

September 29, 2022

By email: rule-comments@sec.gov

U.S. Securities and Exchange Commission
100 F Street, NE Washington, DC 20549

Re: Draft 2022–2026 Strategic Plan for Securities and Exchange Commission; Release No. 34-95588

Dear Office of the Secretary:

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of U.S. public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by U.S. public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, U.S. public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of U.S. public company auditors and audits to dynamic market conditions. Based in Washington, DC, the CAQ is affiliated with the American Institute of CPAs. This letter represents the observations of the CAQ based upon feedback and discussions with certain of our member firms, but not necessarily the views of any specific firm, individual, or CAQ Governing Board member

Overall support

The CAQ appreciates the opportunity to share our views related to the [Draft 2022–2026 Strategic Plan for Securities and Exchange Commission](#) (the Plan). We support the Plan the Commission has put forth. Multidisciplinary feedback from various stakeholders, such as investors, preparers, regulators, and auditors is critical to successful regulatory outcomes and as such we commend the Commission for seeking input on the Plan. In implementing the Plan, it will be important for the Commission to prioritize its efforts in a way that is most responsive to its three-part mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. We appreciate the transparency the SEC provides through releasing its regulatory agenda twice a year and encourage it to continue to do this with a focus of highlighting those projects where expected action by the Commission is 12 months or less. We have also submitted letters in support of the [Financial Accounting Foundation’s Strategic Plan for Public Comment](#) and the [PCAOB’s Draft Strategic Plan 2022-2026](#) and to provide input on their strategic planning efforts.

The CAQ has unique insight to the U.S. public company audit profession as a whole. We observe firsthand our member firms' commitment to audit quality. While we support the overall plan, we have specific observations with respect to the Commission’s goals of protecting working families against fraud,



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manipulation, and misconduct, (Goal 1) and supporting a skilled workforce that is diverse, equitable, and inclusive and is fully equipped to advance agency objectives (Goal 3).

Goal 1: Protect working families against fraud, manipulation, and misconduct

The Plan states, “To protect working families and everyday investors, the SEC will continue to work toward ensuring markets are free of fraud, manipulation, and other misconduct—not only through its rulemaking, but through its enforcement and examination programs as well.” We agree the securities markets touch many American lives, enabling everyday working families to invest for current and future financial goals. The bedrock of the American capital market system is high-quality, reliable financial statements, as investors depend on reliable and useful information to make sound investment decisions. A key element in the reliability of this information is the independent audit. As recently noted in a [Statement](#) by the SEC Acting Chief Accountant, “high-quality audits are foundational to the trust that underlies our capital markets. High-quality audits protect investors, instill shareholder confidence in the quality of the financial information, and enable public companies to raise capital efficiently.”¹ Further, as noted in a [speech](#) by SEC Chair, Gary Gensler, “The quality of public company audits has improved.”²

Enforcement

One of the key elements of the effectiveness of a regulator is its authority to enforce its rules and standards. We agree with the Plan, that “accountability and deterrence are core goals of the enforcement program.” Bringing accountability to bad actors is important for investor protection and helps distinguish those persons from all the other securities markets participants who embrace their professional responsibilities in doing their job every day. Therefore, an enforcement program that focuses on those instances where actions warrant enforcement consequences is vitally important for the SEC’s mission. A robust enforcement program should be complemented by the SEC’s effort to provide guidance to the constituencies they regulate – in the form of rulemaking, policy, staff guidance and other tools – in those instances in which the root cause of a potential enforcement action suggests current rules and standards are not clear or more could be done to help promote more consistent compliance.

Enhance the use of market and industry data

The Plan states, “The SEC must also continue to employ timely, cutting-edge data analysis that helps accomplish its regulatory mission; provide well-structured, material data to investors; and manage data as a strategic asset.” In particular we agree that the Commission should continue to provide well-structured data to investors. As suggested in our [comments on the Draft 2018-2022 Strategic Plan for Securities and Exchange Commission](#), we encourage the Commission to enhance EDGAR by improving

¹ Statement by Paul Munter, Acting Chief Accountant, [Audit Quality and Investor Protection under the Holding Foreign Companies Accountable Act](#), September 6, 2022.

² Statement by Gary Gensler, SEC Chair, [Sarbanes-Oxley at 20: The Work Ahead](#), July 27, 2022.



output and interactive data functionalities. The Commission took a step toward these goals with the required use of XBRL for financial statement and risk/return summaries, now implemented by all filers. The Commission has also continued to add XBRL requirements to other new disclosures, such as those related to pay versus performance. We suggest utilizing and supplementing interactive data functionality with other data visualization and analytical tools. Additionally, we continue to encourage the Commission to add comparative tools to the EDGAR platform that allow investors to compare historical financial data for multiple companies. Comparative tools would help further the Commission's goal of protecting the interests of working families and everyday investors by providing additional context to the information that may be used in their investment decisions. We are supportive of the Council of Institutional Investors and CFA Institute's joint letter to the SEC asking the Commission to make SEC correspondence to and from public companies available in structured, machine-readable format, such as XBRL.³

Modernize disclosures

We particularly support Goal 1.3 to modernize design, delivery, and content of disclosures so investors, including in particular retail investors, can access consistent, comparable, and material information to make informed investment decisions. As described in the CAQ's publication, [The Role of Auditors in Company Prepared Information: Present and Future](#), three characteristics that contribute to making information decision-useful are reliability, comparability and relevance. We recommend that the Commission consider these factors in its efforts to modernize the design, delivery and content of required disclosures. An area of particular current interest to investors are Environmental, Social and Governance (ESG) Disclosures. The CAQ is supportive of the SEC's efforts to propose rules that could provide both companies and investors clarity around ESG information that investors are increasingly asking for and that companies are already providing to some degree.⁴

We commend the Commission for its previous efforts to modernize the delivery and content of SEC disclosures, including its [Disclosure Effectiveness Initiative](#),⁵ and its efforts to simplify and enhance the financial disclosure requirements for public companies. In that vein, we were supportive of the Commission's efforts to modernize its disclosure requirements using a principles-based approach, which we believe allows registrants to more effectively communicate material information to investors that is focused, relevant, and appropriate for a registrant's particular facts and circumstances.

As the Commission works to achieve Goal 1.3, we encourage it to continue to engage with investors, preparers, and other constituency groups throughout the rulemaking lifecycle (including post-

³ See [comment letter](#).

⁴ See CAQ [comment letter](#) in response to the Commission's [Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors](#).

⁵ The Commission's [Disclosure Effectiveness Initiative](#) was initiated in 2013 under the direction of SEC Chair Mary Jo White; work continued on the initiative under Chair Jay Clayton.

implementation) to understand how they value certain types of information and whether the intended benefits are being derived from such information relative to the costs.

Goal 3: Support a skilled workforce that is diverse, equitable, and inclusive and is fully equipped to advance agency objectives

We wholeheartedly support the Commission's commitment to a more diverse, equitable, and inclusive agency. As accountants comprise a significant portion of the Commission's workforce, an essential element in achieving this goal begins with increasing the diversity, equity, and inclusion throughout the entire accounting profession. In [research commissioned](#) by the CAQ to understand the student mindset and perceptions about accounting, we found that 81% of Black and Hispanic students are open to majoring in accounting, yet we continue to see fewer students of color pursuing accounting degrees. Passionate about providing every student an opportunity to explore a future career in accounting, the CAQ launched a profession wide campaign in January 2022 to help students understand the benefits and possibilities of a career in accounting.⁶ This campaign offers resources for high school and college students from underrepresented minority groups, particularly Black, Hispanic, and Latino students, to discover the potential for a career in accounting that matches their own passion and goals. The accounting profession is committed to making our profession look more like society at large⁷ and we encourage the Commission to consider and leverage these initiatives in its efforts to achieve Goal 3.

We appreciate the opportunity to comment on the questions raised in the Proposal. As the Staff and Commission gather feedback from preparers, users and other interested parties, we would be pleased to discuss our comments or answer any questions that the Staff or Commissioners may have regarding the views expressed in this letter. Please address questions to Annette Schumacher (aschumacher@thecaq.org) or Dennis McGowan (dmcgowan@thecaq.org).

Sincerely,



Annette Schumacher, CPA
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⁶ See accounting+ (joinaccountingplus.com).

⁷ See [Our Bold Ambition | Center for Audit Quality](#).

cc:

SEC

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