

Audit Committee *Brief*



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Publications and topics of interest

SEC and PCAOB take steps to enhance audit committee and auditor disclosures

The SEC recently published a [concept release](#) that seeks comment on possible revisions to the audit committee's disclosure about its oversight of the independent auditor, among other, related topics. Additionally, the PCAOB issued a [supplemental request for comment](#) on rules to require disclosures about the audit partner and certain other audit participants and a [concept release](#) on audit quality indicators.

[Read more about the SEC concept release](#)

[Read more about the PCAOB documents](#)

How artificial intelligence can boost audit quality

Jon Raphael, chief innovation officer for Deloitte & Touche LLP, highlights the importance of innovating the audit process and gives examples of technology that can automate tasks and allow auditors to focus on enhancing quality by evaluating advanced analytics, spending more time exercising their professional judgment, and providing greater insights.

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COSO suggests three lines of defense to manage internal controls

A recent white paper issued by COSO and the Institute of Internal Auditors, [Leveraging COSO across the Three Lines of Defense](#), describes how organizations can better establish and coordinate duties related to risk and control. It suggests that, under the oversight and direction of senior management and the board of directors, three separate groups within an organization are necessary for effective management of risk and control: operational management, internal monitoring and oversight functions, and internal audit.

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New revenue recognition standards raise questions for the IRS

The IRS is considering how the new revenue recognition standards may affect tax reporting, noting "the new standards raise a number of substantive and procedural issues for the IRS, including whether the new standards are permissible methods of accounting for federal income tax purposes." The IRS may issue guidance on the new standards, and is seeking [public comment](#) on the scope, substance, and form of guidance needed. Comments are due by September 16.

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Internal auditors get a revised global framework to govern professional practice

The Institute of Internal Auditors unveiled the latest enhancements of its International Professional Practices Framework. The framework was updated to try to strengthen the position of internal audit as a critical component of the organizational structure. One important aspect of the update is the establishment of a mission and 10 core principles that should underpin the professional practice of internal audit.

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Rulemaking and standard-setting developments

SEC proposes executive compensation clawback rule

The SEC recently issued a proposed rule that would require listed companies to adopt clawback policies on executive compensation. The rule, which was mandated by the Dodd-Frank Act, would require listed companies to implement policies to recover incentive-based compensation from executive officers in the event of a material accounting restatement.

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FASB decides to defer new revenue standard for one year

The FASB affirmed its proposal to defer for one year the effective date of its new revenue standard, *Revenue from Contracts With Customers*, for public and nonpublic entities. For public entities, the standard will be effective for annual reporting periods beginning after December 15, 2017. All entities would be permitted to adopt the standard early as of the original effective date.

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PCAOB's Standing Advisory Group discusses standard-setting activities

At the recent Standing Advisory Group (SAG) meeting, the PCAOB provided an update on recent developments, including an overview of its current and future standard-setting activities. In addition, the PCAOB and SAG discussed use of the work of specialists and the status of the PCAOB's project on auditing accounting estimates and fair-value measurements.

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