
PCAOB Issues 2019 Staff Inspections Outlook for Audit Committees

MARCH 15, 2019

Yesterday, the Public Company Accounting Oversight Board issued its [2019 Staff Inspections Outlook for Audit Committees](#) (the “Committee Outlook”), which offers a concise outline of what audit committees should expect from the PCAOB’s 2019 inspections activities. This summary follows the December 2018 release of the [Inspections Outlook for 2019](#) by the PCAOB’s Division of Registration and Inspections. Consistent with the PCAOB’s new strategic plan (see our [October 22, 2018](#) and [August 13, 2018](#) posts), these Outlooks are in line with the PCAOB’s objective to enhance external engagement and facilitate more proactive communication with PCAOB stakeholders. Relatedly, for companies whose audits are subject to PCAOB inspection, the PCAOB plans to offer an opportunity for the audit committee chairs of those companies to engage in discussions with the PCAOB inspections staff about the inspections.

With respect to the 2019 PCAOB inspections cycle, the Committee Outlook summarizes seven current areas of focus. While the areas of focus include old standbys, such as auditor independence and audit firms’ use of audit quality indicators (AQIs), the Division of Inspections also intends to focus on developing areas of risk, including risks associated with technological developments and how audit firms are adapting their audit methodologies to respond to such risks. The specific areas of focus highlighted in the Committee Outlook are:

- Technological developments;
- Audit firms’ actions to address prior inspection findings;
- Audit procedures on new accounting standards;
- Audit firms’ use of audit quality indicators (AQIs);
- Implementation of the new auditor’s reporting model (i.e., critical audit matters (CAMs) disclosure);
- Audit firms’ systems of quality control; and
- Auditor independence.

In addition to the areas of focus, the Committee Outlook offers a one-page list of potential questions for audit committees to consider asking their auditors. The topics proposed for discussion overlap to a great degree with the areas of focus in the PCAOB’s 2019 inspections cycle. While the list of

questions is not a mandate to audit committees, the list does offer a flavor of the types of questions audit committees may consider should they “choose to further engage with their auditors on current issues of inspection focus as they work to positively affect audit quality in those areas.”

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