
STANDARD-SETTING AGENDA
OFFICE OF THE CHIEF AUDITOR
SEPTEMBER 30, 2015

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, PCAOB issues staff audit practice alerts prepared by OCA 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 present 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. Standard-setting agendas, staff consultation papers and staff audit practice alerts are not statements of the Board, nor do they necessarily reflect the views of the Board, individual Board members, or other staff.</p>
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Standard-Setting Projects¹

Recent Development	
Project	Action
1. Reorganization of PCAOB Auditing Standards	Adopted by PCAOB and approved by SEC; effective as of December 31, 2016, with early implementation permitted.

October 2015 to March 2016	
Project	Planned Action Under Consideration
2. Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits	Adoption
3. Supervision of Other Auditors and Multi-location Audit Engagements	Proposal
4. Going Concern	Staff Consultation Paper
5. Auditor's Reporting Model	Reproposal

Other Projects	
Project	Project Direction
6. The Auditor's Use of the Work of Specialists	Proposal
7. Auditing Accounting Estimates, Including Fair Value Measurements and Related Disclosures	Proposal
8. Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities	Staff Consultation Paper
9. Confirmation	Reproposal

¹ See project overviews for more information on each project, including timing of possible future actions.

Standard-Setting Brief Project Overview

1. **Reorganization of PCAOB Auditing Standards.** The Board has 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 SEC approved the amendments on September 17, 2015. The reorganization and related amendments will be effective as of December 31, 2016, with early implementation permitted. For further information, see [Rulemaking Docket No. 040](#).
2. **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 the auditor to disclose in the auditor's report the name of the engagement partner and certain information about other participants in the audit. After considering comments, on June 30, 2015, the Board issued a supplemental request for comment on an alternative to disclosure of this information in the auditor's report, whereby the information would be required to be disclosed on a new PCAOB form. The comment period ended on August 31, 2015. The staff has evaluated the comments on the reproposal and the supplemental request, and is drafting an adopting release for the Board's consideration in the fourth quarter of 2015. The staff anticipates recommending that the information be required to be disclosed on a new PCAOB form. For further information, see [Rulemaking Docket No. 029](#).
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 the audit where there is a high risk of material misstatement in the financial statements. The staff is drafting, for the Board's consideration, proposed amendments to improve the auditing standards that govern the planning, supervision, and performance of audits involving other auditors and multi-location audit engagements. The staff anticipates recommending that the Board issue a proposal for public comment in the fourth quarter of 2015.
4. **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,² 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 first quarter of 2016.

5. **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 has analyzed 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 of the auditor's reporting standard for public comment in the first quarter of 2016. The staff is continuing to evaluate the proposed other information standard in light of comments received and anticipates making a recommendation for next steps to the Board at a later date. For further information, see [Rulemaking Docket No. 034](#).

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 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.

6. ***The Auditor's Use of the Work of Specialists.*** The use and importance of specialists has increased in recent years, in part due to the increasing complexity of business transactions and the resulting complexity of information needed to account for those transactions. Auditors often use the work of specialists whom they employ or engage, or the work of specialists who are employed or engaged by the company being audited. Observations from the Board's oversight activities illustrate the need to consider improvements in audit procedures performed by the auditor with respect to specialists. To further inform the development of a proposal, on May 28, 2015, the PCAOB issued a staff consultation paper, *The Auditor's Use of the Work of Specialists*, to seek public comment on potential revisions to PCAOB standards. At the June 18, 2015 meeting of the Board's Standing Advisory Group, the SAG discussed matters raised in the staff consultation paper. The comment period on the staff consultation paper ended on July 31, 2015. Matters pertaining to the use of specialists by auditors were also discussed at the September 9, 2015 meeting of the IAG. The staff is evaluating responses from commenters to the staff consultation paper, and comments and views expressed by participants during the June SAG meeting and September IAG meeting. In consideration of comments received that suggested that the Board coordinate the timing of this project with its project on auditing accounting estimates, including fair value measurements and related disclosures, the staff plans to recommend that the Board closely coordinate the development and timing of any potential rulemaking for these two projects. The staff anticipates recommending that the Board propose for public comment revisions to its current standards on the auditor's use of the work of specialists in the second quarter of 2016. For further information, see [Staff Consultation Paper No. 2015-01](#).
7. ***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 ("accounting estimates"). 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. The PCAOB also held a special meeting of the SAG on October 2, 2014 to discuss the matters raised in the staff consultation paper. Forty comment letters were received. Issues regarding the ongoing development of the proposed standard, including the use of third parties, were also discussed at the most recent meeting of the SAG on June 18, 2015. Matters pertaining to auditing estimates, including fair value measurements and related disclosures, were also discussed at the September 9, 2015 meeting of the IAG. The staff is evaluating the responses from commenters in addition to the discussions from the October 2014 and June 2015 SAG meetings and the September IAG meeting in order to develop a proposal for the Board's consideration. A number of commenters expressed views regarding the staff's approach to the company's use and the auditor's use of third parties, including

specialists. As noted above, on May 28, 2015, the PCAOB issued a separate staff consultation paper on the auditor's use of the work of specialists. In consideration of comments received that suggested that the Board coordinate the timing of this project with its project on the auditor's use of the work of specialists, the staff plans to recommend that the Board closely coordinate the development and timing of any potential rulemaking for these two projects. The staff anticipates recommending that the Board propose for public comment revisions to its current standards on auditing accounting estimates in the second quarter of 2016. For further information, see [Staff Consultation Paper: Auditing Accounting Estimates and Fair Value Measurements](#).

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. 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 plans to develop 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.
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](#).

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