



CAQ

CENTER FOR
AUDIT QUALITY

2019 Review

Our Reach

AUDITORS ▶ Leveraging the activity of its member committees, the CAQ produced resources for public company auditors, including various guides and alerts.

INVESTORS ▶ The CAQ enhanced the connection between the profession and investors by beginning a discussion on the role of the auditor in company-reported information outside of the financial statements.

AUDIT COMMITTEES AND BOARDS ▶ Engagement with this key constituency took place through in-person dialogue, videos, and new CAQ tools to assist with standards implementation, such as critical audit matters.

PREPARERS ▶ Via partnerships with Financial Executives International and others, the CAQ upheld solid relationships with issuers.

POLICYMAKERS ▶ The CAQ provided profession input on key matters, such as quality management, and constructively engaged in areas such as implementation of new standards.

ACADEMICS ▶ Reinforcing its extensive engagement with academia, the CAQ stimulated discussion on quality control, future profession talent, and more.

The Center for Audit Quality (CAQ) is dedicated to enhancing investor confidence and public trust in the global capital markets. The CAQ fosters high-quality performance by public company auditors; convenes and collaborates with other stakeholders to advance the discussion of critical issues that require action and intervention; and advocates policies and standards that promote public company auditors' objectivity, effectiveness, and responsiveness to dynamic market conditions. Based in Washington, DC, the CAQ is affiliated with the American Institute of CPAs.

Moving Forward

As a key player in the capital markets and our economy, the public company auditing profession is vibrant and proactive. It moves forward, powered by a mission of building trust.

So does the CAQ. In 2019, our Governing Board chose two new leaders: EY's Kelly Grier, as Chair, and BDO's Wayne Berson, as Vice Chair. In May, I was delighted to begin my tenure at the CAQ, leading a group of professionals who carry out the CAQ mission and the Governing Board's strategic priorities with energy and purpose.

- + Our Professional Practice team stayed active as ever, engaging with US and global policymakers and providing views on key issues, including the role of the profession in the changing financial ecosystem.
- + Our Talent team pursued a range of multimedia initiatives while convening hundreds of students—from institutions ranging from high schools to historically black colleges and universities—to build awareness about purpose-driven careers in audit.
- + Our Research team fostered vital dialogue between the profession and academics, while our Anti-Fraud team connected stakeholders on corporate culture and more.
- + Our Stakeholder Engagement and Communications team revitalized its capabilities to drive a conversation on the evolution of the profession.

In all these efforts, we moved forward, true to our mission and the profession that we serve with pride. We are excited for what is to come in 2020.



Julie Bell Lindsay
Executive Director



BY THE NUMBERS

83%

Investors who expressed confidence that external auditors are effective in their investor protection role, according to the CAQ's 2019 Main Street Investor Survey

447

CAQ member firms, as of December 2019

3.4k

Hours of CAQ videos watched on YouTube in 2019

550

Auditors who connected to researchers under 2019 grants in the Access to Audit Personnel Program, a joint effort of the CAQ and the American Accounting Association

8

Academic projects supported by CAQ Research Advisory Board grants that were chosen for publication in peer-reviewed journals in 2019

6.3mil

Twitter and Instagram users reached during the 2019 #AuditorProud social media blitz

I M P A C T



AUDIT QUALITY

Among many steps it took to enhance audit quality in 2019, the CAQ issued its *Audit Quality Disclosure Framework*, a resource viewed thousands of times online.



ANTI-FRAUD

The CAQ advanced the dialogue on how to deter and detect financial reporting fraud. A December webcast on assessing corporate culture, organized by the CAQ and its Anti-Fraud Collaboration partners, had more than 1,900 viewers.



TALENT

The CAQ took innovative steps to attract talent to the profession and to foster diversity. Working with Roadtrip Nation, the CAQ supported the production of a PBS documentary on auditing career paths, set to air in May 2020, and launched a 'Share Your Road' website where auditing and accounting professionals can share career stories with future auditors.



CAMS

With implementation of critical audit matters (CAMs) beginning in 2019, the CAQ created materials for investor relations professionals, launched a social media awareness campaign, and briefed stakeholders with an educational webcast watched by more than 2,400 viewers.



ROLE OF THE AUDITOR

A CAQ paper provided a foundational understanding of the current role of auditors in company-prepared information, as well as how that role can expand as investors increasingly consume and rely on information outside the financial statements.



EMERGING TECHNOLOGIES

A new CAQ resource for audit committees, management, and others explored the financial reporting implications related to emerging technologies, such as artificial intelligence and smart contracts, shedding light on key risks and auditor considerations.



GLOBAL

The CAQ engaged with policymakers and audit stakeholders outside the United States. Sir Donald Brydon's December 2019 *Report of the Independent Review into the Quality and Effectiveness of Audit* recommended that UK auditors "consider mirroring the US Center for Audit Quality."

Building the Future

EVOLVING THE ROLE OF THE AUDITOR

In 2019, the public company auditing profession continued its evolution toward an exciting future in a dynamic financial reporting landscape.

Reflecting our economy and capital markets, the nature and type of company-prepared information presented to the public has changed over time. Today's companies create and measure value in ways that extend far beyond tangible assets.

This development has led many companies to tell their value-creation story to investors through public-facing information outside the traditional financial statements prepared in accordance with generally accepted accounting principles (GAAP). Information—such as non-GAAP financial measures, key performance indicators, intangible indicators, and environmental, sustainability, governance, and diversity metrics—is used to make investment decisions, and much of it does not go through the rigor of independent, third-party assurance. At the CAQ, we believe that this should change.

Public company auditors can be part of the solution to this challenge, as the CAQ discussed in a 2019 whitepaper: *The Role of Auditors in Company-Prepared Information: Present and Future*. In clear terms, the paper delineates the auditor's role and highlights the need for the auditor's role to evolve for the benefit of investors, public company board members, company management, and the markets.

This evolution is a natural one for a profession with unique competencies in standards-based analysis, objectivity, professional skepticism, and critical thinking. The CAQ is uniquely positioned to facilitate stakeholder conversations on these topics, and we will do so in 2020 and beyond.



In a time of transformative change, the CAQ's mission of enhancing investor confidence and public trust in the global capital markets is more important than ever. The CAQ Governing Board is committed to supporting the public company auditing profession in navigating this time of evolution and engaging with stakeholders on these vital public policy matters.

KELLY GRIER

CAQ Governing Board Chair
US Chair and Managing Partner and
Americas Managing Partner, EY



The auditing profession strengthens confidence in our capital markets, and the CAQ strengthens the work of public company auditors. Our collective efforts provide a catalyst for addressing the challenges and opportunities that lie ahead.

WAYNE BERSON

Governing Board Vice Chair
CEO, BDO USA, LLP and Global Chairman,
BDO International

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