CAQ Issues Practice Aid on Communications About PCAOB Inspections

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On October 10, the Center for Audit Quality, a professional organization composed of public company auditing firms, issued a practice aid to assist accounting firms in discussing the Public Company Accounting Oversight Board's inspection process with audit committees. In August the PCAOB issued a release designed to provide information to audit committees about its inspection process for registered public accounting firms and to suggest inquiries committees might make to their auditors about inspections. The CAQ practice aid addresses the process from the audit profession's perspective. Its recommendations are consistent with and reinforce the PCAOB's guidance.

The practice aid encourages an audit firm to provide timely information to the audit committee if the company's audit was selected for inspection. The practice aid also encourages the firm to provide information on changes in quality control systems as a result of the PCAOB inspection process. The guidance covers communications about:

- Whether the issuer's audit was selected for inspection and, if so, the status of the inspection and any adverse findings by the PCAOB about the audit, the issuer's financial statements or internal control over financial reporting, or the auditor's independence
- Information about the firm's response to the PCAOB's findings about the audit of the issuer, including whether or not the firm performed additional audit procedures
- Information described in the PCAOB inspection report that, while not involving the issuer's audit, involves issues and audit approaches similar to those that arose in the audit of the issuer's financial statements
- What steps the firm is taking to address issues identified—in PCAOB reports or other quality inputs—with respect to its system of quality control
- Whether issues described in PCAOB reports describing inspection results generally related to the issuer's audit and how the firm is addressing those issues.