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**STANDING ADVISORY GROUP MEETING**  
**OCA CURRENT STANDARDS-SETTING AGENDA**  
**OCTOBER 14-15, 2009**

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The table, followed by a brief project overview, presents the Office of the Chief Auditor's ("OCA") current standards-setting agenda with key milestones. Project milestones have been developed for planning and budgeting purposes and may change due to a variety of reasons. Specifically, the projected project milestones are contingent on the Board determining that the staff should pursue a standards-setting project in each area. If the Board determines to issue a concept release for public comment before proposing a standard, the Board will analyze the comments received and determine if it is appropriate to proceed with a proposed standard. Additionally, after the Board receives public comment on a proposed standard the Board will determine whether to adopt a final standard or seek additional comment through re-proposal. Finally, emerging issues, new accounting developments, and any new legislative initiatives could impact the projected milestones or could result in other priorities not on the agenda.

Project*	2009	2010				2011		
	4 <sup>th</sup> Quarter	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter
1. Risk Assessment, including fraud risk assessment	Re-propose for public comment			Adopt final standards				
2. Audit Confirmations		Issue proposed standard for public comment		Adopt final standard				
3. Signing the Auditor's Report	Board to determine whether to proceed with proposal	Issue proposed amendments to standards for public comment		Adopt final amendments to standards				

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4. Application of the Sarbanes-Oxley Act's Provision on "Failure to Supervise"	Issue release, including request for comment on possible related rules or standards	Board to consider whether to propose related rules or standards	Issue proposed rules or standards for public comment		Adopt final rules or standards			
5. Accounting Estimates, Fair Value Measurements, Specialists			Issue proposed standards for public comment		Adopt final standards or re-propose standards for public comment		Adopt final standard	

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6. Communications with Audit Committees		Issue proposed standard for public comment		Adopt final standard or re-propose standard for public comment		Adopt final standard		
7. Related Parties		Issue proposed standard for public comment		Adopt final standard or re-propose standard for public comment		Adopt final standard		
8. Global Quality Control Standards, Including Control Over Work of Affiliated Firms		Board to determine whether to proceed with a standards-setting project	Issue proposed standard for public comment		Adopt final standard or re-propose standard for public comment		Adopt final standard	

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9. Principal Auditor		Board to determine whether to proceed with a standards-setting project	Issue proposed standard for public comment		Adopt final standard or re-propose standard for public comment		Adopt final standard	
10. Going Concern		Board to determine whether to proceed with a standards-setting project						

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11. Subsequent Events		Board to determine whether to proceed with a standards-setting project	Issue proposed standard for public comment		Adopt final standard or re-propose standard for public comment		Adopt final standard	
12. Applicability of SECPS Requirements to all Registered Firms		Board to determine whether to proceed with a standards-setting project	Issue proposed amendments for public comment			Adopt final standard or re-propose standard for public comment		Adopt final standard

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### **Standards-setting Brief Project Overview**

1. Risk Assessment – The comment period ended on February 18, 2009. The staff has analyzed comments received and is discussing with the Board the staff's views on how to address the comments. The staff is working toward re-proposing the standards for public comment.
2. Audit Confirmations – The concept release comment period ended on May 29, 2009. The staff has analyzed the comments received and is discussing with the Board the staff's views on how to address the comments.
3. Signing the Auditor's Report (Advisory Committee on the Auditing Profession to the U.S. Department of Treasury ("ACAP") Recommendation Firm Structure and Finance Recommendation No. 6) – It was recommended that the PCAOB "[u]ndertake a standard-setting initiative to consider mandating the engagement partner's signature on the auditor's report." – The Board issued a concept release for public comment on July 28, 2009. The comment period ended on September 11, 2009. The staff is analyzing the comments received and will be discussing with the Board the staff's views on how to address the comments.
4. Application of the Sarbanes-Oxley Act's Provision on "Failure to Supervise" – The staff is currently preparing a draft release for the Board's consideration relating to the Board's application of Section 105(c)(6) of the Act, which authorizes the Board to impose sanctions on firms and individuals for failure to supervise. The release would also seek comment on concepts relating to what, if any, rulemaking or standard-setting might usefully supplement the Board's application of that provision.
5. Accounting Estimates, Fair Value Measurements, and Specialists – The staff is evaluating potential revisions to the standards on accounting estimates, fair value measurements, and using the work of a specialist. The staff will discuss this topic with the Standing Advisory Group at the October 14-15, 2009 meeting.
6. Communication with Audit Committees – In response to comments received at the October 2008 SAG meeting, which encouraged the Board to revise the interim auditing standard on auditor communications with the audit committee, the

staff is developing a briefing paper for the Board's consideration on whether the staff should pursue a standards-setting project. The staff will discuss this topic with the Standing Advisory Group at the October 14-15, 2009 meeting.

7. Related Parties – The staff is evaluating potential revisions to the related parties auditing standard. The staff will discuss this topic with the Standing Advisory Group at the October 14-15, 2009 meeting.
8. Global Quality Control Standards, Including Control Over Work of Affiliated Firms – The staff is evaluating potential revisions to the quality control standards. This will include an evaluation of Appendix K.
9. Principal Auditor – The staff is evaluating potential revisions to the principal auditor auditing standard.
10. Going Concern – The staff is monitoring the FASB's project and plans to update the timeline when the FASB determines their action plan for the accounting standard. OCA will assess if any conforming amendments are needed to the Board's auditing standards to align with the FASB's final standard. The staff will also evaluate any additional issues and determine whether to pursue a standards-setting project on going concern.
11. Subsequent Events – The staff is evaluating FASB's new accounting standard on subsequent events and analyzing how it may affect the Board's subsequent events auditing standard.
12. Applicability of SECPS Requirements to all Registered Firms – Because registered firms (generally non-U.S. firms and some smaller firms) that were not members of the SECPS in April 2003 when the Board adopted certain of the SECPS requirements are not subject to these interim quality control requirements, the staff is analyzing different options to determine if it is feasible to extend the SECPS requirements to all registered firms. This excludes Appendices E (superseded by AS No. 7) and K (part of global quality control standards standards-setting project).



## Other Projects

OCA is also considering the following recommendations relating to standards-setting from the Advisory Committee on the Auditing Profession to the U.S. Department of Treasury ("ACAP") and the Advisory Committee on Improvements to Financial Reporting to the U.S. Securities and Exchange Commission ("CiFIR")<sup>1/</sup> –

- ACAP Concentration and Competition Recommendation No. 4(a) – Compile the SEC and PCAOB independence requirements into a single document and make this document website accessible.
- ACAP, Firm Structure and Finance Recommendation No. 5 – Urge the PCAOB to undertake a standard-setting initiative to consider improvements to the auditor's standard reporting model. Further, urge that the PCAOB and the SEC clarify in the auditor's report the auditor's role in detecting fraud under current auditing standards and further that the PCAOB periodically review and update these standards.
- CiFiR Recommendation III.E, Clarifying Guidance on Financial Restatements and Accounting Judgments – In recognition of the increasing exercise of accounting and audit judgments, we recommend that the SEC and PCAOB adopt policy statements on this subject.

## Interim Professional Auditing Standards adopted by the PCAOB in April 2003

Similar to past practice, OCA continually evaluates the Board's interim standards and takes a priority-based approach in determining which interim standards need to be amended. As part of developing the standards-setting priorities on an annual basis, OCA takes into consideration the results of the Board's oversight activities of registered accounting firms, the work of other standards setters (e.g. FASB, IAASB), advice from the Standing Advisory Group, emerging issues,

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<sup>1/</sup> *Final Report of the Advisory Committee on the Auditing Profession to the U.S. Department of the Treasury* (October 6, 2008), available at <http://www.treas.gov/offices/domestic-finance/acap/docs/final-report.pdf>, and *Final Report of Advisory Committee on Improvements to Financial Reporting to the U.S. Securities and Exchange Commission* (August 1, 2008) available at <http://www.sec.gov/about/offices/oca/acifr/acifr-finalreport.pdf>.

research, and solicitation of public comments. The final set of priorities is determined based on the results of the PCAOB's oversight of registered public accounting firms, monitoring of the environment, and consultation with the Board's Standing Advisory Group, among other factors.

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The PCAOB is a private-sector, non-profit corporation, created by the Sarbanes-Oxley Act of 2002, to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports.