

**NOTICE:** This is an unofficial transcript of the portion of the Public Company Accounting Oversight Board's Academic Conference on April 26, 2013 that relates to the Board's proposed framework for reorganization of PCAOB auditing standards and related amendments to PCAOB auditing standards and rules. The other topics discussed during the April 26, 2013 conference are not included in this transcript.

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1 P-R-O-C-E-E-D-I-N-G-S

2 (11:39 a.m.)

3 MR. WILSON: Good morning, everyone. I am going  
4 to spend just a few minutes hitting some highlights on  
5 the reorganization project, and basically talking about  
6 from a release, and open this up for discussion and  
7 invitation to dialogue on this.

8 As Marty mentioned, there were some -- the  
9 primary reasons that we were taking on this project are  
10 to make our standards more usable, easier to navigate,  
11 and also to deal with an issue that was coming up. As  
12 you all are very familiar, the ASB's new clarity project,  
13 they renumbered all of their standards. And in doing so,  
14 we created some potential for confusion with our existing  
15 interim standards that still had the old AU numbers.

16 So in trying to do all of those three things, we  
17 decided that now is the time to try and take another look  
18 at putting our standards and reorganizing them in a way  
19 and building on some of the things that Gary Holstrum  
20 started when he was with us some years ago.

21 So the basic project, as Marty described, is to  
22 take our existing standards, essentially intact, changing

1 reference numbers, section numbers, a few titles, but  
2 essentially taking them intact and putting them together  
3 in a -- what we think is a logical sequence and  
4 renumbering them.

5           And this is a different approach from some of the  
6 other standard setters that have used sort of a -- what  
7 you might call a big bang type of approach, the ASB and  
8 IAASB redrafting their standards and then putting them  
9 together. And certainly FASB's project was a much --  
10 their codification project was a much more significant  
11 undertaking as they were trying to blend together a  
12 number of different sources of GAAP into one sequence.

13           Here we're starting off putting these standards  
14 together in a logical sequence. It then provides us a  
15 good first step to go through and continue our process  
16 of revising and updating the standards, and over time  
17 helping them and to look more seamless and more common  
18 as we go forward.

19           So in this proposing release, we have a proposed  
20 framework that we are putting out for comment. As Marty  
21 mentioned, it is intended to be a logical framework that  
22 roughly follows the audit process.

1           We have looked at a number of alternatives for  
2 how we might put our standards together. One was sort  
3 of keep on doing what we are doing. I don't think anyone  
4 would have been happy with chronologically sequenced  
5 standards.

6           Another approach we looked at was to just  
7 essentially shoehorn our existing sequentially numbered  
8 AS standards into the AUs, but that really wasn't going  
9 to deal with that issue of potential confusion. We would  
10 still have an AU 230 that is our due professional care  
11 standard. AICPA would have their AU 230, which would be  
12 audit documentation, both important standards but not  
13 dealing with the same topics. So that didn't really  
14 work.

15           Then, the other -- another alternative that would  
16 seem logical as well, why don't you just take what the  
17 ASB or IAASB has done and just go with that? That still  
18 didn't quite cover the issue, because we did have some  
19 -- there are some differences in content between our  
20 standards and theirs, and some of the internal  
21 organization.

22           For example, we have a single standard on

1 evaluating audit results that's -- we think is important,  
2 we think delivers the right approach, and is responsive  
3 to some of the things that we have seen in inspections  
4 about auditors not connecting the dots.

5           So we think there is some very important value to  
6 be gained in the way we have approached the standard.  
7 So we expect there to be differences. And if there is  
8 going to be differences in content, then it seems like  
9 that we shouldn't exactly use the same numbering  
10 sequence. We would still have the same issue there.

11           So what we have ended up doing is we felt like  
12 the next best step is to have something in this kind of  
13 framework. It's not radically different, we don't think,  
14 from the other standard setters in the way they have  
15 generally approached it, and then to provide some tools  
16 once we would implement this structure that would help  
17 people map our standards with those of the IAASB and ASB.

18           So that's the approach that we're planning to  
19 follow. The framework would have an AS prefix for all  
20 of the auditing standards numbers -- that has sort of  
21 evolved as the signature for our standards -- and a  
22 four-digit sequence, four digits so we would avoid

1 essentially having the risk of tripping over one another  
2 as we do our standard setting and other bodies do their  
3 standard setting.

4           So that's why we decided to go in sort of this  
5 general direction for this proposal, but we're interested  
6 in any thoughts that you might have on that.

7           As I said, we are reordering and renumbering  
8 existing standards, not trying to make substantive  
9 changes in this part of our process. We'll just continue  
10 to do that over time in individual projects.

11           We are intending that once we get this structure  
12 in place, that we wouldn't issue AS number standards  
13 anymore. What we would issue is, in much the same way  
14 that FASB is now doing accounting standards updates, we  
15 would do auditing standards updates. So we would issue  
16 something that would be a new AS section or an amendment  
17 to an existing AS section.

18           And, as we roll these out, we would -- we are  
19 also looking, interested in trying to enhance our search  
20 capabilities and do some other things with our content  
21 on the web as we go along. And that's one area that  
22 we're really interested in any feedback that you might

1 have in terms of ways to make our standards more usable,  
2 easier to consume, easier to understand.

3           So next steps in our process. We certainly have  
4 an open comment period that is going to go through just  
5 past Memorial Day. Interested in any comments you might  
6 have during that process, formal/informal comments you  
7 might have, suggestions for improving the usability or  
8 navigation of our standards in that process and ongoing.

9           After we get comments and analyze those, our  
10 intent is to go back with a second release that will have  
11 all of the gory details, if you will, all of the specific  
12 amendments that would be necessary to implement a new  
13 reorganized structure of auditing standards.

14           And we're also planning to have a companion  
15 evaluation version, if you will, on our website that  
16 would -- you could go to that, and you could see what our  
17 standards will look like in the reorganized format. So  
18 we would then have another comment period where we would  
19 seek feedback on that and invite people to look at, test,  
20 if you will, give us feedback on whether or not you think  
21 that is working, whether or not there are some other  
22 things that we could do to improve that, help our

1 standards be more understandable.

2           And in this process, I mean, as I mentioned, we  
3 are looking to try and provide some additional navigation  
4 aids, if you will. Some kind of tools that would be an  
5 old versus new kind of cross-referencing tool. Somewhat  
6 similar to what the FASB has done. And also some mapping  
7 tools that would help people be able to find analogous  
8 content between our standards and the other standard  
9 setters.

10           Those may not be in the most robust form in the  
11 evaluation period, but they're something that ultimately  
12 we want to have put in place and improve over time.

13           So, with that, I will open it up. Gary?

14           MR. PREVITS: Yes, Keith. Since we have the GAO  
15 present in one form or another, and Tom brought up  
16 conflict of interest yesterday, the mapping project that  
17 you are suggesting at the end of the process, or at  
18 whatever level, I think over the years there have been  
19 many times when professional standards and GAO auditing  
20 standards have been of interest. And I hope that one of  
21 the mapping activities includes those.

22           I'm not sure how the GAO would feel about that,



1 but, particularly in areas such as independence and other  
2 areas, I think it might be meaningful.

3 Put Bob on the spot if he has any thoughts about  
4 it, but I didn't hear them explicitly identified. And,  
5 again, given that Tom mentioned conflict of interest  
6 yesterday, which is a new horizon for us through the  
7 securities law, I think mapping GAO audit standards might  
8 be valuable.

9 MR. WILSON: Okay. That is interesting. Bob,  
10 did you want to say something about that?

11 MR. DACEY: I guess I feel somewhat compelled to.  
12 But I don't think there would be any challenge or issue  
13 there. Particularly if you want to deal with some of the  
14 other issues that might get into the attestation of  
15 performance and the general standards we have. So I'd  
16 be happy to work with you if that is something you want  
17 to proceed on.

18 MR. WILSON: Okay. Thanks. That is useful. And  
19 another thing I should say is over time -- I mean, the  
20 next -- other subsequent phases of this project would be  
21 to go into other standards.

22 I think quality control standards may take care

1 of themselves as we look to ultimately have a new suite  
2 of quality control standards that would provide the  
3 ultimate opportunity to do a reorganization of those at  
4 the same time.

5 Others I think may be a little bit more  
6 challenging, quite frankly, as we think about what we  
7 would do in ethics and independence, and some of those,  
8 but that would be part of what we're thinking about.

9 MODERATOR BAUMANN: Yes?

10 MS. HIGGS: I would like to get some input from  
11 this group about how to go about teaching auditing  
12 standards going forward -- if you start with the ASB and  
13 then modify that for yours, or start with yours and  
14 modify that for the ASB. And I think that is a challenge  
15 a lot of us are going to have to try to figure out.

16 MR. WILSON: We acknowledge that there is some  
17 challenge to that. And I think part of what we do in our  
18 process today, and as we take on the standard-setting  
19 project, is to try and provide some additional  
20 information about differences between what we are  
21 proposing to do and what the other standards might say.

22 And then as part of that -- and then hopefully

1 with these mapping tools, that will help, also help  
2 people understand and provide that, so --

3 MR. GURBUTT: And that question, just for the  
4 record, was from Julia Higgs.

5 MR. WILSON: Okay. Zoe-Vonna?

6 MS. PALMROSE: On the record?

7 MR. WILSON: Yes. Actually, we have to do this,  
8 just because we're in the open comment period.

9 MS. PALMROSE: Oh. Sorry. So you know who I am.  
10 Anyway, I was encouraged that you are thinking about  
11 making your website more functional and usable. And  
12 from a research standpoint, we really appreciate that,  
13 as well as from an educational standpoint, so -- for  
14 students to search over it.

15 But, as you think about that, I would suggest you  
16 think and maintain the historical record of standards  
17 from a research standpoint. We like to be able to go  
18 back and see what prior standards were like, so -- even  
19 though they have been superseded, that we still have easy  
20 access to the prior standard as they existed.

21 And, in that regard, it would also help if we  
22 could search over release text, not just the prior

1 standard itself but the release text, too, as part of  
2 that. So the functionality of accessing and searching  
3 over those would all be appreciated to consider.

4 MR. WILSON: Okay. Thanks. Let me ask you the  
5 -- when you are talking about keeping the same version,  
6 so what I think I am hearing you say is for the set of  
7 standards we have now, make it still accessible some way  
8 through our website. Is that right?

9 MS. PALMROSE: Correct. I mean, I have trouble  
10 finding AS 2, for example. So maybe nobody cares about  
11 AS 2 but me. I shouldn't say that on the public record.  
12 Can we purge the public record?

13 (Laughter.)

14 But that is just simply an illustration that,  
15 right now, it is difficult to find them. And so the  
16 FASB, on their website at least, has the standard as  
17 originally issued and then gives you, you know, a choice  
18 of whether you want to click on the superseded and/or  
19 current standard, so that you have some perspective on  
20 the website.

21 MR. WILSON: Right.

22 MS. PALMROSE: So thank you.

1 MR. WILSON: Okay. Right now we have those on a  
2 -- we have a superseded page on our website where we  
3 house those, but it is a little bit -- we may have to  
4 take a different approach when we move to this different  
5 organization.

6 MS. PALMROSE: And maybe I just never found that  
7 page either.

8 MR. WILSON: Okay.

9 MS. PALMROSE: So thanks.

10 MR. WILSON: Yes. Right. There is a link to the  
11 release, but you're right. It's not immediately  
12 searchable in the same way that the regular standards  
13 are.

14 MS. PALMROSE: No. We appreciate that.

15 MR. WILSON: Yes.

16 MS. PALMROSE: I can find it. It's just hard to  
17 search it.

18 MR. WILSON: Right.

19 MS. PALMROSE: Thank you.

20 MR. WILSON: Okay. Julia?

21 MS. HIGGS: I am seeing some standards that are  
22 in a format where you have to click on every paragraph

1 to expand it. And I just want to encourage you to format  
2 it in such a way that somebody can look at the entire  
3 document if they want to without having to click, click,  
4 click just to get the pieces.

5 So the codification and accounting research  
6 manager is set up that way. They are difficult to use,  
7 if you can access it that way.

8 MR. WILSON: Okay. All right. Thanks for that.

9 Other -- yes, Jack?

10 MR. KROGSTAD: Would you entertain a little more  
11 general observation?

12 MR. WILSON: Sure.

13 MR. KROGSTAD: Well, sitting here for the last  
14 couple of days, my mind runs back to when I entered this  
15 profession, and we were a group of professional people  
16 that were generally ranked as the most respected  
17 profession in society. And I sometimes wonder now.

18 I guess I can show a little political bias, even  
19 if it's on the record, but I haven't observed one  
20 government function anywhere that I think runs more  
21 effectively and efficiently than what happens in the  
22 private sector. Corruption, greed, waste is every place.

1           Now, when I look at this set of initiatives, how  
2 can I help but not be enthused for your agenda and the  
3 chance to make auditing better? But then I wonder about,  
4 haven't we become the most regulated group of  
5 professionals in society? I mean, I have been trying to  
6 think of some group that is more regulated than we are.

7           And Congress never takes a law off the books.  
8 They show their work ethic by always passing more laws.

9           Is this an upward curve now that the standards  
10 infrastructure is in place, and it's just going to be a  
11 trend line right on up because we have got the horses and  
12 we can do this? Or is there some equilibrium where we  
13 say, "Golly. There's enough regulation here. It's not  
14 going to keep working. More regulation won't make it  
15 better"? We can observe that in other areas of society.

16           So just I can speak sort of historically. I am  
17 probably the oldest person in the room. But do those  
18 kinds of thoughts ever cross your mind, like a regular  
19 old citizen like me that lives out in farm country in the  
20 middle of the country? Those kinds of thoughts run  
21 through my mind. I don't know if anyone else feels that  
22 way or not.

1           What are students going to be attracted to here  
2 five or ten years down the road? And if we want to go  
3 further in this direction, why don't we go to work for  
4 the GAO and let the government run the auditing function  
5 in our society? We might have a better fringe package.  
6 We wouldn't have to work 16-hour days. I can guarantee  
7 you that.

8           And so, for whatever it's worth, I appreciate the  
9 opportunity to just add that commentary.

10           MODERATOR BAUMANN: We appreciate the commentary.  
11 Thank you very much. I don't know if auditing is the  
12 most regulated profession or industry in the country, but  
13 we certainly go through -- and I can't answer all of your  
14 questions or comments --

15           MR. KROGSTAD: Oh, I understand.

16           MODERATOR BAUMANN: -- and you're not looking for  
17 it, but I must say in our standard-setting projects, we  
18 do go through an exercise of, what is the problem we're  
19 trying to solve? Is there a problem there? And is this  
20 going to improve, rather than just add burden? But your  
21 questions go well beyond -- your commentary goes well  
22 beyond that, and thank you for it.



1           We're getting close to wrap-up time. Before I  
2 turn it over to Greg, any more comments on standard  
3 setting, update on independence, or the reorg? One more  
4 question in the back?

5           MR. BELL: Yes. Tim Bell --

6           MR. WILSON: Do you have a microphone?

7           MR. BELL: You can't hear me? I find in the  
8 ISAs, the comprehensive glossary, pretty useful. And I  
9 don't know if you had any intention to pull all of the  
10 separate definitions together into a comprehensive  
11 glossary. Simple question.

12          MR. WILSON: The short answer is it is on the  
13 list of things to do. It is a process to go through  
14 that. And we're still trying to think about the right  
15 timing to do that, because it is going to involve a  
16 pretty comprehensive horizontal combing through our  
17 standards.

18          But it is something we have identified as a  
19 project to work on and something we do want to do at some  
20 point at the right time.

21          MODERATOR BAUMANN: On behalf of Mike and Keith,  
22 I want to thank you all for your good questions and your

1 comments and attention during this session.

2 Thank you very much.

3 (Applause.)

4 MR. SCATES: Before you rush off to the airports  
5 and Union Station, remember, turn in your CPE forms. If  
6 you have a quick thought, again, jot it down, about the  
7 program itself and about the conference, about the time  
8 we have it, when we have it, where we have it. Any  
9 notes along that and any of your thoughts, please write  
10 those down real quickly, because we value those  
11 evaluations. We go through those in order to try to  
12 improve the program. And we look forward to seeing you  
13 again next year.

14 Thank you.

15 (Applause.)

16 (Whereupon, at 12:00 noon, the proceedings in the  
17 foregoing matter were concluded.)

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# Proposed Framework for Reorganization of PCAOB Auditing Standards

PCAOB Release No. 2013-002  
March 26, 2013

# Reorganization of PCAOB Auditing Standards

## “Interim” Standards

AU  
110

AU  
161

AU  
210

Etc.



## Board-Issued Standards

AS No.  
1

AS No.  
3

AS No.  
4

Etc.

# Reorganization of PCAOB Auditing Standards

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- **Categories in the proposed framework for the reorganization:**
  - AS 1000 General Auditing Standards
  - AS 2000 Audit Procedures
  - AS 3000 Auditor Reporting
  - AS 4000 Matters Relating to Filings under Federal Securities Laws
  - AS 6000 Other Matters Associated with Audits

# Reorganization of PCAOB Auditing Standards

- Intended to:
  - Renumber and reorder existing standards without redrafting or making substantive changes
  - Present standards in a logical order that generally follows the flow of the audit process
  - Enhance usability through improved navigation
  - Provide structure for future standard-setting

# Reorganization of PCAOB Auditing Standards

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- Next steps include:
  - Consideration of comments received on the proposing release
  - Release for public comment all amendments necessary to implement the reorganization of the auditing standards
  - Release an online version of the proposed reorganized auditing standards
  - Undertake reorganization of other PCAOB professional practice standards