

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 auditcommittee@deloitte.com.

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Publications and topics of interest

PCAOB provides inspections insights in the first of a series of planned communications to audit committees

The PCAOB released the first *Audit Committee Dialogue* offering insights from public company audit inspections, which may be helpful to audit committees in overseeing auditors. The document focuses on areas of recurring concern in inspections of large audit firms where significant audit deficiencies have been identified. Also highlighted are certain emerging risks to the audit and their associated indicators, as well as questions that committee members can consider asking auditors.

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PCAOB speech discusses audit committee responsibilities and qualifications, including the need for financial expertise

PCAOB board member Jay Hanson emphasized the audit committee's central role in the financial reporting process and outlined the PCAOB's audit committee and issuer outreach efforts. Hanson noted that many audit committee members take very seriously their duties to oversee the audit, but that the PCAOB also hears about members who are primarily focused on supporting management and

negotiating the lowest possible fees, as well as some who lack sufficient collective experience in accounting, auditing, and financial reporting.

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PCAOB inspections and the relationship to audit quality

In this third and final article in a series examining the PCAOB inspection process and the correlation with audit quality, the author examines how leading audit firms have responded to PCAOB inspection comments. Alex Schillaci of Deloitte & Touche LLP, discusses how the organization focuses on root-cause analysis when deficiencies are identified. He also notes that innovation, primarily with technology, will affect future audits. [Part I](#) and [Part II](#) of this series are also available.

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Mary Jo White reflects on the SEC's Whistleblower Program

In a recent speech, Mary Jo White reflected on the success of the SEC's Whistleblower Program. The number of tips the SEC receives has increased to almost 10 per day, with most tips relating to corporate disclosures and financial statements, offering fraud, and market manipulation. White also focused on the SEC's concerns about agreements that could stifle whistleblower reporting, mentioning a recent SEC enforcement action addressing the use of employee confidentiality agreements. White emphasized the importance of strong internal compliance programs and encouraged boards and senior management to promote these priorities.

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SEC chief accountant discusses IFRS in speech

James Schnurr said that he and his staff have heard from various stakeholders that they support a single set of high-quality, globally accepted accounting standards. However, he added that there was virtually no support for mandating IFRS for all US registrants, and little support for the SEC to add an option for domestic companies to prepare their financial statements under IFRS. The staff is currently developing a recommendation that he will deliver to SEC Chair Mary Jo White "in the near term."

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Rulemaking and standard-setting developments

SEC proposes new rules on pay-versus-performance and cross-border swap transactions

The SEC has issued proposed rules on pay-versus-performance disclosures and cross-border security-based swap transactions related to activity in the US. Comments on both proposals are due 60 days after their publication in the *Federal Register*.

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FASB and IASB propose to defer effective date of new revenue standard

The FASB has issued a proposed Accounting Standards Update (ASU), which would defer for one year the effective date of its new revenue standard for public and nonpublic entities reporting under US GAAP. Comments on the proposed ASU are due by May 29, 2015. Comments on the proposed ASU are due by May 29, 2015.

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The IASB has tentatively decided to defer the effective date of IFRS 15, *Revenue from Contracts with Customers*, to January 1, 2018. This decision would align the effective date of IFRS 15 with that for public entities under the FASB's counterpart revenue standard. The IASB staff will prepare a stand-alone exposure draft on the deferral, which is expected to be issued later this month.

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IAASB revised auditing standard requires auditors to read "other information" in annual reports

The International Auditing and Assurance Standards Board (IAASB) is putting the onus on auditors to thoroughly read and report on work performed in conjunction with "other information" contained in annual reports. Auditors must consider whether this information is consistent with the financial statements and knowledge obtained during the audit. The revised ISA 720, *The Auditor's Responsibilities Relating to Other Information*, will be effective for audits of financial statements for periods ending on or after December 15, 2016.

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