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**STANDARD-SETTING AGENDA**  
**OFFICE OF THE CHIEF AUDITOR**  
**MARCH 31, 2015**

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The Public Company Accounting Oversight Board ("PCAOB" or "Board") seeks to establish and maintain high-quality auditing and related professional practice standards for audits of issuers and brokers and dealers in support of PCAOB's overall mission to protect investors and the public interest. The PCAOB's Office of the Chief Auditor ("OCA"), with a continued focus on improving the effectiveness of PCAOB standards, takes a priority-based approach in establishing the standard-setting agenda which may include developing new standards or rules, or amending existing standards or rules.

The standard-setting agenda is informed by PCAOB's oversight activities, monitoring of the environment, consultation with the Board's Standing Advisory Group ("SAG"), input from the Board's Investor Advisory Group ("IAG"), discussion with the U.S. Securities and Exchange Commission ("SEC") staff, and other factors. In addition, as part of establishing its standard-setting agenda, OCA takes into consideration the work of other standard setters (for example, the Financial Accounting Standards Board ("FASB"), International Accounting Standards Board, and International Auditing and Assurance Standards Board) in the development of new or modified auditing standards.

The development of new or modified standards includes economic analysis. As part of the process, consideration also is given to the applicability of new standards to audits of emerging growth companies ("EGCs").

Finally, OCA issues staff audit practice alerts to highlight new, emerging, or otherwise noteworthy circumstances that may affect how auditors conduct audits under the existing requirements of PCAOB standards and relevant laws.

The following table and overview of projects, presents OCA's current standard-setting agenda and key milestones. Timing of these projects is subject to change.

<p>This standard-setting agenda was prepared by the staff of the Office of the Chief Auditor. It is not a statement of the Board, nor does it necessarily reflect the views of the Board, individual Board members, or other staff.</p>
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### Standard-Setting Projects

<b>Recent Action</b>	
<b>Project</b>	<b>Action</b>
1. Reorganization of PCAOB Auditing Standards	Adopted on March 31, 2015, pending SEC approval

<b>April 2015 to September 2015</b>	
<b>Project</b>	<b>Planned Action Under Consideration</b>
2. Going Concern	Staff Consultation Paper
3. Supervision of Other Auditors and Multi-location Audit Engagements	Proposal
4. Use of Specialists	Staff Consultation Paper
5. Auditing Accounting Estimates, Including Fair Value Measurements and Related Disclosures	Discussion planned for the meeting of the SAG, June 17-18, 2015.
6. Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits	Supplemental request for comment
7. Auditor's Reporting Model	Reproposal

<b>Other Projects</b>	
<b>Project</b>	<b>Project Direction</b>
8. Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities	Staff Consultation Paper
9. Confirmation	Reproposal

## Standard-Setting Brief Project Overview

1. **Reorganization of PCAOB Auditing Standards.** On March 31, 2015, the Board adopted amendments to reorganize the PCAOB's existing interim and PCAOB-issued auditing standards into a topical structure with a single, integrated numbering system, along with certain technical amendments to its rules and standards. The new organizational structure is intended to improve the usability of the Board's standards and help users navigate the standards more easily. The amendments do not impose new requirements on auditors or change the substance of the requirements for performing and reporting on audits under PCAOB standards. The reorganization and related amendments will be effective, subject to SEC approval, as of December 31, 2016. The Board also is recommending that the SEC approve the amendments for application to audits of EGCs pursuant to the Jumpstart Our Business Startups Act. For further information, see Rulemaking Docket No. 040.<sup>1</sup>
2. **Going Concern.** The auditor's evaluation of a company's ability to continue as a going concern is an important part of an audit under PCAOB standards and federal securities law. The staff is currently evaluating potential revisions to the existing PCAOB standard on the auditor's going concern evaluation in light of changes in the relevant accounting requirements,<sup>2</sup> input from the SAG and IAG, and academic research. The staff is developing a consultation paper seeking public comment on potential approaches to improving the performance and reporting requirements in the existing standard. The staff anticipates that the PCAOB will issue the staff consultation paper in the second quarter of 2015.
3. **Supervision of Other Auditors and Multi-location Audit Engagements.** The roles of other accounting firms and individual accountants in audits (collectively, "other auditors") have taken on greater significance with the increasingly global operations of companies. The lead auditor often involves other auditors at various locations of the company in areas of high risk of material misstatement in the financial statements. The staff is drafting, for the Board's consideration, a proposal for improving the auditing standards that govern the planning, supervision, and

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<sup>1</sup> The rulemaking docket number provides a link to any related concept release, proposal, or reproposal that the Board has issued for public comment, related Board member statements, and comments received.

<sup>2</sup> On August 27, 2014, FASB issued Accounting Standards Update No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. On September 22, 2014, the PCAOB staff issued Staff Audit Practice Alert No. 13, to remind auditors to continue to follow existing PCAOB standards when considering a company's ability to continue as a going concern.

performance of audits involving other auditors and multi-location audit engagements. The staff anticipates recommending that the Board propose a standard and related amendments on supervision of other auditors and multi-location audit engagements, for public comment in the second quarter of 2015.

4. ***Use of Specialists.*** The role of specialists continues to take on greater significance in audits due to the increased number of accounting estimates, including fair value measurements, in financial statements. Further, companies are increasingly using the work of specialists in high risk areas of the financial statements. Observations from the Board's oversight activities illustrate the need for improvement in audit procedures performed by the auditor with respect to specialists. On August 19, 2014, the PCAOB issued a staff consultation paper to seek public comment on potential revisions to PCAOB standards on auditing accounting estimates and fair value measurements. Because of the linkage between accounting estimates and the use of specialists, the staff plans to issue a separate staff consultation paper to seek additional public comment on certain matters related to the use of specialists, including key potential audit requirements. The staff anticipates that the PCAOB will issue the staff consultation paper in the second quarter of 2015.
5. ***Auditing Accounting Estimates, Including Fair Value Measurements and Related Disclosures.*** In response to issues identified during the inspection of accounting firms and comments received from members of the SAG, the staff has been developing, for the Board's consideration, a proposal for a standard on auditing accounting estimates, including fair value measurements and related disclosures. To date, the staff's considerations have been informed by, among other things, the Pricing Sources Task Force of the Board's SAG, which focused on auditing the fair value of financial instruments that are not actively traded and on the use of third-party pricing sources. To further inform the development of a proposed standard, the PCAOB issued a staff consultation paper on August 19, 2014 to seek public comment on certain issues related to auditing accounting estimates and fair value measurements. The staff consultation paper described the staff's preliminary views concerning the potential need for change and presents potential revisions to PCAOB standards in response to that potential need for change. The PCAOB held a special meeting of the SAG on October 2, 2014 to discuss the matters raised in the staff consultation paper. The meeting included presentations from SAG members and external panelists. The comment period on the staff consultation paper ended on November 3, 2014. Forty comment letters were received. The staff is evaluating the responses from commenters in addition to the discussion from the October 2, 2014 SAG meeting in order to develop a proposal for the Board's consideration. A number of commenters expressed views regarding the staff's approach related to the company's use and the auditor's use of third parties, including specialists. As noted above, the Office of the Chief Auditor is developing a staff consultation paper relating to the use of specialists. The staff anticipates recommending that the Board propose a standard and related amendments on auditing accounting estimates,

including fair value measurements and related disclosures, for public comment in the fourth quarter of 2015; however, the staff may need to take into account relevant comments received on the Staff Consultation Paper relating to specialists. The staff plans on having a further discussion with the SAG at its June 2015 meeting regarding the ongoing development of this standard, including the use of third parties.

6. ***Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits.*** On December 4, 2013, the Board issued for public comment repropoed amendments to its auditing standards that would improve transparency of audits by requiring disclosure in the auditor's report of (1) the name of the engagement partner and (2) the names, locations, and extent of participation of certain other participants in the audit. The comment period on the reproposal ended on March 17, 2014. The staff is drafting for the Board's consideration a supplemental request for comment that takes into account comments received on the reproposal, including comments related to liability and an alternative location for the disclosure. The staff anticipates recommending that the Board issue the supplemental request for comment in the second quarter of 2015. For further information, see [Rulemaking Docket No. 029](#).
7. ***Auditor's Reporting Model.*** On August 13, 2013, the Board issued for public comment proposed auditing standards and related amendments on the auditor's report and the auditor's responsibilities regarding other information. The proposed auditor reporting standard would retain the pass/fail model in the existing auditor's report but would provide additional information to investors and other financial statement users about the audit and the auditor. Specifically, the proposed auditor reporting standard would require: (1) the communication of critical audit matters; (2) the addition of new elements to the auditor's report related to auditor independence, auditor tenure, and the auditor's responsibilities for, and the results of, the auditor's evaluation of other information outside the financial statements; and (3) enhancements to existing language in the auditor's report related to the auditor's responsibilities for fraud and notes to the financial statements. The proposed other information standard would: (1) enhance the auditor's responsibility with respect to other information; (2) require the auditor to evaluate the other information for a material misstatement of fact as well as for a material inconsistency with amounts or information, or the manner of their presentation, in the audited financial statements; and (3) require communication in the auditor's report regarding the auditor's responsibilities for, and the results of, the auditor's evaluation of the other information. The Board held a public meeting on April 2-3, 2014 to discuss the proposed standards and comments received. The staff is analyzing the comments received on the proposal and at the public meeting and is drafting a reproposal for the Board's consideration. The staff anticipates recommending that the Board issue a reproposal for public comment in the third quarter of 2015. For further information, see [Rulemaking Docket No. 034](#).

8. **Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities.** Deficiencies identified by PCAOB inspectors in their reviews of issuer audits suggest that improvements are needed in firms' systems of quality control. For instance, the PCAOB's inspection staff routinely identifies audit deficiencies that should have been prevented or detected and remedied before the audit report was issued. Improvements in firms' systems of quality control could have significant potential to improve audit quality by detecting more audit deficiencies before the issuance of the audit report and by preventing and deterring the occurrence of many such deficiencies. The staff is exploring whether changes to PCAOB quality control standards—including improvements related to assignment and documentation of firm supervisory responsibilities—could prompt firms to improve their systems of quality control. This project is considering academic research, input from the SAG, observations from the Board's oversight activities and activities of international audit regulators, as well as related PCAOB activities, specifically, the root cause analysis and audit quality indicator initiatives. The staff is developing a staff consultation paper to seek public comment on alternative approaches to improving the quality control standards and their potential impacts, including impacts on large and small domestic and international firms. The staff anticipates that the PCAOB will issue the staff consultation paper in the fourth quarter of 2015. For further information on assignment and documentation of firm supervisory responsibilities, see [Rulemaking Docket No. 031](#).
9. **Confirmation.** On July 13, 2010, the Board issued for public comment a proposed auditing standard. The comment period ended on September 13, 2010. The staff has analyzed the comments received and is planning to draft a reproposal for the Board's consideration. For further information, see [Rulemaking Docket No. 028](#).
10. **Subsequent Events.** Subsequent events has been removed from the standard-setting agenda pending further analysis of the need for this potential standard-setting project.

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The PCAOB is a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect investors and the public interest by promoting informative, accurate, and independent audit reports. The PCAOB also oversees the audits of brokers and dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.