



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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The January *Audit Committee Brief* revisits 2017 developments that should remain points of focus for audit committees in the new year. Increased regulatory scrutiny, demands for transparency, continued business disruption, and economic and political uncertainty are all having an impact on audit committees. Resources to help with each topic are highlighted.

Tax reform

In December 2017, the House and Senate approved and President Trump signed into law a massive tax reform bill that lowers tax rates on corporations, pass-through entities, individuals, and estates. Concurrently, the SEC issued Staff Accounting Bulletin No. 118 and new Compliance and Disclosure Interpretations, to clarify timely public disclosures of the accounting impacts of the new tax law.

[Tax reform legislation becomes law](#)
[SEC issues guidance on tax reform law](#)
[Deloitte's frequently asked questions about tax reform](#)

The PCAOB's new auditor reporting model

A new standard on the auditor's report was issued by the PCAOB in June. Although it retains the current "pass/fail" opinion of the existing auditor's report, the standard includes several significant modifications intended to increase the informational value and relevance of the auditor's report.

[PCAOB updates staff guidance on auditor's report](#)
[The CAQ's tool, *The Auditor's Report: Considerations for Audit Committees*](#)
[Deloitte – PCAOB Adopts Changes to the Auditor's Report \(June 2017\)](#)

Adoption of new GAAP standards

New accounting standards on revenue recognition, leases, and credit losses remain priorities for preparers, auditors, and regulators in 2018. The SEC has emphasized that audit committees play an important role in promoting an environment for management's successful implementation of the new standards.

Leasing standard, ASU 2016-02. Although this standard will not be effective until 2019, many companies have begun implementation and some have identified practice issues or difficulties related to applying the new standard.

[FASB proposes targeted improvements to new leasing standard](#)

[FASB tentatively decides to relieve entities from implementing certain aspects of the new leasing standard](#)

Revenue standard, ASC 606. In January 2018, the new revenue recognition standard, Update No. 2014-09; ASC 606, takes effect. The standard has broad implications and may affect financial statements, business processes, taxes, and internal controls over financial reporting.

[Deloitte Heads Up, "The New Revenue Standard – Are We There Yet?"](#)

[PCAOB issues audit practice alert related to the new revenue standard](#)

Financial instruments – Credit Losses, ASU 2016-13. Under the FASB's new guidance, an entity recognizes its estimate of expected credit losses as an allowance, which the FASB says will result in more timely recognition of those losses. The ASU is also intended to reduce the complexity of US GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments.

[FASB issues final standard on accounting for credit losses](#)

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Risk oversight

Audit committee members need to understand the critical risks that may affect their businesses' financial and public reporting and their own role in overseeing risk management. While companies continue to face risks in several areas, cyber risk remains near the top of the list for many companies, as well as for the Securities & Exchange Commission.

[SEC details its approach to cybersecurity Facing Cyber Threats: Keys to Security, Vigilance, and Resilience](#)

Increased audit committee disclosure

The trend of expanded disclosures on how audit committees execute their duties continued in 2017, and we expect this to be an area of further focus for audit committees, investors, and other stakeholders in the 2018 proxy season.

[Audit committee disclosure in proxy statements – 2017 trends](#)

[The CAQ's 2017 Audit Committee Transparency Barometer](#)

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