

## September 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.

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## PCAOB

### **PCAOB enters into cooperative agreement with Austrian auditor regulator**

The PCAOB on September 13 announced that it had entered into a [cooperative agreement](#) with the Audit Oversight Body of Austria. The agreement provides a framework for joint inspections in the oversight of audit firms subject to the regulatory jurisdictions of both organizations. It also allows for the exchange of confidential information.

Chairman William Duhnke noted in the [news release](#) that the PCAOB now has cooperative agreements with 16 European audit regulators, “and negotiations are well advanced with the one remaining European country where inspections currently are required.”

## SEC

### **SEC proposes amendment to exemption provisions in broker-dealer annual reporting rule**

The SEC on September 20 issued the Proposed Rule, [Amendment to Single Issuer Exemption for Broker-Dealers](#). The proposed amendment would exempt SEC-registered brokers and dealers from the requirement to engage a PCAOB-registered public accountant to certify their annual financial reports, if, among other things, their securities businesses have been limited to acting as brokers for single issuers in soliciting subscriptions for those issuers’ securities.

The deadline for submitting comments is October 29, 2018.

### **SEC provides regulatory relief and assistance for hurricane victims**

The SEC on September 19 [announced regulatory relief](#) to publicly traded companies, investment companies, accountants, transfer agents, municipal advisors, and others affected by Hurricane Florence.

To address compliance issues caused by Hurricane Florence, the Commission [issued an order](#) that conditionally exempts affected persons from certain requirements of the federal securities laws for periods following the weather event. The SEC also adopted [interim final temporary rules](#) that extend the filing deadlines for specified reports and forms that companies must file pursuant to Regulation Crowdfunding and Regulation A.



## Elad Roisman sworn in as SEC commissioner

Elad Roisman was [sworn into office](#) as an SEC Commissioner on September 11. His nomination was confirmed by the U.S. Senate on September 5.

Roisman previously served as Chief Counsel to the Senate Banking Committee. He also has served as Counsel to SEC Commissioner Daniel Gallagher and as a Chief Counsel at NYSE Euronext. He also worked as an attorney at the law firm of Milbank, Tweed, Hadley & McCloy LLP where he served as an associate in the New York office.

His term expires on June 5, 2023.

## SEC Division of Corporation Finance updates C&DIs

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

- **Regulation AB**
  - [Staff Guidance for EDGAR Filings for Asset-Backed Securities Issuers](#) (Updated 9/24/18)
- **Exchange Act Forms**
  - Section 105 – Form 10-Q
    - [New Question 105.09](#) (Updated 9/25/18)

## International

### Martin Baumann to lead IAASB

IFAC [announced](#) on September 14 that Martin Baumann has been appointed chair of the IAASB. In that role, Baumann will be responsible for leading the finalization and implementation of IAASB's strategic objectives; actively engaging key stakeholders around the world, including national standard setters, regulators, investors, and firms of all sizes; and delivering timely high-quality standards in the public interest.

Baumann most recently served as Chief Auditor and Director of Professional Standards at the PCAOB. He also chaired the PCAOB's Standing Advisory Group and served on the IAASB and International Ethics Standards Board for Accountants Consultative Advisory Groups.



## U.S. Congress

### House Financial Services Committee passes Small Business Audit Correction Act

The House Financial Services Committee on September 13 approved [H.R. 6021](#), the *Small Business Audit Correction Act*. The vote was 36-16. The bill would modify the Sarbanes-Oxley Act to exempt small, privately-owned, non-custodial brokers and dealers from hiring a PCAOB-registered audit firm to meet annual financial reporting obligations.

The companion bill ([S. 3004](#)) has been introduced in the Senate.

## CAQ

### CAQ Executive Director Cindy Fornelli announces retirement

The CAQ on September 19 announced that after 12 years as the CAQ's first Executive Director, Cindy Fornelli will retire in the spring of 2019.

In a [statement](#) issued by the CAQ, Fornelli expresses her thanks and gratitude for the "tremendous privilege" of working over the years with the CAQ Governing Board, representatives from audit firms, CAQ colleagues, policymakers, and market stakeholders. "Together, we have accomplished so much," she says. Looking ahead, Fornelli pledges a smooth transition to "a new era of CAQ leadership" in the coming months.

### Fourth annual #AuditorProud social media blitz aims to attract next generation of auditors

On September 27, the CAQ and its member firms led the [fourth annual social media blitz](#). The global campaign was aimed at informing students and young professionals of the many benefits of a career in audit. Using #AuditorProud, auditors and others around the world took to social media channels to share personal stories of why they chose a career in public company auditing, what they love about the profession, and what makes them proud to be an auditor. More details on the blitz—as well as resources for auditors, educators, and high school and college students—are available at [DiscoverAudit.org](#).

### CAQ releases 2018 Main Street Investor Survey

The CAQ on September 18 released its [2018 Main Street Investor Survey](#). The annual survey measures retail investor confidence in U.S. capital markets, global capital markets, public companies, and audited financial information.



The survey's key findings include the following:

- 74% of U.S. investors have confidence in U.S. capital markets broadly, down 11% from 2017.
- 78% have confidence in publicly-traded U.S. companies, down 5% from 2017.
- 75% have confidence in audited financial statements, down 3% from 2017.
- 56% have confidence in capital markets outside the U.S., up 2% from 2017.

The *Main Street Investor Survey* queries investors on underlying reasons for their confidence levels. Among investors expressing confidence in U.S. markets, the top reasons selected were the strength of the U.S. economy, the performance of the stock market, confidence in the Trump administration, and belief in the free-market system. For those expressing a lack of confidence, the most prevalent factors selected were lack of leadership in the Trump administration, fear of trade wars or uncertainty around free-trade agreements, and lack of leadership in the U.S. Congress.

## **CAQ comments on PCAOB's Draft Strategic Plan 2018-2022**

The CAQ on September 10 submitted a [comment letter](#) on the PCAOB's *Draft Strategic Plan 2018-2022*. Expressing support for the strategic goals outlined in the plan, the CAQ focuses its comments on the PCAOB's goals to:

- Drive improvement in the quality of audit services through a combination of prevention, detection, deterrence, and remediation;
- Anticipate and respond to the changing environment, including emerging technologies and related risks and opportunities; and,
- Enhance transparency and accessibility through proactive stakeholder engagement.

The comment period closed on September 10. The full list of comment letters is available [here](#).

## **CAQ posts highlights of July 2018 SEC Regulations Committee meeting**

The CAQ posted on its website [highlights](#) from the July 12, 2018 meeting of the CAQ's SEC Regulations Committee with SEC staff. The financial reporting matters discussed included the following:

- New Revenue Recognition disclosures under ASC 606, *Revenue from Contracts with Customers*;
- Release through EDGAR of Serious Deficiency Letters;
- Recent amendments to the Smaller Reporting Company definition – Transition Questions;
- Rule 3-10 of Regulation S-X;



- Financial statement requirements in an S-4 and/or merger proxy for an operating company merging with a Special Purpose Acquisition Company; and,
- Emerging Growth Company transition issues.

## CAQ posts highlights of May 2018 IPTF meeting

The CAQ posted on its website [highlights](#) from the May 16, 2018 meeting of the International Practices Task Force (IPTF) with SEC staff. The issues discussed during the meeting included:

- Rule 3-13 waivers for foreign private issuers;
- Issues/practices around reporting on financial statement presentations that may not comply with IFRS presentation requirements;
- Impact of change in reporting currency when filing a new (or amended) registration statement; and,
- Change in auditor disclosure considerations when subject to shareholder's approval.

The next IPTF meeting has been set for November 27, 2018.

## CAQ issues new 'Profession in Focus' videos

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

- [Episode 62](#) features Candy Duncan, who serves on the boards of Discover Financial Services, Teleflex, and FTD. Duncan, who chairs the audit committee at Teleflex, provides a director's view on progress regarding the updated auditor's report, cybersecurity as a "full-board sport," and the importance of mentorship in promoting gender diversity.
- [Episode 63](#) features Kathryn Kadous, Schaefer Chaired Professor of Accounting and Director and Associate Dean of the PhD program at Emory University's Goizueta Business School. In conversation with the CAQ's Margot Cella, Kadous discusses why today's accounting students must build a foundation of critical thinking, love of learning, and a strong ability to identify the right tools for specific situations.



## Upcoming Events

### October 17

2018 Audit Committee Summit Program, Newport Beach, CA ([Link](#))

### October 18

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

### October 22

ICGN New York Event, New York, NY ([Link](#))

### October 22-24

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

### October 22-26

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

### October 23-25

Council of Institutional Investors Fall Conference, New York, NY ([Link](#))

### November 1

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

### November 2

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

### November 2-3

43<sup>rd</sup> World Continuous Auditing & Reporting Symposium, Newark, NJ ([Link](#))

### November 8

NACD-USC Marshall Corporate Directors Symposium, Los Angeles, CA ([Link](#))

### November 12-13

FEI Current Financial Reporting Issues Conference, New York, NY ([Link](#))

### November 11-13

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

### November 12-13

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



# CAQ

# PUBLIC POLICY & TECHNICAL ALERT

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](http://www.thecaq.org).

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Questions and comments about the PPTA can be addressed to: [aschumacher@thecaq.org](mailto:aschumacher@thecaq.org).



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