

Accounting & Auditing Update

PCAOB Standard-Setting Agenda: Rulemaking Projects Added to Enhance Investor Protection

By Kathleen A. Mills, Partner, Samantha C. Wolf, Partner and Ioanna Vavasis, Senior Manager

The PCAOB continuously updates their agenda to plan and prioritize the topics to be addressed. The topics on the agenda cover emerging audit issues, which may call for new standards, or the need to evaluate issues that arise with existing standards.

The topics on the agenda are classified as short-term or mid-term projects. Projects which are expected to be resolved within the next year are classified as short-term, whereas projects with longer timelines are classified as mid-term projects. Mid-term projects are moved to short-term projects as they advance.

The PCAOB released amendments to the agenda in May, which included the following changes:

- Two standard-setting projects were moved to the short-term category
- Two standard-setting projects were added to the mid-term category
- Four new rulemaking projects

Both the standard-setting and rulemaking projects can be found on the [Standard-Setting, Research and Rulemaking Projects page](#) of the PCAOB web site.

Standard-Setting Projects

The following are the changes related to standard-setting projects:

- Two projects were moved to the agenda for short-term action which included:
 - Firm and Engagement Performance Metrics (previously was listed on the PCAOB's Research agenda) – enhancements to information provided to investors; and
 - Substantive Analytical Procedures (moved to the short-term list from the mid-term category) – consideration of changes to an auditor's use of substantive analytical procedures, including the increasing use of technology tools.
- Two projects were added to the mid-term category which included:
 - Use of a Service Organization – revisions to AS 2601, *Consideration of Entity's Use of a Service Organization*, to reflect changes in how companies use services of third parties; and
 - Interim Financial Information Reviews – revisions to AS 4105, *Reviews of Interim Financial Information*, to reflect changes in the auditing and reporting environment.

New Rulemaking Projects

The rulemaking projects focus on enhancing investor transparency and enforcement of PCAOB rules and standards. The four new rulemaking projects consider how PCAOB rules could be enhanced and include the following areas:

- Firm Reporting and Transparency – consideration of changes to audit firm reporting requirements including periodic reporting requirements, special reporting requirements and other enhancements to the audit firm reporting framework;
- Contributory Liability – consideration of changes to the Board’s ethics rule, PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*;
- Follow-On Disciplinary Proceedings – consideration of amendments to PCAOB rules to provide for expedited follow-on disciplinary proceedings against registered firms or associated persons who have been convicted of certain crimes or enjoined or sanctioned by a court or another regulator; and
- Registration – consideration of changes to enhance the PCAOB’s registration program.

Investors and other stakeholders will have a chance to provide comments on the proposed changes to the PCAOB rules from these rulemaking projects as they will be subject to a public notice-and-comment process.

The PCAOB indicated that the revisions to their agenda demonstrate the PCAOB’s commitment to executing its mission to protect investors more effectively and efficiently.

Contact Us

For more information on how PKF O’Connor Davies’ experts can assist you with regulatory compliance or an audit, contact your client engagement partner or any of the following:

Kathleen A. Mills, CPA
Partner
kmills@pkfod.com | 646.699.2886

Samantha C. Wolf, CPA
Partner
swolf@pkfod.com | 646.699.2894

Ioanna Vavasis, CPA
Senior Manager
ivavasis@pkfod.com | 646.699.2861

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