

---

## PCAOB Adopts Enhanced Auditor Reporting Standard

JUNE 2, 2017

On June 1, the Public Company Accounting Oversight Board unanimously adopted a [revised auditing standard](#) governing the contents and form of the audit report delivered by registered public accounting firms as part of their audits of public company financial statements. Adoption of the new standard culminates a process dating back to a 2008 recommendation by the Department of the Treasury's Advisory Committee on the Auditing Profession, which was followed by a 2011 concept release, a 2013 proposed standard, and a 2016 republished standard. ([See our prior post from May 2016](#)). At the meeting adopting the new standard, PCAOB Chair James R. Doty declared that the standard “breathe[s] life into the audit report and give[s] investors the information they’ve been asking for from auditors.”

The new standard retains the traditional “pass/fail” model of the existing audit report with respect to whether the financial statements are fairly presented in accordance with generally accepted accounting standards. Most importantly, the new standard will add required disclosure of critical audit matters (CAMs), which are matters arising from the audit that were communicated or required to be communicated to the audit committee and that “are related to accounts or disclosures that are material to the financial statements, and involved especially challenging, subjective, or complex auditor judgment.” Emerging growth companies and certain other entities will be exempt from the CAMs disclosure.

The new standard will also require disclosure of other matters in the audit report, including the auditor’s tenure. It will revise the report’s description of the auditor’s responsibilities under PCAOB standards to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, to add the phrase, “whether due to error or fraud.”

The standard is subject to SEC approval. If approved, the new standard will become effective in phases, with the changes other than CAMs disclosure being required in audit reports for audits of fiscal years ending on or after December 15, 2017. CAMs disclosure would first be included in audit reports for audits of large accelerated filers with fiscal years ending on or after June 30, 2019, and then for audits of all other companies to which the disclosure applies with respect to fiscal years ending on or after December 15, 2020.

This [fact sheet](#) from the PCAOB briefly summarizes the fundamental elements of the new standard.

---

## *Authors*



**Alan J. Wilson**

PARTNER

✉ [alan.wilson@wilmerhale.com](mailto:alan.wilson@wilmerhale.com)

☎ +1 202 663 6474

**Thomas W. White**

RETIRED PARTNER

☎ +1 202 663 6000