

**CHIEF EXECUTIVE OFFICER**

Julie Bell Lindsay

**GOVERNING BOARD**

*Governing Board Chairman*  
**Timothy F. Ryan**  
US Chairman and Senior Partner  
PricewaterhouseCoopers LLP

*Governing Board Vice Chairman*  
**Wayne Berson**  
US CEO and Global Chairman  
BDO USA LLP

**Joe Adams**  
Managing Partner and CEO  
RSM US LLP

**Brian P. Anderson**  
Corporate Director

**Mark Baer**  
CEO  
Crowe LLP

**Dalia Blass**  
Head of External Affairs, Senior  
Managing Director  
BlackRock

**Julie Boland**  
US Chairman and Managing  
Partner, Americas Managing  
Partner  
EY

**Paul Knopp**  
Chair and Chief Executive Officer  
KPMG LLP

**Barry C. Melancon**  
CEO, Association of International  
Certified Professional Accountants  
President and CEO, American  
Institute of CPAs

**Bradley J. Preber**  
CEO  
Grant Thornton LLP

**Mary Schapiro**  
Vice Chair for Global Public Policy  
and Special Advisor to the  
Founder and Chairman  
Bloomberg LP

**Joseph B. Ucuzoglu**  
Chief Executive Officer  
Deloitte US

July 22, 2022

Board of Trustees  
Financial Accounting Foundation  
401 Merritt 7  
Norwalk, CT 06856

Re: Comment on Financial Accounting Foundation: Strategic Plan Draft for  
Public Comment

Dear Trustees,

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 May 2022, [Financial Accounting Foundation \(FAF\) Strategic Plan for Public Comment](#) (the Plan). We support the Plan the Trustees have drafted. Multidisciplinary feedback from various stakeholders, such as investors, preparers, regulators, and auditors is critical to successful standard setting outcomes and as such we commend the Trustees for seeking input on the Plan.

**Independence of standard setting**

Accounting standards derive their legitimacy from the confidence that they are established, interpreted and, when necessary, modified based on independent, objective considerations. The development process must be free — in both fact and appearance — of outside influences that inappropriately benefit any particular participant or group of participants in the financial reporting



**CENTER FOR AUDIT QUALITY**  
555 13th Street NW, Ste 425 E  
Washington, DC 20004

(202) 609-8120  
[www.thecaq.org](http://www.thecaq.org)

system.<sup>1</sup> As such we are supportive of goal #1 in the Plan that recognizes the critical importance of the independence of standard setting and lays out the ways in which the Trustees will enhance their engagement with stakeholders, regulators, and policymakers about the value of independent standard setting to perpetuate this legacy of success. On this note, we appreciate in particular the objective to collaborate as appropriate with international standard-setting bodies to mutually reinforce communications around the crucial role that independent standard setting plays in serving investors and other users of financial reports.

### **Evolving financial accounting and reporting standards**

High-quality, reliable financial statements form the bedrock of our U.S. capital markets, and the FASB plays a critical role in promoting effective financial reporting to investors by setting accounting and reporting standards for U.S. companies.<sup>2</sup> We agree with the Trustees that, "...[these users] have a multitude of information needs and a rapidly growing number of ways to capture and analyze data not necessarily included in financial reports. Moreover, economic shifts and changing business models affect the ways in which investors and others perceive the usefulness of GAAP-based information."<sup>3</sup> For financial statements to continue to be the bedrock of our capital markets, financial accounting and reporting standards must continue to evolve to meet the decision-making needs of investors and other users of financial statements. As such, the CAQ is supportive of goal #2 in the Plan to ensure financial accounting and reporting standards evolve.

### **Standard setting process**

We agree that "New technologies are recasting the environment in which standard setting occurs." Stakeholders want easy access to financial accounting and reporting standards and educational materials about those standards. They also want faster, simpler ways to participate in the standard-setting process. Making it easier for stakeholders to provide input to the Boards will enhance the "general acceptance" of financial accounting and reporting standards and support the relevance of GAAP-based information over the long term."<sup>4</sup> We support goal #3 in the Plan and the Trustee's efforts to "Oversee and support the Boards as they evaluate how to use technology throughout the standard-setting process to make it easier to solicit and receive stakeholder input and to aid stakeholders in understanding newly issued and developing standards."<sup>5</sup> The use of an online survey in formulating the

---

<sup>1</sup> We agree with [the AICPA comment letter](#) that like its boards FAF itself must continue to have a balance of Trustees who are representative of all critical stakeholders of GAAP.

<sup>2</sup> See SEC Chairman Jay Clayton, SEC Commissioner Robert J. Jackson, Jr., SEC Commissioner Hester M. Peirce, SEC Commissioner Elad L. Roisman, SEC Commissioner Allison Herren Lee, *Statement on Appointment of New Chair and Five New Members of the Financial Accounting Foundation Board of Trustees, and Appointment of Next Chair of the Financial Accounting Standards Board* (December 19, 2019), available at <https://www.sec.gov/news/public-statement/statement-commission-2019-12-19-fasb-gasb-trustees>.

<sup>3</sup> [Financial Accounting Foundation \(FAF\) Strategic Plan for Public Comment](#). Page 6.

<sup>4</sup> [Financial Accounting Foundation \(FAF\) Strategic Plan for Public Comment](#). Page 7.

<sup>5</sup> Ibid.



Plan is just one example of the benefits of such an approach. We encourage the Board to work closely with stakeholders and other standard setters, to identify and implement new technologies to evolve and make the standard setting process more accessible.

### **Commitment to diversity, equity, and inclusion**

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.<sup>6</sup> 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 large.<sup>7</sup> We support goal #4 in the Plan, and the Trustees' commitment to a more diverse, equitable, and inclusive culture within the FAF and their outreach and engagement. Achieving progress on diversity, equity, and inclusion throughout the accounting profession will take the collective efforts of the entire accounting profession, and we welcome the participation of the FAF in this campaign.

### **Sustainability**

While the Plan does not define sustainability reporting, we consider sustainability reporting and Environmental, Social and Governance or “ESG” reporting to be synonymous terms, whereby both refer to reporting on three central risk dimensions that can influence long-term financial performance of companies: environmental, social, and governance. The CAQ is supportive of a globally accepted ESG reporting system developed from existing standards and frameworks that can be built upon to meet the market needs in different jurisdictions. This would help support companies in presenting ESG information to investors that is comparable across companies, industries, and geographies. We believe that in order for a globally accepted ESG reporting system to be implemented and to operate effectively, a global ESG standard setter is necessary. We are pleased to see that the Plan acknowledges the “Recent developments—including the establishment of the International Sustainability Standards Board (ISSB) by IFRSF and the U.S. Securities and Exchange Commission’s proposed rulemaking for climate disclosures by public companies—are shaping the future sustainability reporting landscape.”<sup>8</sup> We are supportive of goal #6 in the Plan to monitor and engage with stakeholders to ensure that the FAF can constructively contribute to any future standard setting related to sustainability reporting. We have [previously stated](#) that if the SEC were to determine that a domestic ESG standard setter is necessary to deliberate the

---

<sup>6</sup> See [accounting+ \(joinaccountingplus.com\)](#).

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

<sup>8</sup> [Financial Accounting Foundation \(FAF\) Strategic Plan for Public Comment](#). Page 9.



endorsement<sup>9</sup> of a global set of ESG standards because of U.S. specific market needs, global coordination and collaboration will be critical to minimize differences.

\*\*\*\*\*

We appreciate the opportunity to comment on the Plan. As the Trustees and staff gather feedback from interested parties, we would be pleased to discuss our comments or answer any questions that the Trustees or staff may have regarding the views expressed in this letter.

Sincerely,



Dennis J. McGowan  
Vice President, Professional Practice  
Center for Audit Quality

cc:

**SEC**

Paul Munter, Acting Chief Accountant, Office of the Chief Accountant  
Diana Stoltzfus, Deputy Chief Accountant, Office of the Chief Accountant

---

<sup>9</sup> For example, when a new standard is issued by the IASB, jurisdictions go through a specific endorsement process to determine whether the standard should be adopted and included in local regulations. This endorsement process helps to achieve the objective of worldwide accounting standards for listed companies.