



## 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](mailto:centerforboardeffectiveness@deloitte.com).

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### Featured articles

#### On the board's agenda | US: The strategic audit committee: A 2020 preview

The number and complexity of issues faced by audit committees continue to grow, with new challenges arising all the time. Audit committees need to be strategic around setting priorities and using their time efficiently and effectively.

This *On the board's agenda* highlights some of the topics around financial reporting and risk management that audit committees should consider when prioritizing their 2020 meeting agendas. It also provides insights around having effective audit committee meetings.

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#### Governing through regulatory change

The SEC, PCAOB, and FASB are operating against the backdrop of broader legislative trends, a looming US presidential election, and potential changes in their leadership, which to varying degrees may impact the activities of each. This Deloitte contribution to the NACD's *2020 Governance Outlook* outlines current and expected priorities for each agency, as well as how the board and respective committees should be thinking about the impact on the companies they serve.

As published in *NACD Directorship* magazine, 2020 Governance Outlook, December 2019.

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### Publications and topics of interest

#### SEC leaders discuss topics for audit committee focus in the new year

This SEC statement seeks to enhance oversight by offering observations and reminders to audit committees on potential focus areas for 2020. These include reinforcing a culture of accountability for financial reporting and auditor independence, working with management to implement new revenue and lease standards, and understanding CAM disclosures. [More](#)

#### PCAOB shares perspectives from audit committee chairs

The PCAOB met with more than 400 audit committee chairs during their 2019 inspections. This report from the PCAOB provides a summary of perspectives shared by audit committee chairs during those discussions, including their views on audit quality, the inspection process, new auditing and accounting standards, and technology and innovation.

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#### AICPA conference focuses on regulatory developments

This issue of *Heads Up* summarizes key themes from the American Institute of Certified Public Accountants (AICPA) 2019 Conference on Current SEC and PCAOB

Developments. Topics from the conference included implementation and application of the FASB's new standards on revenue recognition, leases, and credit losses; emerging issues such as LIBOR phaseout, digital assets, and cybersecurity; SEC reporting matters; audit quality; auditor independence; and critical audit matters (CAMs). In addition, many sessions addressed the effect of technology and innovation on auditors, practitioners, and regulators.

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#### **CII explores initial CAM disclosures**

The Council of Institutional Investors (CII) has released *Critical Audit Matters Reporting: A First Look*, a report of initial observations gleaned from CAM reporting. The report examines the most frequently reported CAMs and provides CII's perspectives on how CAM reporting can be improved.

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[Heads Up – Critical audit matters make their debut!](#)

#### **PCAOB shines a light on critical audit matters**

The PCAOB released its *Critical Audit Matters Spotlight* to share its observations from its review of CAM implementation, including its special review of twelve audits of large accelerated filers subject to CAM requirements. The observations relate to audit firm frameworks and methodologies for CAM implementation; early identification of CAMs; ongoing evaluation of CAMs during the audit; audit team engagement with national office and specialist resources; and management and audit committee involvement in the implementation process.

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#### **How auditors play a role in company-prepared information**

The Center for Audit Quality has released *The Role of Auditors in Company-Prepared Information: Present and Future*. This report addresses how auditors use a variety of company-prepared and publicly disclosed information. It also assists audit committees and investors in understanding how auditors can enhance the reliability of decision-useful information through independent assurance of data, processes, and controls for some of the public-facing company-prepared information beyond audited financial statements.

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#### **Rule-making and standard-setting developments**

##### **PCAOB seeks input on revising quality control standards**

The PCAOB is seeking public comment on a concept release on potential approaches to revising its standards on audit firms' systems of quality control. The concept release addresses proposed international standards for firms' quality management systems noting differences that may be appropriate for firms registered with the PCAOB.

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##### **SEC proposes amendments to the auditor independence framework**

The SEC proposed amendments to codify some staff consultations and modernize aspects of the auditor independence rule. This is intended to structure the independence rules and analysis more effectively so relationships and services that would not pose threats to an auditor's objectivity do not trigger nonsubstantive rule breaches or time-consuming audit committee review of non-substantive matters.

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