
STANDARD-SETTING AGENDA
OFFICE OF THE CHIEF AUDITOR
SEPTEMBER 30, 2016

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 the 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 agenda¹ which may include developing new standards or rules, or amending existing standards or rules.

The standard-setting agenda is informed by the 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 International Auditing and Assurance Standards Board ("IAASB"), Financial Accounting Standards Board ("FASB"), and International Accounting 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.

Finally, the 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. Timing of these projects is subject to change.

¹ The PCAOB is implementing changes to its standard-setting process, and some may affect future versions of the standard-setting agenda, such as the possible inclusion of a PCAOB research agenda.

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.

Standard-Setting Projects

Project	Current Stage	Timing
Auditor's Reporting Model	Drafting final standard and adopting release for Board action	Q4 2016
Auditing Accounting Estimates, Including Fair Value Measurements	Drafting proposal	Q1 2017
The Auditor's Use of the Work of Specialists	Drafting proposal	Q1 2017
Supervision of Audits Involving Other Auditors	Analyzing comments on the April 2016 proposal and determining next steps	
Going Concern	Next action under consideration	
Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities	Research and outreach	

Standard-Setting Agenda—Project Overviews

- 1. Auditor's Reporting Model.** On May 11, 2016, the Board issued for public comment a repropoed auditor reporting standard. The repropoal revises the Board's initial proposal issued in August 2013 (the "2013 proposal"). The repropoal would retain the pass/fail model in the existing auditor's report, but would update the form and content of the report to make it more relevant and informative to investors and other financial statement users. In particular, the auditor's report would include a description of "critical audit matters," which would provide audit-specific information about especially challenging, subjective, or complex aspects of the audit. In addition, the repropoal includes other improvements, primarily intended to clarify the auditor's role and responsibilities in the audit of financial statements and to make the auditor's report easier to read. The comment period on the repropoed standard and related amendments to PCAOB standards ended on August 15, 2016. The staff has evaluated the comments on the repropoal, considered the discussion at the May 2016 SAG meeting, and is drafting a final standard and adopting release for Board action in the fourth quarter of 2016. While the 2013 proposal also included a new auditing standard, *The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report*, regarding the auditor's responsibilities for other information outside the financial statements, the Board did not repropoal this standard on May 11, 2016. The staff is continuing to evaluate the 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. Auditing Accounting Estimates, Including Fair Value Measurements.** On August 19, 2014, the PCAOB issued a staff consultation paper to seek public comment on certain issues related to auditing accounting estimates, including fair value measurements. As discussed in the paper, auditing accounting estimates and fair value measurements has proven challenging to auditors. Additionally, there have been changes in the financial reporting frameworks relating to accounting estimates and an increasing use of fair value as a measurement attribute, together with new related disclosure requirements. The paper described the staff's preliminary views concerning the potential need for change and presented potential revisions to PCAOB standards. The staff is evaluating the responses from commenters in addition to considering the discussions at the October 2014 and June 2015 SAG meetings and the September 2015 IAG meeting. In addition, the staff is monitoring developments related to the IAASB'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, including fair value measurements, in the first quarter of 2017. The project is also being closely coordinated with the

project on specialists. For further information, see Staff Consultation Paper: Auditing Accounting Estimates and Fair Value Measurements.

- 3. *The Auditor's Use of the Work of Specialists.*** On May 28, 2015, the PCAOB issued a staff consultation paper to seek public comment on certain matters related to the auditor's use of the work of specialists. As discussed in the paper, 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. Specialists covered by the project include specialists employed or engaged by the auditor and also the use by auditors of the work of specialists employed or retained by the company. The paper described the staff's preliminary views concerning the potential need for change and presented potential revisions to PCAOB standards. The staff is evaluating the responses from commenters in addition to considering the discussions at the June and November 2015 SAG meetings and the September 2015 IAG meeting. 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 first quarter of 2017. The project is also being closely coordinated with the project on auditing accounting estimates, including fair value measurements. For further information, see Staff Consultation Paper No. 2015-01: The Auditor's Use of the Work of Specialists.
- 4. *Supervision of Audits Involving Other Auditors.*** On April 12, 2016, the Board issued for public comment amendments to improve the auditing standards that govern the supervision of audits involving other auditors, and a new auditing standard for situations in which the auditor divides responsibility for the audit with another accounting firm. 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. The comment period on the proposal ended on July 29, 2016. The staff is analyzing comments, considering the discussion at the May 2016 SAG meeting, and determining next steps. For further information, see Rulemaking Docket No. 042.
- 5. *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 purpose of this project is to evaluate potential revisions to the existing PCAOB standard on the auditor's going concern evaluation in light of changes in the relevant accounting requirements² and concerns from investors

² On August 27, 2014, FASB issued Accounting Standards Update No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40)*:

about the effectiveness of auditor going concern reporting. This project is considering, among other things, input from the SAG and IAG, observations from the Board's oversight activities, and relevant research. The staff plans to continue its research and outreach activities to seek input on potential approaches to improving the existing standard and addressing the changes in the accounting requirements. These activities could result in a staff consultation paper, a staff audit practice alert, or other possible actions.

- 6. *Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities.*** Deficiencies identified in PCAOB inspections 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 quality control systems and, in turn, audit quality. This project is considering, among other things, observations from the Board's oversight activities, relevant research, input from the SAG, and activities of international audit regulators, as well as related PCAOB activities, specifically, the root cause analysis and audit quality indicator initiatives. The staff is also monitoring developments related to the IAASB's project on quality control. The staff also plans to perform outreach (e.g., staff consultation paper or public roundtable) to seek input on current practice and the potential need to improve the quality control standards, taking into account potential impacts on large and small domestic and international firms.

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.