
STANDARD-SETTING AGENDA
OFFICE OF THE CHIEF AUDITOR
SEPTEMBER 30, 2013

Developing and maintaining high-quality auditing and related professional standards is a priority of the Public Company Accounting Oversight Board ("PCAOB" or "Board"). The PCAOB's Office of the Chief Auditor ("OCA") regularly monitors audit risks, challenges, and the prevailing economic environment as it maintains and adjusts its standard-setting agenda. The agenda is determined based on consideration of the 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"), discussion with the U.S. Securities and Exchange Commission ("SEC") staff, and other factors.

OCA continually evaluates the Board's standards and takes a priority-based approach in determining which standards need to be amended. In doing so, the PCAOB's goal is to improve auditing standards as it deems necessary to protect the interests of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports.

The development of new or modified auditing standards reflects economic considerations, consistent with the public interest and investor protection. As part of the process, consideration also is given to the applicability of new standards to audits of emerging growth companies (EGCs) and whether such application will promote efficiency, competition, and capital formation.

In addition, as part of its standard-setting process, OCA takes into consideration the work of other standard setters (for example, the Financial Accounting Standards Board ("FASB"), International Accounting Standards Board ("IASB"), and International Auditing and Assurance Standards Board) in the development of new or modified auditing standards. For example, OCA is closely monitoring the work of the FASB and IASB accounting projects (including the projects on revenue recognition and going concern) and is evaluating the need for new or revised auditing standards or for staff guidance in response to potential upcoming changes to U.S. generally accepted accounting principles and International Financial Reporting Standards.

<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>

Finally, OCA issues staff audit practice alerts^{1/} 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 standard-setting projects is subject to change.

^{1/} See <http://pcaobus.org/Standards/Pages/Guidance.aspx>.

Standard-Setting Projects

Recent Board Actions	
Project	Action
1. The Auditor's Reporting Model	Proposal issued for public comment

October 2013 to March 2014	
Project	Action
2. Audits of Brokers and Dealers	Adoption
3. Audit Transparency: Identification of the Engagement Partner and Other Public Accounting Firms or Persons That Are Not Employed by the Auditor but Participate in the Audit	Reproposal
4. Related Parties	Adoption
5. Framework for Reorganization of PCAOB Auditing Standards	Proposal – Phase 2 (implementing amendments)
6. Auditors' Responsibilities with Respect to Other Accounting Firms, Individual Accountants, and Specialists	Proposal

Possible October 2013 to March 2014 – Timing Dependent on Third Parties	
Project	Action
7. Going Concern	Proposal

Other Active Projects	
Project	Action
8. Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities	Concept release
9. Auditing Accounting Estimates, Including Fair Value Measurements and Related Disclosures	Proposal
10. Auditor Independence, Objectivity, and Professional Skepticism	Next steps under consideration
11. Confirmation	Reproposal
12. Subsequent Events	Proposal

Standard-Setting Brief Project Overview

1. ***The 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 comment period on the proposal ends on December 11, 2013. The Board is considering holding a public roundtable in 2014 to discuss the proposed standards and comments received. For further information, see [Rulemaking Docket No. 034](#).^{2/}
2. ***Audits of Brokers and Dealers.*** On July 12, 2011, the Board proposed two attestation standards for audits 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 an auditing standard for audits of supplemental information accompanying audited financial statements. The proposed auditing standard would apply when the auditor of the company's financial statements is engaged to audit and report on supplemental information that accompanies the audited financial statements. The comment period ended on September 12, 2011. The staff has analyzed the comments received and the SEC's amendments to its Rule 17a-5.^{3/}

^{2/} 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/} On July 30, 2013, the SEC adopted final amendments to SEC Rule 17a-5 under the Securities Exchange Act of 1934, to require, among other things, that audits of brokers' and dealers' financial statements be performed in accordance with the standards of the PCAOB for fiscal years ending on or after June 1, 2014.

and the staff is drafting an adopting release for the Board's consideration. In addition, the staff is drafting guidance on applying PCAOB standards in audits of brokers and dealers. For further information, see [Rulemaking Docket No. 035](#) and [Rulemaking Docket No. 036](#).

3. ***Audit Transparency: Identification of the Engagement Partner and Other Public Accounting Firms or Persons That Are Not Employed by the Auditor but Participate in the Audit.*** 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 the engagement partner and disclosure of 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. For further information, see [Rulemaking Docket No. 029](#).
4. ***Related Parties.*** On May 7, 2013, the Board issued for public comment a repropoed auditing standard and repropoed amendments to certain of its auditing standards. The reproposal addressed 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. The reproposal was discussed with the SAG on May 15, 2013. The comment period ended on July 8, 2013. The staff is analyzing the comments received and is drafting an adopting release for the Board's consideration. For further information, see [Rulemaking Docket No. 038](#).
5. ***Framework for Reorganization of PCAOB Auditing Standards.*** On March 26, 2013, the Board issued for public comment a potential framework for reorganizing the Board's existing interim and PCAOB-issued auditing standards into a topical structure with a single, integrated numbering system, along with certain amendments to its rules and standards – Phase 1. The proposed reorganization is intended to present the standards in a logical order that generally follows the flow of the audit process and is intended to help users navigate the standards more easily. The comment period ended on May 28, 2013. After consideration of the comments received, the Board intends to release and seek comment on the amendments necessary to implement the reorganization of the auditing standards – Phase 2. The staff is drafting amendments for the Board's consideration. For further information, see [Rulemaking Docket No. 040](#).
6. ***Auditors' Responsibilities with Respect to Other Accounting Firms, Individual Accountants, and Specialists.*** Observations from the Board's reviews of audits involving other accounting firms, individual accountants, and specialists indicate a need for improvement in audit procedures performed by other accounting firms,

individual accountants, and specialists and in the lead auditor's oversight of their work. Further, over the last several decades, the roles of other accounting firms, individual accountants, and specialists have taken on greater significance in audits. As a result, the staff is drafting for the Board's consideration a proposal to improve the planning, supervision, and other aspects of such audits.

7. **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. As part of that process, the staff is monitoring the activities of other standard setters in this area. For example, on June 26, 2013, FASB issued a proposed accounting standard update regarding disclosure of uncertainties about an entity's going concern assumption. Any proposed revisions to the auditing standard would take into consideration relevant activities that may result in changes to the accounting standards.
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 detected and remedied before the audit report was issued. Improvements of the firms' systems of quality control could have significant potential to improve audit quality by not only detecting more audit deficiencies prior to the issuance of the audit report, but also by preventing and deterring the occurrence of many such deficiencies. As a result, the staff is developing a concept release to explore improvements to the existing quality control standards, including the SEC Practice Section requirements. This project also considers potential improvements to the quality control standards regarding firm supervisory responsibilities. For further information on assignment and documentation of firm supervisory responsibilities, see Rulemaking Docket No. 031.
9. **Auditing Accounting Estimates, Including Fair Value Measurements and Related Disclosures.** In response to issues identified during the inspection of accounting firms, comments received from members of the SAG, and FASB's proposed accounting standard on financial instruments, the staff is drafting for the Board's consideration a proposal for a standard on auditing accounting estimates, including fair value measurements and related disclosures. Similar to other standard setters, the staff is drafting a combined standard to address a broad range of matters in the area of auditing accounting estimates and fair value measurements. This project also is being informed by the Pricing Sources Task Force of the Board's Standing Advisory Group, which has focused on the auditing of the fair value of financial instruments that are not actively traded and on the use of third-party pricing sources.

10. **Auditor Independence, Objectivity, and Professional Skepticism.** On August 16, 2011, the Board issued a concept release to solicit public comment on ways to enhance auditor independence, objectivity, and professional skepticism, 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 Board held three public meetings in 2012 to discuss auditor independence and mandatory audit firm rotation. In connection with each of these public meetings, the Board reopened the comment period on the concept release to provide an opportunity for members of the public to offer their views, including views on new information made available as a result of the meetings. The latest extended comment period closed on November 19, 2012. The staff is analyzing the results of the Board's outreach and next steps continue to be considered. On December 4, 2012, informed by inspection observations and comments heard at these public meetings, the staff issued Staff Audit Practice Alert No. 10, *Maintaining and Applying Professional Skepticism in Audits*. The staff also continues to monitor the activities of other regulators, standard setters, and legislative bodies in this area. For further information, see [Rulemaking Docket No. 037](#).
11. **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](#).
12. **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 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.