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**STANDARD-SETTING AGENDA**  
**OFFICE OF THE CHIEF AUDITOR**  
**JUNE 30, 2014**

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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

Recent Actions	
Project	Action Taken
1. Auditor's Reporting Model	Public meeting held on April 2-3, 2014. Comment period closed May 2, 2014.
2. Framework for Reorganization of PCAOB Auditing Standards	Supplemental Request for Comment issued for public comment through July 8, 2014.
3. Related Parties	Adopted on June 10, 2014, pending SEC approval

July 2014 to December 2014	
Project	Planned Action
4. Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits	Adoption under consideration
5. Auditors' Responsibilities with Respect to Other Accounting Firms, Individual Accountants, and Specialists	Proposal under consideration
6. Auditing Accounting Estimates, Including Fair Value Measurements and Related Disclosures	Issue Staff Consultation Paper

Other Projects	
Project	Project Direction
7. Going Concern	Proposal
8. Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities	Concept release
9. Auditor Independence, Objectivity, and Professional Skepticism	Next steps under consideration
10. Confirmation	Reproposal
11. Subsequent Events	Proposal

## Standard-Setting Brief Project Overview

1. ***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, in the second half of 2014, for the Board's consideration. For further information, see [Rulemaking Docket No. 034](#).<sup>1</sup>
2. ***Framework for Reorganization of PCAOB Auditing Standards.*** On May 7, 2014, the Board issued for public comment a supplemental request for comment on its proposal for the reorganization of PCAOB auditing standards. The Board also 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 objective of this project is to reorganize the Board's standards into a topical structure with a single, integrated numbering system, along with certain amendments to its rules and standards. The proposed reorganization is intended to present the Board's existing interim and PCAOB-issued auditing standards in an integrated structure with a logical order that generally follows the flow of the audit process, so users can navigate the standards more easily. The comment period ends on July 8, 2014. After consideration of the comments received, the staff will

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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.

consider whether to recommend that the Board adopt the proposed reorganized framework. For further information, see [Rulemaking Docket No. 040](#).

3. ***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](#).
4. ***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 (1) disclosure in the auditor's report of the name of the engagement partner and (2) disclosure in the auditor's report of the names, locations, and extent of participation of certain other independent public accounting firms that took part in the audit and the locations and extent of participation of certain other persons not employed by the auditor that took part in the audit. The comment period on the reproposal ended on March 17, 2014. The staff is drafting an adopting release for the Board's consideration that takes into account comments received on the reproposal including comments related to liability and alternative locations for the disclosure. For further information, see [Rulemaking Docket No. 029](#).
5. ***Auditors' Responsibilities with Respect to Other Accounting Firms, Individual Accountants, and Specialists***. Over the last several decades, the roles of other accounting firms, individual accountants, and specialists have taken on greater significance in audits. Further, companies are increasingly using the work of their 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 accounting firm issuing the auditor's report with respect to other auditors and specialists, to improve the quality of audits. 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 such audits involving other accounting firms, individual accountants and specialists; and multi-location audits in general.

6. **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 plans to issue a staff consultation paper during the second half of 2014 to seek public comment on certain matters being considered by the staff, including key potential audit requirements.
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, including FASB's consideration of an accounting standard update regarding disclosure of uncertainties about an entity's going concern assumption.<sup>2</sup> Any proposed revisions to the auditing standard would take into consideration relevant activities that may result in changes to the accounting standards. Also, the staff is evaluating input from the June 25, 2014 SAG discussion of going concern.
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. In this regard, the staff is considering input from the June 24 - 25, 2014 SAG discussion of quality controls. This project also considers potential improvements to the quality control standards regarding firm supervisory responsibilities. The staff anticipates recommending that

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<sup>2</sup> See FASB's project update on the Going Concern project for more details, available at [http://www.fasb.org/cs/ContentServer?c=FASBContent\\_C&pagename=FASB%2FFASBContent\\_C%2FProjectUpdatePage&cid=1176160506645](http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FProjectUpdatePage&cid=1176160506645).

the Board issue a concept release for public comment in the first half of 2015. For further information on assignment and documentation of firm supervisory responsibilities, see Rulemaking Docket No. 031.

9. **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. The staff has analyzed 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*. Although the standard setting agenda includes no active project on audit firm rotation, the staff continues to monitor the introduction of regulatory reforms abroad, including recent actions by the European Union, and the effects on auditor independence, firm structure and audit quality. For further information, see Rulemaking Docket No. 037.
10. **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.
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 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.