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## News from the AICPA's Annual Conference

DECEMBER 10, 2012

The American Institute of Certified Public Accountants' annual conference on Current SEC and PCAOB Developments is always a source of news about accounting and financial reporting matters. Among the noteworthy items at this year's conference, held on December 3–5 in Washington:

- *PCAOB Inspections and Audit Committee Outreach*: James Doty, Chairman of the Public Company Accounting Oversight Board, highlighted the PCAOB's new five-year strategic plan (more on that in a subsequent post), in particular its objective to provide more timely audit firm inspection reports. He also indicated that the PCAOB anticipated issuing summary reports on insights from inspections, and other topics, prepared "with an eye on, among other things, getting useful information to audit committees." Mr. Doty also observed that "[a]udit committees have a role in fostering not just integrity in management's reporting, but the vitality and viability of the independent audit" and stated an audit "is not something to be procured from the lowest cost supplier." ([Mr. Doty's keynote address.](#))
- *IFRS*: Paul Beswick, Acting Chief Accountant of the Securities and Exchange Commission, had little to report on SEC consideration of International Financial Reporting Standards. He noted that the staff "will work with our new Chairman [Elisse Walter] and our existing Commissioners on determining the next steps in this process. So please stay tuned." ([Mr. Beswick's remarks.](#))
- *Disclosure Framework*: Mr. Beswick announced that the SEC staff intends to hold a roundtable next year to consider issues relating to the appropriate "dividing line" between what information should appear in the financial statements versus the "broader financial reporting package," such as MD&A.
- *Auditor Independence*: Mr. Beswick noted that some accounting firms are actively growing non-audit consulting practices. He questioned "whether accountants' expanding practices into areas unrelated to their primary competencies weakens public trust." He also expressed concern that such expansion has the potential to "distract a firm's leadership and other personnel from providing appropriate attention to their audit practice" and suggested that it "runs the risk of damaging the accountant's reputation." PCAOB Chair Doty also alluded in his remarks to the fact that large audit firms' revenues from consulting are growing rapidly while audit fees have stagnated and suggested that "[t]his threatens to

weaken the strength of the audit practice in the firm overall.”

- *Mandatory Firm Rotation*: PCAOB Member Jay Hanson was quoted in press reports to the effect that many obstacles to implementation of mandatory rotation make him believe it is unlikely the PCAOB will go forward. PCAOB Chair Doty reiterated his oft-stated view that it was “important to reexamine how we protect the auditor’s independence, including by considering term limits.”
- *Internal Control Over Financial Reporting (ICFR)*: Both Mr. Beswick and Brian Croteau, Deputy Chief Accountant, noted that even though some smaller issuers and emerging growth companies have been exempted from the ICFR audit requirement of Section 404(b) of the Sarbanes-Oxley Act, management’s responsibilities for evaluating and reporting on ICFR are not in any way changed. Mr. Croteau also noted that the Committee of Sponsoring Organizations (COSO) has a project to update its 1992 internal control framework, which is the framework applied by virtually all public companies in designed their ICFR systems. [\(Mr. Croteau’s remarks.\)](#)
- *PCAOB Standard-Setting*: PCAOB Chief Auditor Martin Bauman noted the Financial Accounting Standards Board’s project to require periodic management evaluations of the company’s ability to continue as a going concern. He indicated that the PCAOB intends to propose a revised standard for the auditor’s consideration of going concern shortly after the FASB issues its exposure draft on going concern in 2013. Mr. Bauman also confirmed that the PCAOB intends to issue a proposal for changes in the auditor’s report during the first half of 2013. [\(Mr. Bauman’s remarks.\)](#)