
CAQ Provides Guidance for Audit Committees About Audit Participant Reporting

JUNE 29, 2017

In December 2015, the Public Company Accounting Oversight Board (PCAOB) adopted a rule requiring audit firms to file information on Form AP for each public company audit report. The disclosures include the name of the engagement partner for the audit as well as information about the name(s) and extent of participation of other accounting firm(s) in the audit. ([See our December 17, 2015 post](#) describing these standards.) The disclosure requirement for engagement partner names took effect for audit reports issued on or after January 31, 2017, and the information regarding other accounting firm participants will be required for audit reports issued on or after June 30, 2017.

The Center for Audit Quality (CAQ), a public policy organization associated with the accounting profession, recently issued [Form AP – Auditor Reporting of Certain Audit Participants: A Tool for Audit Committees](#), to assist audit committees in understanding the new auditor disclosures. Among other observations, the CAQ states that Form AP disclosures, which are publicly accessible and searchable on the PCAOB website, “[do] not provide all the context necessary when considering the quality of the financial statement audit. For example, Form AP does not include information about the contributions of other key personnel involved with the audit Further, it does not provide information about the firm’s system of quality control.” The CAQ notes that as the Form AP disclosures become available, “the audit committee may find that questions arise related to the external audit.” In this regard, the CAQ tool is intended to assist audit committees anticipate and prepare for such questions.

As to engagement partners, the CAQ suggests that audit committee members “refresh their knowledge of the audit partner’s qualifications, industry, and other experience, and to understand whether the audit partner is the lead engagement partner on other issuer audits.” The CAQ says that this information “could help audit committee members fulfill their broader responsibilities to evaluate and oversee the external auditor.”

As to other accounting firm participants in the audit, which may be member firms of a global audit network or firms outside the signing firm’s network, the CAQ provides suggested questions to assist audit committees in understanding the information on Form AP in the context of their audits.

These include questions in the following categories:

- Consistency with the auditor's audit planning communications with the audit committee
- The auditor's systems of quality control, as applied to network firms and non-network firms participating in the audit
- The principal audit firm's and engagement partner's oversight of other accounting firms that participate in the audit

Finally, the CAQ tool identifies other implications of the new disclosures that audit committee members may want to consider, including:

- Whether company management is aware of the new disclosures of Form AP and how investor relations will address questions that may result from the filing
- Whether the audit firm has considered the impact, if any, of the new disclosures on its social media policy

Authors

Thomas W. White

RETIRED PARTNER

☎ +1 202 663 6000