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PCAOB Addresses Concerns of Audit Committees and Expected Releases for 2015

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Jay D. Hanson, a board member of the PCAOB, **recently spoke** about the PCAOB's efforts to address issues raised by audit committees.

The board of the PCAOB began its outreach to audit committees in 2012, and has heard that audit committees are concerned about the PCAOB adding to their already overburdened set of responsibilities. Audit committees would also like to learn about trends and concerns from the PCAOB as they occur rather than after the inspection reports are released, given that by then those reports cover audits that are almost two years old.

The PCAOB is seeking to include in each inspection report information that may be relevant to the audit committee of the company, regarding what actions the committee may want to consider taking in response. They are also clarifying that the deficiencies or "audit failures" noted in the report means that the auditor did not get all of the evidence necessary to support the audit opinion, not that the financial statements were misstated or that the entire audit was insufficient.

In the next few months, we can expect a concept release seeking comment on some possible audit quality indicators and their potential uses, with the goal of helping the PCAOB find a way to measure and track the quality of public company audits.

In addition, the PCAOB has received hundreds of comment letters on their proposal to require auditors to discuss critical audit matters in audit reports. Some suggested that the requirements are not sufficiently specific, largely duplicative of information already being provided or would cause the disclosure of information that is not otherwise explicitly required. Currently, the PCAOB expects to issue a re-proposal in 2015, and the revisions will result in a "narrower, more focused requirement."

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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