

AICPA Conference on Current SEC and PCAOB Developments
December 5-7, 2016
Washington, DC and CA, IL, NY, TX
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Driving Quality and Trust In a Complex World

Good morning.

On behalf of the American Institute of CPAs, it is my pleasure to welcome you to this year's Conference on Current SEC and PCAOB Developments. We have a fantastic agenda over the next three days to provide valuable insight into key issues for SEC reporting companies and their auditors, as well as take a closer look at developments on the horizon.

I'd first like to take a moment to thank the SEC and the standard-setting staff who dedicate their time working with us to protect the public interest. I also want to offer a special thank you to this year's Conference Chair, John May, from PwC for putting together such a comprehensive program.

We have so many great speakers on the agenda this year. Among them, Cindy Fornelli, Executive Director of the Center for Audit Quality, will update us on the steps the profession is taking to support and advance auditor independence, objectivity and effectiveness. The chairmen of the PCAOB, FASB, and IASB -- Jim Doty, Russ Golden and Hans Hoogervorst -- will share their priorities for the coming months. And we will hear from newly-appointed Chief Accountant at the SEC, Wes Bricker.

This conference brings together so many diverse professionals -- auditors, financial executives, regulators and academics -- to focus on how we continue to drive quality and trust throughout our financial system.

And our work, collectively, has never been more important. The rigor that we put into challenging, clarifying and communicating information and insight is a critical counterforce to the complexity that can erode investor and public confidence.

All of us have to remain relentless in our efforts, continuously developing and leveraging new tools and anticipating the needs of an evolving marketplace.

My own path is an example of what can be accomplished by pushing the boundaries of tradition. I knew from a young age that I would become a CPA, but the steps I took to get here were a bit unconventional. In college, I majored in Information systems when

Accounting wasn't an option. I worked a non-paid internship writing marketing materials. I took public speaking. I worked at NASA. I got an MBA. It wasn't until a few years into my career that I went back to school to earn the credits I needed to pursue accounting and earn my CPA. Since then, I've worked across the profession – in public practice, government and business and industry – and the knowledge and skills I gained along the way have only strengthened the quality of my work.

The profession has the same opportunity.

Let me tell you a little about what the AICPA is doing to keep the profession ahead of the curve. We are driving action on many fronts, but I'll highlight four priority areas.

First, cybersecurity. We have reached an inflection point on cyber threats. Almost daily, there is a new report of a major cyber-attack.

And those are just the ones that have been discovered. Think about the volumes of data that have been quietly compromised that we don't know about yet.

Or the risk posed by the proliferation of Web-enabled devices. An October headline in the New York Times summed it up: "Hackers Used New Weapons to Disrupt Major Websites Across U.S." It went on to report how hackers used baby monitors, cameras, routers and other connected devices to create overwhelming Internet traffic that caused problems for sites like Twitter, Netflix and Airbnb.

In just over 3 years – by 2020 – there will be 50 billion devices connected to each other, according to the World Economic Forum. Imagine the potential impact. And consider the financial implications. The total average cost of a data breach currently is about \$4 million – and that doesn't account for the significant reputation risk.

Organizations need a structured, consistent way to assess, understand and communicate these risks to their stakeholders, and to establish and test governance and controls.

CPAs – in both management and public accounting - are uniquely qualified to lead in this area.

In September, the AICPA issued two criteria proposals that will help management communicate more consistently and effectively on how they are managing cybersecurity risk. These criteria proposals pave the way for the creation of a new cybersecurity attestation engagement that CPAs can perform to assist boards of directors, senior management, and other stakeholders as they evaluate the effectiveness of an organization's cybersecurity risk management program. Coincidentally, the comment period for the exposure drafts ends today, and we will publish the criteria in the first quarter of next year.

The AICPA is also developing an attestation performance and reporting guide so auditors of an organization will be able to report on management's description of their cybersecurity risk management program, as well as on the operating effectiveness of controls designed to mitigate and react to cyber risks. This authoritative attestation guide is being developed by the AICPA's Assurance Services Executive Committee and the Auditing Standards Board and will be delivered early next year.

I work for Oracle and have built my career at the intersection of technology and finance. I firmly believe that the work we're doing in this area is some of our most important and really speaks to how the CPA profession, which began more than a century ago, remains so relevant today.

We continuously push ourselves to evolve and adapt along with the market.

And we do that in other core service areas as well.

Nothing is more core to our profession than the financial statement audit. And nothing is more fundamental to the relevance of the audit than the quality of the work that goes into it, both by the preparer and the auditor.

Audit quality has been a focus around the world for several years, given the increasingly complex and fast-changing business environment. In response, we introduced a 6-point plan as part of a new Enhancing Audit Quality initiative. While the plan focuses on audits of private entities, governments and benefit plans, it also impacts audits of listed entities. It provides a roadmap for the auditor's journey, from education and pre-licensure, to performance, training and monitoring. In the first year, we've already implemented a number of new initiatives, including new quality control tools, resources and industry-specific training programs.

We are working to boost quality through research, guidance and tools aimed at advancing the audit through the greater use of data analytics in both public and private company audits. Rutgers Business School and the AICPA are collaborating in a research initiative that facilitates further integration of data analytics into the audit process, and demonstrates how this can lead to advancements in the public accounting profession.

Likewise, the AICPA Auditing Standards Board and Assurance Services Executive Committee are collaborating on several complementary projects to develop guidance for the use of data analytics in the financial statement audit, which will be published next year.

As a profession, we have expanded mobility privileges for individual CPAs in 52 states and jurisdictions. We are working to expand those privileges to CPA firms, so that businesses can more easily engage the most qualified auditor, even if that auditor is

located in another state. Nationwide, 16 states now allow out-of-state CPAs to come in and offer audit services without registration with the state. The outcome has been so successful that more state legislatures are looking to adopt CPA firm mobility privileges next year.

And we know that the groundwork for a quality audit is established by an effective system of internal control. Our new COSO Internal Control Certificate Program offers financial professionals the opportunity to earn a professional certificate that demonstrates their ability to design and implement an effective system within public and private companies.

That brings me to the other side of the quality equation – management accounting – the work that CFOs, finance directors, controllers and so many of you in this room perform within an organization to protect its financial standing and move it forward.

As I mentioned, I have worked in both public and management accounting. And I have seen firsthand how important it is to have quality, competency and integrity in both to drive a strong financial system and protect the public interest.

The AICPA continues to do significant work in this area with our partner, The Chartered Institute of Management Accountants in London. Historically, there has not been a consistent approach to management accounting around the world – a common understanding of principles and protocols to guide the work or a way to identify professionals who operate with the highest performance and integrity.

Together with CIMA, we are making strides to take management accounting a step further and professionalize it the way that public accounting has been. The need for that professionalization has become increasingly acute as management accountants take on broader roles within their organizations.

As businesses contend with unprecedented volumes of data, they're looking to management accountants to connect the dots across functions and turn relevant information into insight that creates value for the organization. That requires new ways of thinking and doing.

To help, the AICPA and CIMA created Global Management Accounting Principles. They're based on research with businesses, regulators and academics across 20 countries and allow organizations to benchmark and improve their management accounting systems. Over the coming months we will introduce new tools to help organizations implement the principles to make better decisions, respond appropriately to the risks they face and protect the value they generate.

We also will be broadening access to our Chartered Global Management Accountant – or CGMA – designation within the U.S. This is the foundation of our efforts to elevate

the quality of management accounting. It encompasses a rigorous qualification process of education, exams and experience to develop and denote those professionals who have met the highest bar of competency and integrity in management accounting. Since we introduced the designation in 2012, businesses have demonstrated growing demand for what the CGMA represents and a need to qualify more of their staff.

We are responding to that demand because, ultimately, quality starts with people.

And that's the final area I want to talk about – talent.

The AICPA has a long commitment to building the talent pipeline and attracting the best and brightest to our profession. We have several initiatives designed to reach the next generation, including our This Way to CPA campaign, campus champions program and our Accounting Doctoral Scholars project. We just re-launched that one, which helps put CPA practitioners into the classroom where they can have significant impact in mentoring and guiding top students to the profession.

But we don't wait until college. I often tell people I decided to become a CPA when I was 8 years old because an accountant came to speak to my 3rd grade class. So I'm particularly passionate about efforts like our 'Start Here Go Places' campaign that plant seeds about auditing and accounting with top students as early as middle school.

We also keep a firm hand on the pulse of the evolving skills that CPAs need to meet their responsibility to the public interest. To that end, we will launch the next version of the Uniform CPA Exam in April, which will place greater emphasis on higher-order cognitive skills such as critical thinking, problem solving, and analytical abilities.

We continue to innovate our professional development programs to provide new ways for practitioners to learn and stay on top of emerging issues. And we look for opportunities to drive consistency in areas that are critical to investors and the public.

This month, for example, we will introduce the new Certified in Entity and Intangible Valuations credential for CPAs *and* finance professionals as a response to the SEC's request for a solution to protect the public interest and improve the quality, consistency and transparency in fair value measurements. The CEIV credential process will provide experts with a standardized method to document their work and substantiate their valuation findings. At the same time, we are develop a credential in complex financial instruments, which we will launch next Fall.

These initiatives underscore the power of collaboration.

Quality and trust are cornerstones of the CPA profession and the touchstones for all of us in this room. We share a common purpose: Driving confidence in business, the markets and, ultimately, our economy.

Again, I want to welcome you and thank you all for attending. I look forward to a productive and insightful few days as we cover so many important topics.

Thank you.