



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

Board oversight of corporate compliance: Is it time for a refresh?

This issue of *On the board's agenda* outlines the standing guidance of the Delaware Chancery Court that board directors are accountable for corporate governance and analyzes indications that not all boards understand the compliance requirements associated with their fiduciary responsibilities. Board directors are encouraged to reconsider their compliance oversight and ask management tough questions about systems to identify gaps.

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Results of initial CAMs filings

Heads Up for August 2019 reveals initial trends in disclosure of critical audit matters in auditors' reports for large accelerated filers with fiscal years ending on or after June 30, 2019. The most common categories of CAMs relate to goodwill and intangibles, revenue, and income taxes. On average, filers communicated 1.8 CAMs, most commonly with respect to accounts or disclosures with a high degree of auditor subjectivity or that were especially complex or difficult to audit.

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IFAC recommends leading practices for audit committees

In the wake of recent global corporate scandals and failures, the International Federation of Accountants (IFAC) identified five practices to improve audit committee effectiveness: increase transparency; engage in effective communication; evaluate the committee's composition; prioritize tasks; and understand the relative strength of the company's finance function.

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Rule-making and standard-setting developments SEC guidance for proxy voting responsibilities

The SEC has clarified the proxy voting responsibilities of investment advisers, as well as the applicability of federal proxy rules to proxy voting advice. This initial guidance allows investment advisers to review existing policies and procedures before next year's proxy season.

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PCAOB's inspection report for audits of brokers and dealers

The PCAOB released its annual report of findings from the interim inspection program for audits of brokers and dealers. The report finds that auditors can have a positive impact on audit quality by focusing on systems of quality control, advancing knowledge and understanding of PCAOB standards, and improving performance in the testing of internal controls. The report covers the deficiencies that were identified and describes procedures for mitigating those deficiencies.

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PCAOB guidance on auditing estimates and working with specialists

The PCAOB released four staff guidance documents to assist auditors in advance of new requirements. The guidance covers auditing accounting estimates, auditing the fair value of financial instruments, supervising or using the work of an auditor's specialist, and using the work of a company's specialist.

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The Center for Board Effectiveness helps directors deliver value to the organizations they serve through a portfolio of high quality, innovative experiences throughout their tenure as board members. Whether an individual is aspiring to board participation or a veteran of many board experiences, the Center's programs enable them to contribute effectively and provide focus in the areas of governance and audit, strategy, risk, innovation, compensation and succession.

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