



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

OFFICE OF THE
INVESTOR ADVOCATE

February 28, 2022

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006-2803

RE: PCAOB Release No. 2022-001, Framework of Advisory Groups (“PCAOB RFC”)¹

Dear Secretary:

As the Investor Advocate² at the U.S. Securities and Exchange Commission, I appreciate this opportunity to voice my support for the decision of the Public Company Accounting Oversight Board (“PCAOB”) to reconstitute its advisory groups as described in the PCAOB RFC issued on January 31, 2022.³ In my view, this re-establishment of the advisory groups will enhance investor engagement and increase investor protection.

The PCAOB RFC is a welcome, and overdue, development. In our semiannual reports to Congress over the past few years, the Office of the Investor Advocate has decried the lack of investor input and perspectives at PCAOB.⁴ It is our hope that the reconstitution of advisory groups will place the interests of investors at the forefront of the PCAOB’s mission.

The PCAOB RFC establishes a framework for each advisory group that is to be formed. The PCAOB proposes to form two advisory groups: the Investor Advisory Group and the Standards and Emerging Issues Advisory Group. While we support the overall frameworks as proposed, we suggest some refinements that we believe will enhance the effectiveness of those groups.

¹ See PCAOB Release No. 2022-001, https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/about/advisory/documents/2022-001-advisory-groups.pdf?sfvrsn=2332d5b6_5.

² This letter expresses solely the views of the Investor Advocate. It does not necessarily reflect the views of the Securities and Exchange Commission (“Commission” or “SEC”), the Commissioners, or staff of the Commission, and the Commission disclaims responsibility for this letter and all analyses, findings, and conclusions contained herein.

³ Pursuant to Section 4(g)(4) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78d(g)(4), the Office of the Investor Advocate at the Securities and Exchange Commission is responsible for, among other things, analyzing the potential impact on investors of proposed regulation of the Commission and rules of self-regulatory organizations.

⁴ See SEC, Office of the Investor Advocate, *Report on Activities, Fiscal Year 2019*, <https://www.sec.gov/advocate/reportspubs/annual-reports/sec-investor-advocate-report-on-activities-2019.pdf>; SEC, Office of the Investor Advocate, *Report on Activities, Fiscal Year 2020*, <https://www.sec.gov/advocate/reportspubs/annual-reports/sec-investor-advocate-report-on-activities-2020.pdf>.

Investor Advisory Group (“IAG”)

The PCAOB RFC proposes to form the IAG. The reconstitution of the IAG is a significant investor protection measure. The PCAOB RFC proposes a framework with several categories – Purpose & Role, Membership Selection, Size, Composition, Member Terms, Leadership, Meetings & Overall Structure, Meeting Agendas, and Non-Voting Attendees.

With respect to the Composition of the IAG, we have reviewed the membership of the prior IAG and note that at times it included members who were associated with firms subject to the jurisdiction of the PCAOB. We suggest that, if such members are allowed on the IAG at all, then membership should be limited to no more than one member who is associated with a firm subject to the jurisdiction of the PCAOB or who may be associated with an organization which advocates or represents firms subject to the jurisdiction of the PCAOB.

With respect to Leadership, the IAG framework proposes Co-Chairs with one Co-Chair being a PCAOB member or PCAOB staff. While we appreciate that the Co-Chair role evidences a desire by the Board for substantial engagement with the IAG, we believe the IAG should have a single Chair who is independent of the PCAOB so as to preserve the independence of the IAG. IAG leadership is likely to engage with PCAOB leadership as a matter of course in order to develop agendas and recommendations that are timely and constructive, but we believe the IAG should exercise ultimate control over its agendas and recommendations to ensure that the IAG endures the test of time as an independent resource for the PCAOB. We also believe that having a sole designee from the Board as a Co-Chair of the IAG may lead to an unintended consequence of having the remaining members of the Board less engaged in IAG matters.

We suggest that the Chair of the IAG should not be a member associated with firms subject to the jurisdiction of the PCAOB or who may be associated with organizations which advocate or represent firms subject to the jurisdiction of the PCAOB. Finally, the IAG should be provided dedicated support from the PCAOB Office of External Affairs as needed.

Standards and Emerging Issues Advisory Group (“SEIAG”)

Another positive step is the establishment of the SEIAG. The SEIAG framework proposes the same categories as the IAG framework.

The SEIAG framework sets forth a Size of 24 members. The PCAOB should consider, however, whether the Size of the SEIAG may make it too unwieldy to accomplish its objective. In our view, the Size should be consistent with that of the IAG, i.e., approximately 18 members, which seems like it would be more manageable.

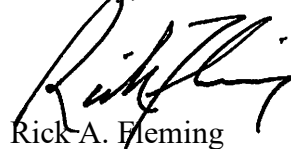
Regarding the Composition of the SEIAG, the PCAOB specifies the desired areas of expertise. In our view, the PCAOB should consider adding a limitation of the number of members associated with firms subject to the jurisdiction of the PCAOB or who may be associated with organizations which advocate or represent firms subject to the jurisdiction of the PCAOB.

As to Leadership of the SEIAG, the framework proposes the PCAOB Chief Auditor as the Chair of the SEIAG. While we understand this designation, we would recommend that the PCAOB Chief Auditor not serve as Chair. Rather, to preserve the independence of the SEIAG, the Chair, with no Co-Chair, should be a member who is independent of the PCAOB. Moreover, the Chair should not be a member associated with a firm subject to the jurisdiction of the PCAOB or who may be associated with an organization which advocates or represents firms subject to the jurisdiction of the PCAOB. And, as with the IAG, the PCAOB Office of External Affairs should be designated to provide support to the SEIAG as needed.

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The reconstitution of the aforementioned advisory groups holds much promise for investors, and we support this effort unreservedly. Thank you for the opportunity to submit comments regarding this important framework. Should you have any questions, please do not hesitate to contact me or Tonia Tornatore, Senior Counsel at (202) 551-3302.

Sincerely,



Rick A. Fleming
Investor Advocate