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## PCAOB Outlines Priorities for 2016

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As part of its annual budget process for 2016, the Public Company Accounting Oversight Board reviewed the priorities set forth in its [2015-2019 Strategic Plan](#).

Commenting on the adoption of its \$257.7 million budget for 2016, which remains subject to SEC approval, PCAOB Chairman James Doty noted that, among other priorities for 2016, the Board expects to issue new proposals to expand the form of auditor's report, on audit procedures related to using the work of other auditors, on using the work of specialists, and on auditing accounting estimates, including fair value measurements. Chairman Doty also remarked that the PCAOB plans to "continue [its] outreach to audit committees in 2016, including by looking for ways to help them be effective in overseeing the audit, for example, through wider use and continued evaluation of appropriate audit quality indicators."

As for the PCAOB's progress over the course of 2015, some of the PCAOB's noteworthy activities included

- adopting a reorganization of its auditing standards (see [previous post](#)),
- launching the Audit Committee "Dialogue" (see [previous post](#)), and
- adopting rules to require public disclosure of engagement partners and certain audit participants (see [previous post](#)).

As indicated by his [remarks](#) at the meeting to approve the budget, Board Member Steven Harris continues to be an outspoken advocate of aggressive standard-setting and regulation of the accounting profession. He stated, as he has in previous remarks, that increasing revenue from consulting and advisory services provided by larger firms presents a risk to the independence and integrity of assurance services. Among other comments, he reiterated his view that "larger auditing firms should submit to the PCAOB, and make publicly available, audited financial statements."

Mr. Harris expanded on his views in his [remarks](#) at the PCAOB's December 15 open meeting to adopt rules requiring public disclosure of the engagement partner and certain audit participants. He emphasized other longstanding proposals for PCAOB action, including

- updates to the audit reporting model and
- improvements to auditor going concern reporting under Section 10A of the Securities

Exchange Act of 1934.

Mr. Harris noted that the auditor's report "has changed very little since the 1940s" and "conveys minimal information about the data obtained and evaluated by the auditor as part of the audit." With respect to going concern, Mr. Harris commented "that the Board should take meaningful steps to improve auditor going concern reporting as soon as possible, including specifying what kind of early warning disclosure investors should expect from auditors in the future." Notably, the Financial Accounting Standards Board revised its going concern requirements in 2014. (See [previous post](#).) Mr. Harris stated that under Section 10A, the PCAOB must "adhere to a different obligation than the FASB," cautioning that "[i]f the PCAOB were to follow the FASB's standard for 'substantial doubt,' even fewer going concern opinions would be issued."

As the New Year begins, it remains to be seen what actions the PCAOB will take to advance its standard-setting agenda, which has moved slowly to date, and how it will conduct audit committee outreach. Audit committees should watch the PCAOB's actions, as new standards could directly impact the committees' work.

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