
STANDARD-SETTING AGENDA
OFFICE OF THE CHIEF AUDITOR
MARCH 31, 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 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 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 ("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. 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.
April 2016 to September 2016	
Project	Planned Action
2. Supervision of Audits Involving Other Auditors	Proposal
3. Auditor's Reporting Model	Reproposal
4. Going Concern	Next action under consideration
Other Projects	
Project	Project Direction
5. Auditing Accounting Estimates, Including Fair Value Measurements	Proposal
6. The Auditor's Use of the Work of Specialists	Proposal
7. Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities	Research and outreach activities

¹ 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 AP 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. *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 supervision of audits involving other auditors. The staff anticipates recommending that the Board issue a proposal for public comment in the second quarter of 2016.
- 3. *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 update the form and content of the report to make it more relevant and informative to investors and other financial statement users by providing more information about the audit and the auditor, including through the communication of critical audit matters. The proposed other information standard would enhance the auditor's responsibility with respect to information outside the financial statements

that is contained in documents that include the audited financial statements and the related auditor's report. 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 2014 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](#).

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 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 requirements.² 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 performance and reporting requirements in 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.
5. **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 feedback received from the discussions at the October 2014 and June 2015 SAG meetings and the September 2015 IAG meeting. In addition,

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.

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 fourth quarter of 2016. 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.

6. ***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 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 feedback received from 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 fourth quarter of 2016. 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.
7. ***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.

8. **Confirmation.** Confirmation has been removed from the standard-setting agenda pending further analysis of the need for this potential standard-setting project.

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