



CAQ Alert #2009-38 –April 23, 2009

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DEAR CENTER MEMBERS

[CAQ Highlights of the PCAOB's April 2009 Standing Advisory Group Meeting](#)

The [Public Company Accounting Oversight Board](#) (PCAOB or the Board) held its annual [Standing Advisory Group](#) (SAG) meeting on April 2, 2009 in Washington, D.C. The SAG is composed of 33 people representing the auditing profession, public companies, investors, and others and was convened by the Board to advise them on the establishment of auditing and related professional practice standards. The SAG meeting agenda included the following topics for discussion (briefing memos were prepared by the PCAOB for certain topics and are available at the respective hyperlinks below):

- [Engagement Quality Review](#)
- [Audit Confirmations](#)
- Emerging Issues Discussion
- [Going Concern](#)

The archived SAG meeting [webcast](#) is available on the PCAOB's website.

Below is snapshot for each item discussed during the SAG meeting. A high-level [CAQ summary](#) of this meeting is available at the respective hyperlink.

Engagement Quality Review

The PCAOB's proposed auditing standard on *Engagement Quality Review* (EQR) was repropoed by the Board on March 4, 2009 as a result of extensive changes the Board made to the [original proposal](#) based on comments received. The original proposal was first issued on February 26, 2008. See [CAQ Alert #2009-26](#) for a summary of the repropoed standard. The comment deadline for the repropoed standard ended April 20, 2009.

During this part of the meeting, the SAG discussed aspects of the original proposed standard that generated significant feedback from commenters.

SAG members also discussed their views on whether the repropoed standard appropriately addressed the following specific areas identified in the Board's briefing memo:

- Qualifications of the Engagement Quality Reviewer
- EQR Process
- Concurring Approval of Issuance
- Documentation of the EQR

For more information on this topic, including a more detailed summary of the discussions held, please refer to the high-level CAQ summary hyperlink above.

Audit Confirmations

The PCAOB is considering potential changes to its auditing standard on audit confirmations, [AU sec. 330](#), The Confirmation Process as a result of significant advances in technology and the use of third parties for confirmation responses. During this portion of the meeting, the SAG held discussions related to the following topics identified in the Board's briefing memo:

- Definition of a Confirmation
- Requirement to Confirm
- Reliability of Confirmation Responses
- Management Requests Not to Confirm
- Disclaimers and Restrictive Language

For more information on this topic, including a more detailed summary of the discussions held, please refer to the high-level CAQ summary hyperlink above.

Emerging Issues Discussion

During this session of the meeting, the SAG discussed emerging issues in the auditing profession. The PCAOB did not provide a briefing memo or specific questions in advance of the SAG meeting for this topic. This discussion focused primarily on whether the PCAOB should issue additional auditing guidance to correspond with the recent [Financial Accounting Standards Board](#) (FASB) staff positions on fair value and other-than-temporary impairment. See [CAQ Alert #2009-34](#) for a summary of these FASB staff positions.

For more information on this topic, including a more detailed summary of the discussions held, please refer to the high-level CAQ summary hyperlink above.

Going Concern

This portion of the SAG meeting involved a panel discussion to address the potential effects that the current economic environment and the FASB [proposed accounting standard](#), *Going Concern* may have on the auditor's responsibilities under the standards of the PCAOB, including, in particular, [AU sec. 341](#), *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*.

The going concern discussion was initiated by the following four panelists:

- Joe Carcello, University of Tennessee
- Randy Fletchall, Ernst & Young LLP
- Peter Proestakes, FASB
- Steve Rafferty, BKD LLP

The panelists provided background information on recent events relating to going concern and the potential audit considerations. After the panelists' remarks, the SAG held further discussions on the auditor's considerations regarding the issuer's ability to continue as a going concern, which focused on the following discussion topics:

- Time Period for Assessing Going Concern
- Audit Procedures for Evaluating an Entity's Ability to Continue as a Going Concern
- Evaluating an Entity's Projections and Forecasts
- Explanatory Paragraph in the Auditor's Report
- General Considerations

For more information on this topic, including a more detailed summary of the discussions held, please refer to the high-level CAQ summary hyperlink above.

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