



Audit Committee *Brief*

The *Audit Committee Brief* focuses on the timely coverage of issues and insights important to audit committees. Questions, comments, or suggestions should be directed to centerforboardeffectiveness@deloitte.com.

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Publications and topics of interest

Audit committee guidance on implementation of critical audit matters

Catherine Ide, managing director of professional practice and member services at the Center for Audit Quality, was interviewed for the *Inside America's Boardrooms* series produced by Diligent. She discussed critical audit matters and PCAOB guidance, noting that the detailed discussion and FAQs in the *PCAOB Staff Guidance on Implementing CAMs* can be helpful to audit committees.

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[On the board's agenda: What to expect from auditor reporting of critical audit matters](#)

SEC's chief accountant on the importance of the audit committee

At the 2019 Baruch College Financial Reporting Conference, the SEC's chief accountant, Wes Bricker, discussed the importance of financial reporting. He highlighted 10 factors that have strengthened financial reporting, including a focus on non-GAAP measures; auditor independence, regulation, and governance; and the role of the audit committee. Mr. Bricker also noted that the independence of audit committee members, the time invested in oversight, the quality of information and communication from management and the auditors, and the committee members' training and experience all contribute to audit committee effectiveness.

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The impact of cybersecurity on financial reporting and the role of auditors

PCAOB board member Kathleen Hamm discussed cybersecurity at the 2019 Baruch College Financial Reporting Conference, focusing on the threat it presents to our financial reporting system and capital markets. She also shared her views on the limited but important role auditors play, including the consideration of cybersecurity in their risk assessment and their evaluation of internal control over financial reporting and disclosures.

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Guide to internal control over financial reporting

The Center for Audit Quality released an overview of internal control over financial reporting (ICFR) focusing on critical concepts such as the control environment, control activities, reasonable assurance, and the hierarchy of deficiencies. The guide also discusses the responsibilities of the audit committee in overseeing ICFR and of the independent auditor in assessing the effectiveness of ICFR.

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Helping audit committees prepare for the new credit losses standard

The Center for Audit Quality released *Preparing for the New Credit Losses Standard: A Tool for Audit Committees* to help audit committees exercise their oversight responsibilities as a credit losses accounting standard begins to take effect in January 2020. In addition to an overview of the new standard, the discussion includes questions and resources for audit committee members to consider.

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Fraud risk management and internal audit

A new position paper from the Institute of Internal Auditors calls for organizations to develop robust control procedures to limit the risk of fraud and highlights the role of internal auditors in assessing these controls. This position paper includes questions for audit committees to ask about fraud risk.

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Rule-making and standard-setting developments

SEC proposes improved disclosures of business acquisitions and dispositions

The SEC recently proposed amendments to the financial statement requirements for acquisitions and dispositions of businesses, including real estate operations, as well as the related pro forma financial information. The changes are intended to improve the information investors receive, reduce the cost and complexity of preparing the required disclosures, and facilitate timely access to capital. Comments on the proposed rule are due 60 days after the date of its publication in the Federal Register.

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SEC proposes to amend accelerated filer and large accelerated filer definitions

The SEC recently proposed amendments to Exchange Act Rule 12b-2 and “reduce costs for certain lower-revenue companies by more appropriately tailoring the types of companies that are categorized as accelerated and large accelerated filers while maintaining effective investor protections.” Comments on the proposed rule are due 60 days after the date of its publication in the Federal Register

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Observations from the PCAOB's 2018 inspections

The PCAOB released a preview of its observations drawn from inspections of approximately 700 audits of public companies. Topics addressed in the 2018 inspections include the use of technology in audits, the implementation of new accounting and auditing standards and rules, and communication with audit committees. The PCAOB noted that his publication may be useful to audit committees as they engage with their auditors.

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