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## CAQ Releases New Tool to Assist Audit Committees with New Auditor's Reporting Model

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In December, the Center for Audit Quality released *The Auditor's Report: Considerations for Audit Committees*. The new tool is designed to assist audit committees navigate the new auditor's reporting model ([See our October 30, 2017 post](#)) by summarizing the changes and offering questions to facilitate dialogue among audit committees, auditors and others.

The new tool is divided into two sections to correspond to the two primary phases of implementation of the new auditor's reporting model: (a) disclosure of auditor tenure and other changes to the form and content of the auditor's report and (b) disclosure of critical audit matters (CAMs). The first phase became effective for audits of fiscal years ending on or after December 15, 2017, and the second phase will be first effective for large accelerated filers for audits of fiscal years ending on or after June 30, 2019, and for all other filers to which the CAMs disclosure requirement applies for audits of fiscal years ending on or after December 15, 2020.

With respect to the first phase, the new tool includes suggested questions that focus on matters related to auditor tenure. These questions are designed to prompt discussion of potential complexities, such as how auditor tenure will be determined and disclosed in the context of company or audit firm mergers or if there is some uncertainty about the year the auditor first began serving consecutively as the company's auditor.

A substantial portion of the new tool focuses on the second phase. In addition to providing background on the CAMs disclosure requirement, the new tool includes several questions from the CAQ and National Association of Corporate Directors for audit committees to consider discussing with their auditors. Echoing comments from various speeches by persons at the Securities and Exchange Commission, including a recent speech by SEC Chief Accountant Wesley Bricker ([See our November 21, 2017 post](#)), the CAQ advised that audit committees "may want to consider engaging in initial discussions in the near term with their auditor regarding the audit firm's planned approach to implementing the CAM component of the new standard as well as what matters could theoretically be CAMs."

The CAQ also advised that audit committees and management may want to begin thinking about their internal review processes related to matters that their auditors expect to be reported as CAMs.

Some considerations in this regard include “how this information may result in questions from investors, regulators and others, as well as an assessment of current disclosures and whether any potential enhancements or other changes are appropriate in light of incremental attention that could result in areas likely to relate to CAMs.” Notwithstanding the new CAMs disclosure requirement, it remains the responsibility of management, with the audit committee’s oversight, to provide adequate disclosures to users of the financial statements about the entity and its financial performance.

The questions and considerations included in the new tool are not all-inclusive, and the CAQ indicated that it intends to release future publications to further promote dialogue among audit committees, auditors and others. As the CAQ suggested, audit firms likely will be developing tools, templates and guidance for the new standard. Audit committees and management should remain on the lookout for these materials and other guidance that may become available before the second phase becomes effective.

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