

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

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### Publications and topics of interest

#### PCAOB outlines inspection focus for 2015

A recent PCAOB staff inspection brief provides highlights of the ongoing 2015 inspection cycle, intended to assist auditors, audit committees, investors, and preparers understand the inspection process and its results. The 2015 inspection cycle is focused on areas where inspectors found significant deficiencies in the past several years, as well as areas of potential risk arising from the economic environment.

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#### 2015 audit considerations

The Center for Audit Quality issued an alert, *Select Auditing Considerations for the 2015 Audit Cycle*, reminding its member firms of important auditing considerations for the 2015 audit cycle. The alert covers topics such as professional skepticism, internal control over financial reporting, risk assessment and audit planning, and cybersecurity, among others.

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#### Importance of focusing IT and cybersecurity control discussions on risk

A recent article in Compliance Week provides insights from auditing and IT professionals about the need, with the year-end audit approaching, for companies to look closely at IT and cybersecurity controls to assure that conversations are appropriately targeted toward risk. As IT professionals and auditors don't always focus on the same priorities or work from the same standards or frameworks, chief compliance officers often should participate in the discussion.

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#### SEC chief accountant speaks on convergence

At a recent AICPA conference, SEC Chief Accountant James Schnurr discussed accounting convergence and said that he was "optimistic that [he would] be able to provide more clarity on the path forward in the next few months." For the time being, he believes that continued collaboration between the FASB and IASB is the only realistic path toward furthering the objective of a single set of high-quality, global accounting standards. Schnurr also discussed implementation of the new revenue standard and encouraged industry groups to elevate emerging issues to the FASB/IASB joint transition resource group to "maintain consistent application of the revenue recognition principles across all industries."

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### **PCAOB Dialogues podcast focuses on audit quality indicators**

In the first episode of the PCAOB's podcast series, PCAOB Dialogues, Greg Jonas, Director of the PCAOB Office of Research and Analysis, and Mike Cook, an audit committee chairman, address questions and provide insight about the PCAOB's audit quality indicators project.

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### **IIA asks the SEC to require internal auditors at all public companies**

The Institute of Internal Auditors asked the SEC to require all public companies to have an internal audit function, or explain why they don't. The IIA made this request in its comment letter to the SEC's Concept Release on *Possible Revisions to Audit Committee Disclosures*. "[W]e strongly believe the time has come to formally recognize the value of an internal audit function for all publicly listed companies as a matter of basic good governance," IIA president and CEO Richard Chambers said.

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### **The Center for Audit Quality's ninth annual Main Street Investor Survey shows investor confidence**

The 2015 survey finds that 73 percent of investors have confidence in US capital markets and the key players in the financial system, including external auditors, independent audit committees, financial advisers, and stock exchanges. The confidence levels are consistent with those registered in 2014.

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### **Rulemaking and standard-setting developments SEC requests comments on the effectiveness of certain disclosure requirements in Regulation S-X**

As part of its disclosure effectiveness project, the SEC published a request for comment that seeks feedback on the effectiveness of disclosure requirements under which registrants must provide financial information for other entities, including acquired businesses, unconsolidated subsidiaries, and guarantors, among others. Comments are due November 30, 2015.

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### **FASB proposed ASU would state that omissions of immaterial disclosures are not accounting errors**

As part of its disclosure framework project, the FASB issued a proposed accounting standards update that would indicate that the omission of immaterial disclosures in the financial statement notes is not an accounting error. The FASB is also proposing to modify its current definition of materiality to align with the US Supreme Court's definition. Comments on both proposals are due December 8, 2015.

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### **PCAOB publishes latest standard-setting agenda**

The PCAOB published an agenda on September 30 that delineates the expected timing of standard-setting projects. The agenda indicates that amendments to improve standards governing the planning, supervision, and performance of audits involving other auditors and multilocation audit engagements may be issued by the end of the year. The agenda also suggests that the PCAOB will issue a reproposal of the auditor's reporting standard for public comment in the first quarter of 2016.

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