

# Alphabet

September 10, 2018

Ms. Phoebe W. Brown, Secretary  
Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street NW  
Washington, DC 20006-2803

**Re: No. 2018-001, PCAOB Draft Strategic Plan 2018-2022**

Dear Ms. Brown:

Alphabet Inc. (“Alphabet,” the “Company,” “we,” “us,” or “our”) appreciates the opportunity to provide feedback on the Draft Strategic Plan 2018-2022 (the “Plan”) released for comment by the Public Company Accounting Oversight Board (“PCAOB” or the “Board”).

Alphabet is a collection of businesses, the largest of which is Google, and we generate revenues primarily by delivering relevant, cost-effective online advertising. We value the opportunity to engage with regulators on topics relating to financial reporting quality. Accordingly, we appreciate the Board’s openness to hearing from its stakeholders, including preparers, and for providing us the opportunity to participate in the PCAOB’s strategic planning.

The Sarbanes-Oxley Act of 2002 established the PCAOB to oversee the audits of public companies and broker-dealers in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The PCAOB’s duties in pursuit of this mission include registration, standard-setting, inspections, and enforcement. While these functions are in relation to audits, the Board’s impact extends beyond the firms it oversees, including to the work of preparers of financial statements. As a preparer, we would like to share the following observations and suggestions with regard to the Plan.

***Stakeholder Engagement***

The U.S. Securities and Exchange Commission appointed a full slate of Board members in late 2017 reflecting a diversity of perspectives from backgrounds across the phases of the financial reporting process.<sup>1</sup> We are pleased that the new Board has revisited the PCAOB’s strategic planning process and included this element of public review and input on the Plan.

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<sup>1</sup> See <https://www.sec.gov/news/press-release/2017-230>

We are further pleased that the Board sets out to embrace continuous collaboration with all of its constituents by recognizing in the Plan that the Board “must improve [its] engagement and communication with [its] stakeholders” and including a goal and objectives for doing so. We look forward to seeing how the Board plans to execute on this goal and the opportunities it will present for us to participate in the Board’s external engagement going forward.

In this respect, we note that the Plan emphasizes more engagement with “investors, audit committees, and other stakeholders.” Although “other stakeholders” may be intended to include preparers, we suggest that preparers be explicitly recognized as stakeholders. As noted in the Plan, stakeholder engagement is critical to the Board’s ability to drive improvements in audit quality and preparers can provide input and feedback from a unique perspective. As the Board considers how to engage more effectively with its constituents, we suggest outreach on the impact of its programs on public companies, especially in the area of internal control over financial reporting (“ICFR”). For example, while PCAOB standards are not written for management, in our experience they often become a proxy for external auditor evaluation of management’s work. As a result, PCAOB standards and inspections results affect, and are relevant to, preparer decisions about ICFR.

To further enhance stakeholder engagement, we also encourage the Board to consider open deliberation meetings similar to those of the Financial Accounting Standards Board and the International Accounting Standards Board. Public observation and access to deliberations can serve as powerful tools in the standard-setting process as stakeholders have opportunities to provide feedback throughout rather than only after a proposal has been issued. To further promote meaningful feedback loops, we also encourage the Board to explore various forms of monitoring and stakeholder outreach after finalization of a new standard to understand its implications and determine if course correction is needed.

### ***Technological Change***

The Plan highlights advances in technology as a key factor affecting the PCAOB’s strategic outlook and notes that innovations are impacting the financial reporting system, including audits. We agree, and offer the following suggestions as the Board considers its plans for pursuing this goal and related objective:

- As part of determining how best to anticipate and respond to the risks and opportunities presented by technological change, the Board should consider outreach to supplement its internal resources and leverage external expertise in emerging areas such as artificial intelligence, machine learning, and advanced analytics. The Board’s Data and Technology Task Force is a welcome starting point in this regard.<sup>2</sup> Going forward, we encourage the Board to expand its outreach to include multi-stakeholder

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<sup>2</sup> See <https://pcaobus.org/Standards/SAG/Pages/Data-Technology-Task-Force.aspx>

input and advice with adequate representation from all relevant parties, especially preparers and technologists.

- We agree that any PCAOB efforts related to advancements in technology must not impede innovations with the potential to improve the efficiency and effectiveness of the financial reporting process. In this regard, we suggest the PCAOB take a holistic view of the effects of technology, so that those effects are adequately considered in the context of all its programs. For example, as the use of complex technology continues to grow by public companies and their auditors, PCAOB standard-setting must be nimble enough to keep up with this and other significant environmental changes.

## ***Other Comments***

### *Standard-setting Releases*

As part of fostering greater stakeholder engagement, we suggest the Board evaluate the form and content of its standard-setting proposals and other rule releases. Their length can sometimes make consumption and input to the Board difficult, especially for stakeholders other than auditors. We therefore suggest the Board consider ways of streamlining such releases going forward without compromising the rigor of the economic analysis, including consideration of costs and benefits, of the potential rule change.

### *International Coordination*

As part of the objective for cultivating dialogue with stakeholders, page 10 of the Plan states the Board “will expand [its] engagement with other audit regulators around the globe.” We suggest that the Board not limit its international collaboration to other regulators, and consider ways for greater coordination with and consideration of the work of international audit standard-setters, such as the International Auditing and Assurance Standards Board (IAASB).<sup>3</sup> Consistency among different standards is important to us in regards to both efficiency and effectiveness of audits. In addition to our corporate audit under PCAOB standards, Alphabet has more than 130 statutory audits outside the U.S., most of which are under ISAs or local standards based on ISAs.

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Thank you for the opportunity to respond. We would be pleased to discuss our comments with the Board at your convenience.

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<sup>3</sup> The IAASB sets International Standards on Auditing (ISAs) for use in more than 120 jurisdictions. See <http://www.iaasb.org/clarity-center/support-and-guidance>

Kind regards,

A handwritten signature in black ink that reads "James Campbell". The signature is written in a cursive style with a large, prominent initial "J".

Jim Campbell  
Corporate Controller