
PCAOB Chair Highlights Plans for Enhanced Audit Committee Engagement

OCTOBER 22, 2018

Last week, PCAOB Chairman William Duhnke delivered a [keynote speech](#) at the American Law Institute's Accountants' Liability 2018 Conference in Washington DC, in which he described recent efforts and future plans for the PCAOB to further its goal of "continuous" improvement in audit quality. Mr. Duhnke's remarks followed the recent completion of the PCAOB's strategic planning process (see our prior [post](#)), which cemented the notion that the PCAOB's regulatory attention must become more forward looking and focus "not only on detecting and remediating audit deficiencies, as we have done in the past, but also on preventing them from occurring in the first place." Mr. Duhnke's speech addressed the prevention concept with respect to each of the PCAOB's three primary duties—inspections, enforcement and standard setting.

Broadly speaking, Mr. Duhnke mentioned the PCAOB's plans for increased external engagement as an additional effort to "transform" the PCAOB. "The Board strongly believes," Mr. Duhnke noted, "that substantial opportunities exist for us to engage more often and more effectively with investors, audit committees, preparers, registered audit firms, standard-setting organizations, and other audit regulators." Looking forward, the PCAOB has set goals to increase transparency and accessibility through more proactive engagement, which will include "cultivating more effective and more dynamic dialogue."

Mr. Duhnke indicated that the PCAOB expects to increase its interactions with audit committees beginning with the PCAOB's 2019 inspection process. In this regard, he noted that based on dozens of conversations with audit committee members in recent months, "[n]early all have emphasized the need for the PCAOB to engage more often and more directly with them." To that end, Mr. Duhnke noted that the inspections program is one meaningful opportunity to do so and that such engagement is intended to further promote audit quality, with Mr. Duhnke characterizing "an informed and engaged audit committee member as an effective force multiplier." Such engagement is just one component of the PCAOB's suite of "integrated transformation activities" taking place within its inspections function.

The PCAOB also expects to engage with audit committees in contexts other than inspections. In the context of technological innovations that support audit quality, for instance, Mr. Duhnke explained that

the PCAOB would analyze the impacts of technological changes on the audit profession more broadly and would engage with audit committees among others in that regard going forward. Similarly, with respect to new PCAOB standards, including the initial implementation of critical audit matters, the PCAOB plans to engage directly with audit committees and others “through requests for comment, interviews, surveys, and other outreach to learn about their experiences.” Feedback from this outreach will help inform whether further action should be taken, either in the form of additional guidance or amendments to the standard.

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