

Journal of Accountancy

What PCAOB inspectors are looking for

By Ken Tysiac

August 30, 2017

Compliance with new transparency rules and preparation for new accounting standards will be among the key areas of focus for PCAOB inspectors as they examine the work of auditors of public companies and other issuers.

In a [staff inspection brief \(https://pcaobus.org/Inspections/Documents/inspection-brief-2017-3-issuer-scope.pdf\)](https://pcaobus.org/Inspections/Documents/inspection-brief-2017-3-issuer-scope.pdf) published Wednesday, the PCAOB provided details on what inspectors will be looking for. This year the PCAOB plans to inspect about 195 registered firms that audit public companies, including 11 that are subject to annual inspection. About 55 of the firms inspected this year will be non-U.S. firms hailing from 26 countries or jurisdictions.

Key areas of focus for the PCAOB will include:

- An audit firm's compliance with new PCAOB transparency [rules \(https://www.journalofaccountancy.com/issues/2016/jul/sec-approves-rule-on-naming-audit-engagement-partner.html\)](https://www.journalofaccountancy.com/issues/2016/jul/sec-approves-rule-on-naming-audit-engagement-partner.html) that require disclosure of the name of the engagement partner and information about other firms participating in the audit in a new Form AP to be filed with the board.
- Preparation for new standards for accounting for [revenue recognition \(https://www.journalofaccountancy.com/news/2015/oct/revenue-recognition-implementation-tips-201513252.html\)](https://www.journalofaccountancy.com/news/2015/oct/revenue-recognition-implementation-tips-201513252.html) and [leases \(https://www.journalofaccountancy.com/news/2017/aug/lease-accounting-standard-implementation-201717159.html\)](https://www.journalofaccountancy.com/news/2017/aug/lease-accounting-standard-implementation-201717159.html).
- Audit areas where inspectors have identified deficiencies in the past, such as assessing and responding to risks of material misstatement. (<https://www.journalofaccountancy.com/news/2017/aug/lease-accounting-standard-implementation-201717159.html>)
- Audit areas affected by recent economic developments, including the high rate of merger-and-acquisition activity and fluctuations in oil and natural gas prices.
- Financial reporting areas that require significant judgment, including going concern and income tax disclosures.
- Work by other auditors on multinational audits.
- The auditor's use of information technology, particularly software audit tools.
- The audit firm's system of quality control.