
STANDARD-SETTING AGENDA

OFFICE OF THE CHIEF AUDITOR

SEPTEMBER 30, 2014

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.

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.

Standard-Setting Projects

Recent Actions	
Project	Action Taken
1. Auditing Accounting Estimates, Including Fair Value Measurements and Related Disclosures	Staff Consultation Paper issued for public comment through November 3, 2014
2. Related Parties	Adopted on June 10, 2014, pending SEC approval

October 2014 to March 2015	
Project	Planned Action Under Consideration
3. Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits	Issue supplemental request for comment
4. Auditor's Reporting Model	Reproposal
5. Supervision of Other Auditors and Multi-location Audit Engagements	Proposal
6. Use of Specialists	Issue Staff Consultation Paper
7. Framework for Reorganization of PCAOB Auditing Standards	Adoption
8. Going Concern	Issue Staff Consultation Paper

Other Projects	
Project	Project Direction
9. Confirmation	Reproposal
10. Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities	Staff Consultation Paper
11. Subsequent Events	Proposal

Standard-Setting Brief Project Overview

1. ***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 staff 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 describes 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 comment period on the staff consultation paper ends on November 3, 2014. In addition, the staff will evaluate input from the October 2, 2014 SAG discussion of matters presented in this staff consultation paper.
2. ***Related Parties.*** On June 10, 2014, the Board adopted Auditing Standard No. 18, *Related Parties*, amendments regarding significant unusual transactions and other amendments to PCAOB auditing standards. Auditing Standard No. 18 and the amendments address the following areas: (1) evaluating a company's identification of, accounting for, and disclosure of, relationships and transactions with related parties; (2) identifying and evaluating a company's significant unusual transactions; and (3) obtaining an understanding of a company's financial relationships with its executive officers as part of the auditor's risk assessment. Auditing Standard No. 18 and the amendments will be effective, subject to approval by the SEC, for audits of financial statements for fiscal years beginning on or after December 15, 2014, including reviews of interim financial information within these fiscal years. The Board also is recommending that the SEC approve the standard and amendments for application to audits of EGCs pursuant to the Jumpstart Our Business Startups Act. For further information, see [Rulemaking Docket No. 038](#).¹

¹ 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.

3. ***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. For further information, see Rulemaking Docket No. 029.
4. ***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. For further information, see Rulemaking Docket No. 034.
5. ***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. Observations from the Board's oversight activities indicate, among other things, a need for improvement in audit procedures performed by the accounting firm issuing the auditor's report with respect to the work performed by other auditors. As a result, the staff is drafting, for the Board's consideration, a

proposal that would address this need by improving the auditing standards that govern the planning, supervision, and other aspects of audits involving other auditors, and multi-location audit engagements.

6. **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 indicate, among other things, a need for improvement in audit procedures performed by the auditor with respect to specialists. The staff recently 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.
7. **Framework for Reorganization of PCAOB Auditing Standards.** The objective of this project is 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. On March 26, 2013, the Board issued for public comment a proposal for the reorganization of PCAOB auditing standards, and on May 7, 2014, the Board issued a supplemental request for comment. In conjunction with the supplemental request for comment, the Board released on its website an online demonstration version that presents the existing auditing standards as they would look if reorganized according to the proposed framework. The comment period on the supplemental release ended on July 8, 2014. The staff has evaluated the comments on the proposal and the supplemental request, including the amendments needed to implement the reorganization of PCAOB auditing standards, and is drafting an adopting release for the Board's consideration. For further information, see [Rulemaking Docket No. 040](#).
8. **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 the federal securities laws. 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 requirements², input from the SAG and IAG, and

² 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

academic research. The staff also continues to monitor activities of other standard setters and international regulators in this area. The staff is developing a staff consultation paper seeking public comment on potential approaches to improving the performance and reporting requirements in the existing standard. The staff anticipates issuing the consultation paper by the end of 2014.

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. **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 indicators 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 issuing the consultation paper in the first half of 2015. For further information on assignment and documentation of firm supervisory responsibilities, see [Rulemaking Docket No. 031](#).
11. **Subsequent Events.** In response to the comments received from members of the SAG, the staff is evaluating potential improvements 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

remind auditors to continue to follow existing PCAOB standards when considering a company's ability to continue as a going concern.

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.