors and companies alike in their mutual pursuit of long-term value creation, contributing to sustainable economies world-wide. Our policy positions are guided by the ICGN Global Governance Principles<sup>1</sup> (Principles) developed in consultation with ICGN Members and as part of a wider peer review. For more information on ICGN please see: [www.icgn.org](http://www.icgn.org).

Reporting and audit matters are important aspects of corporate governance, and these feature prominently in the work of ICGN's Disclosure and Transparency policy committee. ICGN's own Global Governance Principles provide an overarching perspective on investor expectations relation to auditing and corporate reporting:

“Boards should oversee timely and high quality company disclosures for investors and other stakeholders relating to

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<sup>1</sup> See: ICGN Global Governance Principles:  
[http://icgn.flpbks.com/icgn\\_global\\_governance\\_principles/](http://icgn.flpbks.com/icgn_global_governance_principles/)

financial statements, strategic and operational performance, corporate governance and material environmental and social factors. A robust audit practice is critical for necessary quality standards.”

ICGN believes that corporate boards are responsible for overseeing the integrity of the company’s accounting and reporting systems, compliance with internationally accepted accounting standards, the effectiveness of systems of internal control, and the independence of the external audit process.

Against this background, ICGN is sympathetic to and supportive of the mission of the PCAOB. We believe it is positive for you to seek public feedback on your draft Strategic Plan from relevant stakeholders. Our response to your consultation will be at a fairly high level, and we will not be getting into the details of the individual strategic goals that you articulate.

In general the strategic direction that you articulate appears sensible, and we appreciate in particular the emphasis that has been placed on audit quality, investor protection and engagement with stakeholders, including investors. It is good to see the mission linked to a vision and overarching values, and we also see it as positive that you emphasise integrity, conduct and culture.

But we do offer several points of feedback, that in part build upon Goal Two, Objective Two: “Understand and consider investors’ audit expectations”:

- Investors would like audit reports to move beyond “pass/fail,” so we applaud the move in the United States to enhanced audit reports and hope those have continued support from the new Board. A better understanding of key audit matters of emphasis would enhance investor understanding and provide a foundation for more substantive engagement between investors and companies.
- We encourage investor engagement not only with executive management but also with board audit committees. If PCAOB does continue to make use of advisory groups, we would also encourage opportunities for investor representation, where relevant.
- Given the growing importance of intangible assets and the discrepancies between a company’s market and book value, it is increasingly important for investors to better understand how non-accounting metrics might enhance investor awareness of company value drivers. The debate over non-GAAP measures is not a new one, but we do not see this going away.

This is particularly the case given building investor attention on environmental, social and governance (ESG) performance data. We are aware of auditor concerns about the ability to provide appropriate professional standards of audit to this type of information.

The Strategic Plan itself did not address these more granular issues, but we hope these will be taken into consideration once the plan has been finalised, particularly as a way to address your strategic Goal Two.

While we are supportive of the articulated direction of the strategic plan, we do not believe we are in a position to fully endorse the plan as presented. In part this is because we believe the plan would benefit from a better explanation of its strategic context – for example, how this articulated strategy may differ from earlier versions. It is also important to understand this strategic direction in terms of practical issues such as resource requirements and how these are evolving.

We note that the PCAOB underwent a budget cut in 2018. Given the important work of the PCAOB, the need to hire qualified personnel and the need for technological enhancements, we hope that additional resources are made available in the future. In light of this we do not believe we have a clear enough picture to provide a more substantive statement of support.

We hope these comments are useful in your deliberations. If you would like to follow up with us with questions or comments, please contact our Policy Director George Dallas: [george.dallas@icgn.org](mailto:george.dallas@icgn.org) .

Yours sincerely,

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