PCAOB
Public Company Accounting Oversight Board

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OFFICE OF THE CHIEF AUDITOR

STANDARD-SETTING AGENDA

MARCH 2012

As part of developing and periodically updating the standard-setting agenda, the Office of the Chief Auditor ("OCA") takes into consideration multiple factors. The agenda is determined based on Board priorities, results of the PCAOB's oversight of registered public accounting firms, monitoring of the environment, consultation with the Board's Standing Advisory Group ("SAG"), input from the Board's Investor Advisory Group ("IAG"), and discussion with the SEC, among other factors.

OCA continually evaluates the Board's standards and takes a priority-based approach in determining which standards need to be amended. In addition, the current standard-setting agenda has been significantly informed by current economic conditions. OCA also has taken into account the results of the Board's oversight activities of registered public accounting firms. For example, issues identified through the inspection of audits conducted during the economic crisis indicate that there is a need for the Board to address certain of its standards including the auditor's reporting model, quality control, fair value measurements, and the use of specialists. Additionally, the standard-setting projects on quality control, part of the audit performed by other auditors, and identification of other public accounting firms or persons not employed by the auditor in the auditor's report will consider challenges pertaining to PCAOB inspections of accounting firms based outside the U.S.

OCA works with the Division of Registration and Inspections to monitor current accounting firm practices with respect to independence, including non-audit services being provided to audit clients, to determine if any additional rulemaking is necessary in the area of ethics and independence.

In its standard-setting activities, OCA focuses on ways to strengthen the applicable auditing standards as they relate to the auditor's responsibility to detect material misstatement due to fraud.

OCA takes into consideration the work of other standard setters (e.g., FASB, IAASB), emerging issues, research, and solicitation of public comments. For example, OCA is closely monitoring the work of the FASB and IASB accounting projects and evaluating the potential need for new or revised auditing standards or staff guidance in response to the potential upcoming changes to U.S. GAAP and IFRS.

In addition to standard-setting projects, 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 Board's standard-setting process is further described on the PCAOB's Web site at: http://pcaobus.org/Standards/Pages/StandardSettingProcess.aspx. The table below, followed by a brief project overview, presents OCA's current standard-setting agenda and key milestones.

Project	2012				2013			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1. Auditor's Reporting Model			Issue proposed standard for public comment			Adopt final standard or re-propose standard for public comment		
2. Auditor Independence and Audit Firm Rotation	Held public meeting	Hold public meeting(s)						

NOTE REGARDING PROJECT MILESTONES:

The project milestones have been developed for planning and budgeting purposes and may change due to a variety of reasons. Specifically, the projected project milestones are contingent on the Board determining that the staff should pursue a standard-setting project in each area. If the Board decides to issue a concept release for public comment before proposing a standard, the Board will analyze the comments received and determine if it is appropriate to proceed with a proposed standard. Additionally, after the Board receives public comment on a proposed standard, the Board will determine whether to adopt a final standard or seek additional comment through re-proposal. Finally, emerging issues, new accounting developments, and any new legislative initiatives could impact the projected milestones or could result in other priorities not on the agenda.

Project	2012				2013			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
3. Audit Transparency – Identification of the Engagement Partner and Other Public Accounting Firms or Persons Not Employed by the Auditor in the Auditor's Report		Adopt final amendments or re-propose amendments for public comment						

Project	2012				2013			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
4. Audits of Brokers and Dealers								
a. Attestation Standards		Adopt final standards or re-propose standards for public comment						
b. Audits of Supplemental Information		Adopt final standard or re-propose standard for public comment						
c. Staff Guidance for Auditors of Brokers and Dealers		Issue staff guidance						

Project	2012				2013			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
5. Communications with Audit Committees		Adopt final standard						
6. Part of the Audit Performed by Other Auditors (Principal Auditor)			Issue proposed standard for public comment			Adopt final standard or re-propose standard for public comment		
7. Assignment and Documentation of Firm Supervisory Responsibilities (Failure to Supervise)		Issue proposed amendments for public comment			Adopt final amendments or re-propose amendments for public comment			

Project	2012				2013			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
8. Quality Control Standards					Issue proposed standards for public comment			Adopt final standards or re-propose standards for public comment
9. Codification of PCAOB Standards				Issue proposed Codification framework for public comment				Codify PCAOB Auditing Standards
10. Auditing Fair Value Measurements				Issue proposed amendments for public comment			Adopt final amendments or re-propose amendments for public comment	

Project	2012				2013			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
11. Auditing Accounting Estimates							Issue proposed standard for public comment	
12. Specialists			Issue proposed standard for public comment			Adopt final standard or re-propose standard for public comment		
13. Confirmation				Adopt final standard or re-propose standard for public comment				

Project	**2012**				**2013**			
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
14. Related Parties	Issued proposed standard for public comment			Adopt final standard or re-propose standard for public comment				
15. Going Concern			Issue proposed standard for public comment			Adopt final standard or re-propose standard for public comment		
16. Subsequent Events						Issue proposed standard for public comment		

Standards-setting Brief Project Overview

1. Auditor's Reporting Model (Advisory Committee on the Auditing Profession to the U.S. Department of Treasury ("ACAP") Recommendation: Firm Structure and Finance Recommendation No. 5) – ACAP recommended that the PCAOB "undertake a standard-setting initiative to consider improvements to the auditor's standard reporting model." This topic was discussed with the SAG and IAG. Outreach was conducted by the staff to ascertain and identify additional investor and user needs. The staff presented its findings to the Board at an open meeting on March 22, 2011. The Board issued a concept release for public comment on June 21, 2011 on alternatives for changing the auditor's reporting model that could increase its transparency and relevance to financial statement users. The Board held a roundtable on this topic on September 15, 2011. The comment period ended on September 30, 2011. The staff has analyzed the comments received and is drafting for the Board's consideration a proposed standard.

2. Auditor Independence and Audit Firm Rotation – On August 16, 2011, the Board issued a concept release to solicit public comment on ways that auditor independence, objectivity, and professional skepticism can be enhanced, including through mandatory rotation of audit firms. Mandatory rotation would limit the number of consecutive years for which a registered public accounting firm could serve as the auditor of a public company. The comment period ended on December 14, 2011. The staff is analyzing the comments received. The Board held its first public meeting to discuss auditor independence and mandatory audit firm rotation on March 21- 22, 2012. In connection with the March 21-22 public meeting, the Board reopened the comment period until April 22, 2012.

3. Audit Transparency – Identification of the Engagement Partner and Other Public Accounting Firms or Persons Not Employed by the Auditor in the Auditor's Report – On October 11, 2011, the Board issued for public comment proposed amendments to its auditing standards and annual reporting form. The proposed amendments would improve transparency of audits by requiring the disclosure of (1) the engagement partner and (2) other accounting firms and other persons that took part in the audit. The comment period ended on January 9, 2012. The staff has analyzed the comments received and is drafting revisions for the Board's consideration.

4. Audits of Brokers and Dealers – On July 12, 2011, the Board proposed attestation standards for auditors of brokers and dealers in light of amendments to Rule 17a-5 under the Securities Exchange Act of 1934 proposed by the SEC. The Board also proposed a standard for audits of supplemental information accompanying audited financial

statements that would apply to audits of brokers and dealers and audits of issuers. The comment period ended on September 12, 2011. The staff has analyzed the comments received and is drafting revisions for the Board's consideration. The timing of the reproposal or adoption is dependent upon the SEC's adoption of amendments to Rule 17a-5. In addition, the staff is drafting implementation guidance on applying PCAOB standards to audits of brokers and dealers.

5. Communications with Audit Committees – On December 20, 2011, the Board re-proposed the auditing standard for public comment. The comment period on the re-proposed auditing standard ended on February 29, 2012. The staff has analyzed the comments received and is drafting revisions for the Board's consideration.

6. Part of the Audit Performed by Other Auditors (Principal Auditor) – In response to issues identified by the Board's oversight activities and comments received from members of the SAG, the staff is considering possible revisions to the standard related to part of the audit performed by other auditors and certain other standards to strengthen requirements regarding the work performed by other auditors participating in the audit.

7. Assignment and Documentation of Firm Supervisory Responsibilities (Failure to Supervise) – The Board issued a two-part release on August 5, 2010 addressing matters related to the application of Section 105(c)(6) of the Act, which authorizes the Board to impose sanctions on firms and individuals for failure to supervise. The release highlighted the scope of the application of Section 105(c)(6) and also sought comment on concepts relating to possible rulemaking or standard setting that might complement the Board's application of that provision. The comment period ended on November 3, 2010. The staff has analyzed the comments received and is drafting for the Board's consideration proposed amendments to the quality control standards to address assignment and documentation of firm supervisory responsibilities.

8. Quality Control Standards – In response to issues identified during the inspection of accounting firms, lessons learned from the economic crisis, and comments received from members of the SAG, the staff is evaluating potential revisions to the quality control standards, including the SEC Practice Section requirements.

9. Codification of PCAOB Standards – The staff is developing for the Board's consideration a potential framework for organizing and codifying PCAOB auditing standards.

10. Auditing Fair Value Measurements – In response to issues identified during the inspection of accounting firms, lessons learned from the economic crisis, comments received from members of the SAG, and FASB's proposed accounting standard on financial instruments, the staff is evaluating potential revisions to the standard on auditing fair value measurements. This project is being informed by the Pricing Sources Task Force, which focuses on the auditing of the fair value of financial instruments that are not actively traded and on the use of third-party pricing sources. The task force is comprised of several members of the SAG, as well as other investors, preparers and auditors, and representatives from pricing services and brokers. More details about the activities of the Pricing Sources Task Force are available on the PCAOB's Web site at: http://pcaobus.org/Standards/SAG/Pages/PricingSourcesTaskForce.aspx.

11. Auditing Accounting Estimates - In response to issues identified during the inspection of accounting firms, lessons learned from the economic crisis, and comments received from members of the SAG, the staff is evaluating potential revisions to the standard on auditing accounting estimates. This project addresses a broad range of matters in the area of auditing accounting estimates.

12. Specialists – In response to issues identified during the inspection of accounting firms, lessons learned from the economic crisis, and comments received from members of the SAG, the staff is evaluating potential revisions to the specialist auditing standard.

13. Confirmation – The Board proposed the auditing standard for public comment on July 13, 2010. The comment period ended on September 13, 2010. The staff has analyzed the comments received and is drafting revisions for the Board's consideration.

14. Related Parties – On February 28, 2012, the Board issued for public comment a proposed auditing standard and proposed amendments to certain of its auditing standards. The proposed standard and amendments would (1) improve the auditor's evaluation of a public company's identification of, accounting for, and disclosure about its relationships and transactions with related parties; (2) enhance the auditor's identification and evaluation of a company's significant unusual transactions; and (3) improve the auditor's understanding of a company's financial relationships with its executive officers. The comment period ends on May 15, 2012.

15. Going Concern – In response to comments received from members of the SAG and input from the IAG, the staff is evaluating potential revisions to the going concern auditing standard. The staff also is monitoring the FASB's risks and uncertainties project (formerly FASB's going concern project). Any new auditing standard will take into consideration new accounting requirements established by the FASB.

16. Subsequent Events – In response to the comments received from members of the SAG, the staff is evaluating potential revisions to the subsequent events auditing standard.

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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 broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.