
PCAOB Launches Audit Committee "Dialogue"

JUNE 22, 2015

As part of its audit committee outreach efforts, the Public Company Accounting Oversight Board has established a webpage called "[Audit Committee Dialogue](#)" focusing on recurrent areas of concern identified by the PCAOB over the course of its inspections of audit firms and identifying new risks that the PCAOB is monitoring. Each area of concern or identified risk is accompanied by "targeted" potential questions that audit committees might ask their auditors. According to PCAOB Chair James Doty, "We hope these insights may be useful to audit committees in their 2015 oversight activities."

Key Recurring Areas of Concern

According to the Dialogue, over the course of its inspections of six large global networks of audit firms, the PCAOB most frequently identified deficiencies with respect to the following audit areas:

- Auditing internal control over financial reporting (ICFR)
- Assessing and responding to risks of material misstatement
- Auditing accounting estimates, including fair value measurements
- In cross-border audits, deficient "referred" work-work performed by other audit firms and used by the signing audit firm

New Risk Areas the PCAOB is Monitoring

In addition to these recurring areas of concern, the PCAOB has identified certain risks that it considers as an indicator of potential emerging areas of audit risk that will inform its planning for upcoming inspections of audit firms. The PCAOB advises that audit committees should evaluate these risk areas to determine if they apply to their specific entity, and if so, to discuss these risks with their auditors. These emerging risk areas are:

- Increases in mergers & acquisitions activity
- Falling oil prices
- Undistributed foreign earnings
- Maintaining audit quality when growing other business lines

Audit committees can leverage the PCAOB's insights by using the Dialogue as one of the resources

the committee considers when identifying areas of concern and risk as part of the committee's risk oversight function. Audit committees may also wish to consult the Dialogue as a resource when evaluating the performance of a company's external auditors, particularly with respect to the auditor's required communication of certain matters to the audit committee. It remains to be seen how the Dialogue will continue to develop and how audit committee input will affect its direction.

Authors



Alan J. Wilson

PARTNER

✉ alan.wilson@wilmerhale.com

☎ +1 202 663 6474

Thomas W. White

RETIRED PARTNER

☎ +1 202 663 6000