



April 2018

As part of the Center for Audit Quality's ongoing effort to keep members and stakeholders informed on significant public policy and accounting matters, we are pleased to offer the Public Policy and Technical Alert (PPTA). Each month, the PPTA highlights and examines the regulatory, standard-setting, legislative, and broader financial reporting developments impacting the public company audit profession. Please note that the PPTA is intended as general information and should not be relied upon as being definitive or all-inclusive. The CAQ encourages member firms to refer to the rules, standards, guidance, and other resources in their entirety at the hyperlinks provided below. All entities should carefully evaluate which requirements apply to their respective organizations.

In This Issue:

PCAOB

- PCAOB seeks input into its 2018-2022 strategic planning through a public survey
- PCAOB Board Member DesParte sworn in
- PCAOB posts updated standard-setting agenda

SEC

- SEC Division of Corporation Finance updates C&DIs

FASB

- FASB proposes targeted changes to collaborative arrangements standard

International

- IOSCO seeks feedback on good practices to assist audit committees in supporting audit quality
- IAASB seeks applications for new Chair
- FRC to enhance monitoring of audit firms, updates sanctions guidance
- ESMA reports on accounting enforcement activities in the EU in 2017
- IESBA releases new Code of Ethics

Other Developments

- SASB founder Jean Rogers to step down as Chair

CAQ

- CAQ tool helps audit committees oversee implementation of new leases accounting standard

- CAQ tool helps boards oversee cybersecurity risk management of public companies
- CAQ and AAA Auditing Section announce awards for Access to Audit Personnel Program
- CAQ issues new 'Profession in Focus' videos

Upcoming Events

PCAOB

PCAOB seeks input into its 2018-2022 strategic planning through a public survey

The PCAOB on April 17 [announced](#) that it is seeking input into its 2018-2022 strategic planning through a public survey. Each year, the PCAOB prepares a strategic plan with a five-year outlook. This year, the Board is including in its planning process a survey to obtain the views of external parties who have an interest in the PCAOB, such as investors, auditors, preparers, audit committee members, and academics.

The brief survey asks for participants' perspectives on the PCAOB's vision, priorities, and opportunities in fulfilling its mission. Survey responses are requested by May 15, 2018. The survey may be taken anonymously. Data gathered from the survey will be aggregated for analysis.

PCAOB Board Member DesParte sworn in

[Duane M. DesParte](#) was sworn in as a Board Member of the PCAOB on April 9.

DesParte, a CPA, joins the Board after retiring from Exelon Corporation, where he served as Corporate Controller with chief accounting officer responsibilities for the integrity of the company's accounting and external financial reporting and related policies, methods, systems, processes, and controls. Before joining Exelon, he was a partner at Deloitte for nine months, after a long career at Arthur Andersen. He worked at Arthur Andersen from 1985-2002, rising to partner.

PCAOB posts updated standard-setting agenda

The PCAOB's Office of the Chief Auditor posted an [updated standard-setting agenda](#), which also includes updates on the research agenda.

The standard-setting projects include:

- *Auditing Accounting Estimates, Including Fair Value Measurements*. This proposal was issued in conjunction with a companion proposal on the auditor's use of the work of specialists. The comment period on both proposals ended on August 30, 2017. The staff



has analyzed the comments received and is developing a recommendation for the next Board action.

- *The Auditor's Use of the Work of Specialists.* This proposal was issued in conjunction with a companion proposal on auditing accounting estimates, including fair value measurements. The comment period on both proposals ended on August 30, 2017. The staff has analyzed the comments received and is developing a recommendation for the next Board action.
- *Supervision of Audits Involving Other Auditors.* After consideration of comments received on the proposal and discussions with the Standing Advisory Group, on September 26, 2017, the Board issued a supplemental request for comment on revisions to the proposed amendments and proposed standard that the Board is considering for adoption. The comment period on the supplemental request for comment ended on November 15, 2017. The staff is analyzing comments and determining next steps.
- *Going Concern.* The staff plans to continue its research and outreach activities, including monitoring the effect on audits of the changes to the relevant accounting standards. In the meantime, AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern*, and Staff Audit Practice Alert No. 13 continue to provide the applicable requirements and guidance, respectively, for audits under PCAOB standards.

The research projects include:

- Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities.
- Changes in the Use of Data and Technology in the Conduct of Audits.
- Auditor's Role Regarding Other Information and Company Performance Measures, Including Non-GAAP Measures.
- Auditor's Consideration of Noncompliance with Laws and Regulations.
- Auditor Communications with Audit Committees Concerning Independence.

SEC

SEC Division of Corporation Finance updates C&DIs

The SEC's Division of Corporation of Finance updated the following Compliance and Disclosure Interpretations (C&DIs) in April:

- **Non-GAAP Financial Measures**
 - Section 101 – Business Combination Transactions
 - [New Questions 101.02–101.03](#) (Updated 4/4/18)

FASB

FASB proposes targeted changes to collaborative arrangements standard

The FASB on April 26 issued [Proposed Accounting Standards Update \(ASU\), Collaborative Arrangements \(Topic 808\): Targeted Improvements](#). The proposed ASU would:

- Add unit-of-account guidance in Topic 808 to align with the guidance in *Revenue From Contracts With Customers (Topic 606)*, limited to when an entity is assessing the scope of Topic 606;
- Clarify that certain transactions between collaborative participants should be accounted for as revenue under Topic 606 when the collaborative participant is a customer in the context of the unit of account. In these situations, all the guidance in Topic 606 would be applied, including recognition, measurement, presentation, and disclosure requirements; and,
- Clarify that in a transaction that is not directly related to sales to third parties, presenting the transaction as revenue would be precluded if the collaborative participant counterparty is not a customer.

The deadline for submitting comments is June 11, 2018.

International

IOSCO seeks feedback on good practices to assist audit committees in supporting audit quality

The International Organization of Securities Commissions (IOSCO) on April 24 published its [Consultation Report on Good Practices for Audit Committees in Supporting Audit Quality](#), which is intended to assist audit committees of issuers of listed securities in promoting and supporting audit quality. Findings of reviews by audit regulators indicate a need to improve audit quality and consistency of audit execution.

While the auditor is primarily responsible for achieving this objective, IOSCO believes that effective audit committees also can contribute to supporting audit quality and increasing market confidence in the quality of information in financial reports. IOSCO considers the accuracy, integrity, and comparability of issuer disclosure to be essential for maintaining investor and market confidence. The consultation report proposes good practices regarding the features that an audit committee should have to be more effective in its role, including delineating the qualifications and experience that audit committee members should possess.

The deadline for submitting comments is July 24, 2018.



IAASB seeks applications for new Chair

The IAASB on April 5 announced that it is [accepting applications](#) for a new Chair. The initial appointment is for the term of January 1, 2019 through December 31, 2021, and could be renewed for the total service not exceeding nine years. The deadline for submitting applications is May 20, 2018.

FRC to enhance monitoring of audit firms, updates sanctions guidance

The U.K. FRC on April 10 announced a new [Audit Firm Monitoring Approach](#) to enhance its monitoring of the six largest audit firms to avoid systematic deficiencies within firms' networks, disruption in the provision of statutory audit services and instability in the financial sector. The FRC will set out its expectations of each audit firm and use evidence it gains to inform its supervision program for these firms.

The FRC will focus its attention on five key pillars that are critical to the stability of the audit firms and quality of audit work:

- Leadership and governance;
- Values and behaviors;
- Business models and financial soundness;
- Risk management and control; and,
- Evidence on audit quality, including from the FRC's annual program of audit quality reviews.

The FRC said it has begun work on monitoring risk reporting, contingency planning, and IT security at audit firms and will report to the firms on its findings on all the five pillars. The results of the FRC's inspection of audit quality by the firms will be published in firm-specific reports in June and summarized in the annual Developments in Audit report in July.

In addition, the FRC on April 9 published [updated guidance](#) for enforcement cases involving auditors, accountants, and actuaries. The new sanctions guidance includes:

- An increase in fines to £10 million or more for seriously poor audit work by a Big 4 firm;
- Exclusion from the accounting profession for a minimum of 10 years for dishonesty;
- Greater use of non-financial penalties; and,
- Sanctions that reflect the level of cooperation by respondents.

The updated guidance takes effect on June 1, 2018.



ESMA reports on accounting enforcement activities in the EU in 2017

The European Securities and Markets Authority (ESMA) on April 3 published [Enforcement and Regulatory Activities of Accounting Enforcers in 2017](#). The report provides an overview of the activities related to the supervision and enforcement of financial information carried out during 2017 at European and national levels in the EU and those countries from the European Economic Area that have agreed to comply with the Transparency Directive and the IAS Regulation.

The report also addresses developments related to ESMA's regulatory role regarding the contribution to the development of the single rulebook in financial reporting such as the process of the European system of endorsement of IFRS, interaction with the IASB, and activities resulting from the mandate given to ESMA in the amended Transparency Directive. It focuses primarily on enforcement and regulatory activities related to IFRS financial statements from issuers listed on regulated markets.

IESBA releases new Code of Ethics

The International Ethics Standards Board for Accountants (IESBA) on April 9 released a new code of ethics for accountants. [The International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) clarifies how accountants should manage independence and ethics issues and incorporates major revisions in the underlying conceptual framework.

Other Developments

SASB founder Jean Rogers to step down as Chair

The Sustainability Accounting Standards Board (SASB) [on April 23 announced](#) that founder and former CEO Jean Rogers has stepped down from her role as the Board's Chair. Rogers founded the SASB in 2011 and served as its CEO until May 2017, when the organization was restructured to strengthen its governance and accountability. She then assumed the role of Chair of the nine-member SASB, guiding the organization's technical standard-setting efforts as it began work to codify its provisional standards.

CAQ

CAQ tool helps audit committees oversee implementation of new leases accounting standard

The CAQ on April 4 released a tool designed to help audit committees exercise their oversight responsibilities as companies implement the new leases accounting standard that begins to take effect in January 2019. [Preparing for the Leases Accounting Standard: A Tool for Audit Committees](#), includes an overview of the new standard and offers important questions for audit committee members to consider for successful implementation.

CAQ tool helps boards oversee cybersecurity risk management of public companies

The CAQ on April 12 released a tool to assist board members in their oversight of enterprise-wide cybersecurity risk management. [Cybersecurity Risk Management Oversight: A Tool for Board Members](#) provides questions board members can use as they discuss cybersecurity risks and disclosures with management and CPA firms.

The questions are grouped under four key areas:

- Understanding how the financial statement auditor considers cybersecurity risk;
- Understanding the role of management and responsibilities of the financial statement auditor related to cybersecurity disclosures;
- Understanding management's approach to cybersecurity risk management; and,
- Understanding how CPA firms can assist boards of directors in their oversight of cybersecurity risk management.

In addition to its questions, the tool compiles cybersecurity-related resources from the CAQ, AICPA, National Association of Corporate Directors, and others.

CAQ and AAA Auditing Section announce awards for Access to Audit Personnel Program

The CAQ and the Auditing Section of the American Accounting Association (AAA) on April 25 [announced three awards](#) for the [Access to Audit Personnel Program](#), which connects academics with audit practitioners to participate in research projects.

Of the proposals received in 2018, the review committee selected the following projects to support:



- Erin Hamilton, University of Nevada, Las Vegas, *Error or Fraud? The Effect of Omissions on Management's Fraud Strategies and Auditors' Evaluations of Identified Misstatements* (with Jason Smith, University of Nevada, Las Vegas)
- Christy Sims, *University of Georgia, Improving Auditors' Review of Complex Evidence Sets* (with Justin Leiby, University of Georgia; and Jacqueline S. Hammersley, University of Georgia)
- Dan Zhou, University of Illinois at Urbana-Champaign, *Promoting Proactive Auditing Behaviors* (with Mark Peecher, University of Illinois at Urbana-Champaign; and Michael Ricci, University of Florida)

CAQ issues new 'Profession in Focus' videos

In April, the CAQ issued two new episodes of its online video series, *Profession in Focus*:

- [Episode 58](#) features Andrew Cotton, partner at EY. Cotton discusses mounting efforts by companies to manage cybersecurity risks, the "very big investments" CPA firms are making in cybersecurity expertise, and the potential benefits of the American Institute of CPA's SOC for Cybersecurity framework.
- [Episode 59](#) features Dr. Jean Rogers, founder and former Chair of the SASB. Rogers describes the "journey" of sustainability, why we are at a "transformational" moment on that journey, and how the SASB has worked to create new sustainability insights for key capital markets players.

Upcoming Events

May 15-17

AICPA Employee Benefit Plans Conference, Las Vegas, NV ([Link](#))

May 17-18

PLI Midyear SEC Reporting & FASB Forum, Dallas, TX ([Link](#))

May 21-25

IASB Board Meeting, London, UK ([Link](#))

May 31

PCAOB Forum on Auditing in the Small Business Environment, Atlanta, GA ([Link](#))

June 5-6

PCAOB Standing Advisory Group Meeting, Washington, DC ([Link](#))

June 7-8

PLI Midyear SEC Reporting & FASB Forum and Webcast, New York, NY ([Link](#))

June 11

FASB Transition Resource Group for Credit Losses, Norwalk, CT ([Link](#))

June 11-13

AICPA Advanced Accounting and Auditing Technical Symposium, Las Vegas, NV ([Link](#))

June 18-19

PLI Midyear SEC Reporting & FASB Forum, San Francisco, CA ([Link](#))

June 18-22

IASB Board Meeting, London, UK ([Link](#))

July 9

PCAOB Forum on Auditing in the Small Business Environment, Denver, CO ([Link](#))

July 10

PCAOB Forum for Auditors of Broker-Dealers, Denver, CO ([Link](#))

July 16-20

IASB Board Meeting, London, UK ([Link](#))

August 4-8

American Accounting Association Annual Meeting, National Harbor, MD ([Link](#))

September 17-19

AICPA National Conference on Banks & Savings Institutions, National Harbor, MD ([Link](#))

September 17-21

IASB Board Meeting, London, UK ([Link](#))

September 18

PCAOB Forum on Auditing in the Small Business Environment, Fairfax, VA ([Link](#))

September 19

PCAOB Forum for Auditors of Broker-Dealers, Fairfax, VA ([Link](#))

September 24-25

PLI SEC Reporting & FASB Forum for Mid-sized & Smaller Companies, Las Vegas, NV ([Link](#))

October 1-2

SIFMA Annual Meeting, Washington, DC ([Link](#))

October 18

PCAOB Forum on Auditing in the Small Business Environment, Tempe, AZ ([Link](#))

October 22-24

AICPA Conference on Credit Unions, Las Vegas, NV ([Link](#))

October 22-26

IASB Board Meeting, London, UK ([Link](#))

November 2

PCAOB Forum for Auditors of Broker-Dealers, Jersey City, NJ ([Link](#))

November 12-13

PLI Annual SEC Reporting & FASB Forum, Dallas, TX ([Link](#))

November 11-13

AICPA Oil & Gas Conference, Denver, CO ([Link](#))

November 12-16

IASB Board Meeting, London, UK ([Link](#))

November 28-29

PCAOB Standing Advisory Group Meeting, Washington, DC ([Link](#))

December 3-4

PLI Annual SEC Reporting & FASB Forum, San Francisco, CA ([Link](#))

December 10-12

AICPA Conference on Current SEC and PCAOB Developments, Washington, DC ([Link](#))

December 10-14

IASB Board Meeting,
London, UK ([Link](#))

December 17-18

PLI Annual SEC Reporting
& FASB Forum, New York,
NY ([Link](#))

December 17-18

Webcast: PLI Annual SEC
Reporting & FASB Forum
([Link](#))

The Center for Audit Quality is an autonomous, nonpartisan, nonprofit organization dedicated to enhancing investor confidence and public trust in the global capital markets by fostering high-quality public company audits; collaborating with other stakeholders to advance the discussion of critical issues; and advocating policies and standards that promote public company auditors' objectivity, effectiveness and responsiveness to dynamic market conditions. Based in Washington, D.C., the CAQ is affiliated with the American Institute of CPAs. For more information, visit www.thecaq.org.

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