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**STANDARD-SETTING AGENDA**  
**OFFICE OF THE CHIEF AUDITOR**  
**DECEMBER 31, 2015**

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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 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.

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| <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 Projects<sup>1</sup>

| Recent Development  |  |
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| Project   | Action   |
| 1. Improving the Transparency of Audits: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form and Related Amendments to Auditing Standards | Adopted on December 15, 2015, subject to SEC approval. |

| January 2016 to June 2016                                      |                                    |
|--|------------------------------------|
| Project  | Planned Action Under Consideration |
| 2. Planning and Supervision of Audits Involving Other Auditors | Proposal                           |
| 3. Going Concern   | Staff Consultation Paper           |
| 4. Auditor's Reporting Model                                   | Reproposal                         |

| Other Projects  |                          |
|---|--------------------------|
| Project   | Project Direction        |
| 5. Auditing Accounting Estimates, Including Fair Value Measurements and Related Disclosures               | Proposal                 |
| 6. The Auditor's Use of the Work of Specialists   | Proposal                 |
| 7. Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities | Staff Consultation Paper |
| 8. Confirmation   | Reproposal               |

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

## Standard-Setting Brief Project Overview

1. ***Improving the Transparency of Audits: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form and Related Amendments to Auditing Standards.*** On December 15, 2015, the Board adopted new rules and related amendments to its auditing standards that will provide information about the engagement partner and other accounting firms that took part in the audit. The rules will require disclosure of the name of the engagement partner and information about other accounting firms on new PCAOB Form AP, *Auditor Reporting of Certain Audit Participants*. The Board also adopted amendments to the auditing standards that will allow auditors to voluntarily disclose in the auditor's report the name of the engagement partner, information regarding other accounting firms, or both. The Board recommended that the SEC approve the new rules and amendments for application to audits of EGCs pursuant to the Jumpstart Our Business Startups Act. The new rules and related amendments are subject to SEC approval. If approved by the SEC, the new rules and amendments will take effect on a phased basis. Those relating to the engagement partner will be effective for auditors' reports issued on or after January 31, 2017, or three months after SEC approval of the final rules, whichever is later, while those relating to other accounting firms will be effective for auditors' reports issued on or after June 30, 2017. The Board is not extending the Form AP requirements to audits of brokers and dealers pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, as amended. For further information, see [Rulemaking Docket No. 029](#).
2. ***Planning and Supervision of Audits Involving Other Auditors.*** 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, including in areas of the audit where there is a high risk of material misstatement in the financial statements. In light of observations from the Board's oversight activities and other developments, the staff is drafting, for the Board's consideration, proposed amendments to improve the auditing standards that govern the planning and supervision of audits involving other auditors. The staff anticipates recommending that the Board issue a proposal for public comment in the first quarter of 2016.
3. ***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,<sup>2</sup> input from the SAG and IAG, and relevant 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 half of 2016.

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 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 second 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](#).

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<sup>2</sup> 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.

5. ***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-three comment letters were received. Issues regarding the ongoing development of the proposed standard, including the use of third parties, were also discussed at the meeting of the SAG on June 18, 2015. Matters pertaining to auditing accounting estimates, including fair value measurements and related disclosures, were 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 below, 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. In addition, the staff is monitoring developments related to the International Auditing and Assurance Standards Board's project on Accounting Estimates (ISA 540) and Special Audit Considerations Relevant to Financial Institutions. The staff anticipates recommending that the Board propose for public comment revisions to its current standards on auditing accounting estimates in the third quarter of 2016. For further information, see [Staff Consultation Paper: Auditing Accounting Estimates and Fair Value Measurements](#).
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 and the November 13, 2015 meeting of the SAG. The staff is evaluating responses from commenters to the staff consultation paper, and comments and views expressed by participants during the June and November SAG meetings and the 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, the staff plans to recommend that the Board closely coordinate the development and timing of any potential rulemaking for these two projects. The staff also is monitoring developments related to the International Auditing and Assurance Standards Board's project on Accounting Estimates (ISA 540) and Special Audit Considerations Relevant to Financial Institutions. 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 third quarter of 2016. For further information, see [Staff Consultation Paper No. 2015-01](#).

7. **Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities.** Deficiencies identified by PCAOB inspectors in their reviews of 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 relevant research, input from the SAG, observations from the Board's oversight activities and activities of international audit regulators and standard setters, 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.
  
8. **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](#).