

The PCAOB's 2013 Agenda

FEBRUARY 6, 2013

In a [recent speech in New Orleans](#), Board Member Jeannette Franzel highlighted several of the Public Company Accounting Oversight Board's recent initiatives and plans for 2013. These include:

- *Strategic Plan.* The board has adopted a new long-term strategic plan. Among the objectives of the plan are 1) identifying audit quality measures, 2) enhancing the PCAOB's processes and systems for analyzing inspection findings, 3) improving the timeliness, content and readability of inspection reports; 4) improving the timeliness of remediation determinations and providing additional information on the remediation process; 5) enhancing the standard-setting process; and 6) enhancing outreach to audit committees.
- *Audit Quality Measures.* One of the priorities in the strategic plan is developing "a generally understood and measurable concept of audit quality." Ms. Franzel noted that "divergence in views on audit quality has contributed to the 'expectations gap' over what an audit should be." The PCAOB has begun a project to identify audit quality measures in the areas of audit process and results and to develop methods of objectively measuring those audit quality indicators. Ms. Franzel suggested such information will, among other things, enable investors and audit committees to "demand better audit quality, and shift audit firm competition over price to competition over quality."
- *Professional Skepticism.* In December 2012, the PCAOB staff issued a practice alert focusing on the auditor's responsibility to exercise professional skepticism in audits. Ms. Franzel stated that PCAOB inspections have identified numerous audits where the Board found that the auditors did not consistently and diligently apply professional skepticism. The practice alert includes examples of lack of professional skepticism, identifies potential impediments to the application of professional skepticism and discusses how firms can promote professional skepticism.
- *Inspections.* With respect to inspections and remediation determinations, Ms. Franzel acknowledged that timeliness of inspection reports has been a challenge. She indicated that the Board is making progress in clearing its backlog and is seeking to improve the timeliness of inspection reports. The Board also intends to review the content and readability of the inspection reports.
- *Standard-setting.* The PCAOB expects to devote significant time and resources to preparing analyses to assist the SEC in making determinations under the JOBS Act regarding

applicability of new auditing standards to emerging growth companies. The Board is also “continuing to explore ways to further incorporate economic analysis into our rulemaking process.” The PCAOB also has initiated a project to reorganize PCAOB auditing standards and to integrate AICPA auditing standards (which have served as “interim” auditing standards since 2003) with auditing standards issued by the PCAOB.