



# International Programs

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**PCAOB**  
Public Company Accounting Oversight Board



## **Disclaimer**

The views I express today are mine and do not necessarily reflect the views of the Board, individual Board members, or other members of the Board's staff.



# Public Company Accounting Oversight Board

- Regulator of auditors of companies to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports
  - Auditors of companies publicly traded in the United States
  - Auditors of nonpublic broker-dealers
  
- Created under the Sarbanes-Oxley Act of 2002 to be independent from the accounting profession
  - Reflects view by U.S. Congress that peer review was not effective
  - Board members
  - Funding



# Registration

- Registration is voluntary, but only firms that are registered with the PCAOB may conduct audits, or play a substantial role in audits, of:
  - Public companies that trade in U.S. markets
  - Public or nonpublic broker-dealers
- Registration subjects firms to PCAOB oversight
- Currently, approximately 2,400 audit firms (U.S. and non-U.S.) are registered with the PCAOB
- Of those, approximately 900 are non-U.S. firms from 84 jurisdictions



# Inspections

- The Sarbanes-Oxley Act directs the Board to conduct a continuing program of inspections
- Inspections assess the compliance of the firm and its associated persons with the Act, the Rules of the Board and the SEC and U.S. professional standards
- Information obtained in inspections is confidential and protected from discovery in legal proceedings pursuant to Section 105(b)(5) of the Act



# Why An International Program

- Investor Protection
  - Market capitalization exposure over \$600 billion
  - Issuers and their auditors operate globally
  - Not consistently clear to investors
- Clear view on global group audits
- Cooperation among regulators
  - Ten years out from transition away from peer review



## Current Statistics

- 2,375 firms registered with the PCAOB, of which
- 913 non-U.S. firms are registered with the PCAOB from 84 countries
- Almost 40% of all firms registered with the PCAOB are located outside the U.S.
- Approximately 25% of all registered non-U.S. firms have at least one issuer client and must be inspected at least every 3 years
- Registered non-U.S. firms that play a substantial role or perform referred work from an affiliate firm may also be inspected periodically



# Countries with Most PCAOB-Registered Firms

- China – 103, including Hong Kong – 55
- India – 65
- United Kingdom 63, including Jersey – 2, Isle of Man – 1 and British Virgin Islands – 2
- Canada – 46
- Australia – 41
- Germany – 40
- France – 25
- Singapore – 22
- Mexico, Turkey – 20
- Russia – 18
- Israel, Mexico – 18
- Chile, Argentina, Israel, Netherlands, Peru, Spain – 17
- Italy, Brazil, Japan – 16
- Belgium – 15





# Non-U.S. Inspections of Registered Firms

- The PCAOB has conducted inspections of one or more registered firms located in the following non-U.S. jurisdictions:

1	Argentina	21	Malaysia
2	Australia	22	Mexico
3	Belize	23	New Zealand
4	Bermuda	24	Norway
5	Bolivia	25	Panama
6	Brazil	26	Papua New Guinea
7	Canada	27	Peru
8	Cayman Islands	28	Philippines
9	Chile	29	Russian Federation
10	Colombia	30	Singapore
11	Germany	31	South Africa
12	Greece	32	Switzerland
13	Hong Kong	33	Chinese Taipei (Taiwan)
14	India	34	Thailand
15	Indonesia	35	Turkey
16	Ireland	36	Ukraine
17	Israel	37	United Arab Emirates
18	Japan	38	United Kingdom
19	Kazakhstan		
20	Republic of Korea		



# Joint Inspections

- Allows the PCAOB to rely upon the inspections work of a home-country regulator
- To date, joint inspections in 12 jurisdictions:

Australia

Canada

Germany

Israel

Korea

Netherlands

Norway

Spain

Singapore

Switzerland

South Africa

United Kingdom



## Degree of Reliance

- Degree of Reliance depends upon
  - Independence and rigor of home-country system of oversight; and
  - Discussions between the PCAOB and home-country regulator on inspection work programs

## TWO-WAY STREET

- PCAOB Rule 6001 – Inspections
- PCAOB Rule 6002 – Investigations
- Dodd-Frank – Confidential information sharing



# Independence and Rigor: 5 Principles

- Adequacy and integrity of the system
- Independence of the system from the accounting profession
- Independence of the funding of the system
- Transparency of the system
- Enforcement record, if not premature



# SOX Amendment – Information Sharing

- **Non-U.S. regulator must have authority over firm at issue**
- **PCAOB must determine sharing of information is necessary to accomplish purposes of Sarbanes-Oxley Act or to protect investors**
- **Non-U.S. regulator must provide:**
  - **Assurances of confidentiality**
  - **Description of its laws relating to information access**
  - **Description of applicable information systems / controls**
- **Board must determine that it is appropriate to share information**
- **Requires written agreement between PCAOB and its counterpart**



# Global Developments in Independent Auditor Oversight

- EU Directive on Statutory Audit
  - European countries obligated under Directive:
    - France - High Council for Statutory Auditors
    - Germany - Auditor Oversight Commission
    - Spain – Accounting and Auditing Institute
    - Italy – National Companies and Markets Commission
    - Ireland - Irish Auditing and Accounting Supervisory Authority
    - The Netherlands - Authority for the Financial Markets
    - Norway - Financial Supervisory Authority
    - Sweden - Supervisory Board of Public Accountants
    - UK – Federal Reporting Council

\* This list is not exhaustive



# Global Developments in Independent Auditor Oversight

- Other countries:
  - Australian Securities and Investments Commission
  - Canadian Public Accountability Board
  - Japan Certified Public Accountants and Auditing Oversight Board
  - Korea Financial Supervisory Service
  - Malaysian Accounting Oversight Board
  - Singapore Accounting and Corporate Regulatory Authority
  - South Africa Independent Regulatory Board for Auditors
  - Switzerland Federal Audit Oversight Authority



# Global Developments in Independent Auditor Oversight

- International Forum of Independent Audit Regulators
  - Established in September 2006
  - Membership criteria:
    - *Independent of auditing profession (governing body and funding)*
    - *Acts in the public interest and, in particular, conducts or oversees inspections program*
  - Purpose is to bring auditor oversight entities together to share information and exchange ideas
  - Currently 44 member countries
  - Inspection results survey, training, GPPC, standards