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# PCAOB Inspections Outlook for Audit Committees

AUDIT, PUBLIC COMPANIES

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The Public Company Accounting Oversight Board (PCAOB) has introduced a new strategic plan to enhance external engagement and proactive communication with audit committees regarding the PCAOB's core activities, including inspections. During 2019, the PCAOB will provide an opportunity for audit committee chairs of certain companies whose audits are subject to inspection to engage in conversations directly with the inspection staff. The purpose of these conversations is to provide further insight into the PCAOB's views as well as for the PCAOB to obtain the views from audit committee members. The PCAOB believes that audit committees will find it useful as they engage with their auditors throughout the course of the year.

The PCAOB also announced that their 2019 inspections will focus on:

- Technical developments – the use of software audit tools and the audit response to cybersecurity risks;
- Audit firms' actions addressing past inspection findings - regarding areas of repeat deficiencies, which includes revenue recognition, internal control over financial reporting (ICFR), and accounting estimates;
- Audit procedures on new accounting standards – revenue recognition (ASC 606 and IFRS 15), lease accounting (ASC 842 and IFRS 16), current expected credit losses (ASC 326), and financial instrument accounting (ASC 815 and IFRS 9);
- Implementation of the new auditor's reporting model requirements – obtaining an understanding the critical audit matters (CAMs);
- Audit firms' systems of quality control – the firms' culture as well as their policies and procedures and whether audit quality is consistent over multiple engagements and
- Auditor independence

In addition to the required communications from their auditors, audit committees may choose to further engage with their auditors on current issues of inspection focus by asking questions related to the auditor's response to identified risks, changes in the auditor's report, implementation of new standards, auditor independence, and PCAOB inspection results, to name a few.

Schneider Downs will continue to monitor current developments from the PCAOB. Please contact your Schneider Downs representative with any questions.

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