

AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

BDO FLASH REPORT

SEC MATTERS



SUBJECT

SEC ISSUES CONCEPT RELEASE SEEKING COMMENT ON POSSIBLE REVISIONS TO AUDIT COMMITTEE DISCLOSURES

SUMMARY

On July 1, 2015, the Securities and Exchange Commission issued [Concept Release 33-9862 Possible Revisions to Audit Committee Disclosures](#) to seek public comment regarding audit committee reporting requirements, with a focus on enhancing the audit committee's reporting of its process for overseeing the independent auditor.

The concept release is in response to views that the SEC's existing disclosure rules for this area perhaps have not kept pace with the evolving role and responsibilities of audit committees and may not result in disclosures about audit committees and their activities that are sufficient to help investors understand and evaluate audit committee performance, which may in turn inform investors' investment or voting decisions.

Some of the more significant potential changes to reporting requirements being considered include:

Audit Committee's Oversight of the Auditor -

- ▶ Whether additional information regarding communications between the audit committee and the auditor should be provided (e.g., about the considerations and actions the audit committee has taken with respect to the qualitative discussion about the nature and timing of required communications)
- ▶ Whether the audit committee should disclose how frequently they meet with the auditor
- ▶ Whether a discussion was held related to the auditor's internal quality review and most recent PCAOB inspection report and the nature of such discussion

BDO USA CORPORATE GOVERNANCE PRACTICE

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CONTACT

JEFFREY LENZ
(312) 616-3944 / jlenz@bdo.com

AMY ROJIK
(617) 239-7005 / arojik@bdo.com

- ▶ Whether and how the audit committee assesses, promotes and reinforces the auditor's objectivity and professional skepticism

Audit Committee's Process for Appointing or Retaining the Auditor

- ▶ How the audit committee assesses the qualifications of the audit firm and key participants in the audit, including the auditor's independence, objectivity, and audit quality and its rationale for and role in the selection or retention of the auditor
- ▶ Whether the results of shareholder votes played a role in hiring the auditor
- ▶ How the audit committee discusses the auditor's quality controls and reactions to regulatory inspections

Qualifications of the Audit Firm and Certain Members of the Engagement Team Selected by the Audit Committee

- ▶ Whether the audit committee should disclose the name of the engagement partner and other key members of the audit engagement team and the audit committee's role in the selection process
- ▶ Whether the audit committee should disclose the auditor's tenure (i.e., number of years the auditor has audited the company) and its view on the relationship of tenure to audit quality
- ▶ Whether the audit committee should disclose other firms involved in the audit (e.g., affiliated and/or nonaffiliated firms, or third-party advisors and specialists that conduct portions of the audit work)

Location of the Audit Committee Disclosure in SEC Filings

- ▶ Whether investors would benefit from audit committee disclosures being presented in one location, versus in the various places in which they are provided currently

Smaller Reporting Companies and Emerging Growth Companies (EGCs)

- ▶ Whether current audit committee disclosure requirements should be changed or modified for smaller reporting companies and EGCs

Other Considerations

- ▶ Whether additional disclosures being considered should be mandatory or should they remain voluntary

Comments may be submitted for 60 days after the concept release is published in the Federal Register.

On June 30, 2015, the Public Company Accounting Oversight Board (PCAOB) furthered its agenda for improving transparency and providing insight related to audit quality by releasing a [Supplemental Request for Comment: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form](#) along with a [Concept Release on Audit Quality Indicators](#). Refer to the related [BDO Alert](#) for further information

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