DISCLAIMER

Any views expressed are my own and do not necessarily reflect the views of the Board as a whole, any individual Board Members, or other staff.
AGENDA

• COVID-19 Audit Considerations

• Auditing Accounting Estimates and Auditor’s Use of the Work of Specialists

• Critical Audit Matters (CAMs)

• Update on Other Standard-Setting and Research Activities

• Keeping Current with Standard-Setting Activities & Contacting OCA
COVID-19 Audit Considerations
COVID-19 AUDIT CONSIDERATIONS

- PCAOB COVID-19 Resource Center
- PCAOB Audit Spotlight – COVID-19: Reminders for Audits Nearing Completion
COVID-19 AUDIT CONSIDERATIONS

- Staffing, Supervision, and Review
- Professional Skepticism
- Fraud or Error
- Internal Control Considerations
- Audit Evidence
- Use of Other Auditors
Auditing Accounting Estimates and Auditor’s Use of Specialists
On July 1, 2019, the SEC approved amendments to PCAOB standards for:
  • Auditing Accounting Estimates, including Fair Value Measurements
  • Auditor’s Use of the Work of Specialists

The new standards and amendments are effective for audits of financial statements for fiscal years ending on or after December 15, 2020.
<table>
<thead>
<tr>
<th>Audit Area</th>
<th>Before Effective Date of Final Amendments</th>
<th>After Effective Date of Final Amendments</th>
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</thead>
<tbody>
<tr>
<td>Accounting estimates, general</td>
<td>AS 2501, Auditing Accounting Estimates</td>
<td>AS 2501, Auditing Accounting Estimates, Including Fair Value Measurements, as amended</td>
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<tr>
<td>Assets, liabilities, and specific components of equity presented or disclosed at fair value in financial statements</td>
<td>AS 2502, Auditing Fair Value Measurements and Disclosures</td>
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<tr>
<td>Derivative instruments, hedging activities, and investments in securities</td>
<td>AS 2503, Auditing Derivative Instruments, Hedging Activities, and Investments in Securities</td>
<td>Appendix B, Audit Evidence Regarding Valuation of Investments Based on Investee Financial Results, of AS 1105, Audit Evidence, as amended</td>
</tr>
<tr>
<td>Nature of Specialist’s Involvement</td>
<td>Before Effective Date of Final Amendments</td>
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<td>Company’s specialist – employed or engaged by the company</td>
<td>AS 1210, Using the Work of a Specialist</td>
<td>Appendix A, Using the Work of a Company’s Specialist as Audit Evidence, of AS 1105, Audit Evidence, as amended</td>
</tr>
<tr>
<td>Auditor-engaged specialist</td>
<td></td>
<td>AS 1210, Using the Work of an Auditor-Engaged Specialist, as amended</td>
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<tr>
<td>Auditor-employed specialist</td>
<td>AS 1201, Supervision of the Audit Engagement</td>
<td>Appendix C, Supervision of the Work of Auditor-Employed Specialists, of AS 1201, Supervision of the Audit Engagement, as amended</td>
</tr>
</tbody>
</table>
ESTIMATES & SPECIALISTS: COVID 19 AUDIT CONSIDERATIONS

- Risk Assessment
- Substantive Procedures
- Management Bias
ESTIMATES & SPECIALISTS: IMPLEMENTATION GUIDANCE

• Estimates
  • Staff Guidance: Auditing Accounting Estimates
  • Staff Guidance: Auditing the Fair Value of Financial Instruments
  • Staff Video Presentation: Auditing Accounting Estimates, Including Fair Value Measurements

• Specialists
  • Staff Guidance: Using the Work of a Company’s Specialist
  • Staff Guidance: Supervising or Using the Work of an Auditor’s Specialist
  • Staff Video Presentation: Auditor’s Use of the Work of Specialists

• Guide to Accessing Amended Estimates and Specialists Standards
Critical Audit Matters
CRITICAL AUDIT MATTERS: WHAT IS A CAM?

• A CAM is a matter arising from the audit of the financial statements that:
  • Was communicated or required to be communicated to the audit committee
  • Relates to accounts or disclosures that are material to the financial statements, and
  • Involved especially challenging, subjective, or complex auditor judgment.
CRITICAL AUDIT MATTERS: COMMUNICATIONS

• Identify the CAM

• Describe the principal considerations that led them to determine the matter was a CAM

• Describe how the CAM was addressed in the audit

• Refer to relevant accounts or disclosures
CRITICAL AUDIT MATTERS: APPLICABILITY

• CAMs requirements have already taken effect for audits of large accelerated filers, and will become effective for all other audits to which they apply for fiscal years ending on or after December 15, 2020

• CAMs are not required for audits of:
  • Brokers and dealers
  • Registered investment companies (other than BDCs)
  • Employee stock plans
  • Emerging growth companies
Staff Guidance
• The Basics
• A Deeper Dive on the Determination of CAMs
• A Deeper Dive on the Communication of CAMs
• Webinar: The New Auditor’s Report and Critical Audit Matters

Additional Resources
• Spotlight
• Audit committee resource
• Investor resource
CRITICAL AUDIT MATTERS: INTERIM ANALYSIS

• PCAOB staff conducting an interim analysis to gain an understanding of:
  • How auditors responded to the CAM requirements
  • Whether and how investors use CAMs
  • Audit committee and preparer experiences

• Request for Comment
  • Collecting information from stakeholders about initial experiences with CAMs implementation
  • Issued in April—the comment period closed in June

• Analysis also includes surveys, targeted interviews

• Expect to report in Q4 2020
Updates on Other Standard-Setting & Research Activities
STANDARD-SETTING PROJECTS

• Independence

• Quality Control

• Supervision of Audits Involving Other Auditors
RESEARCH PROJECTS & MONITORING ACTIVITIES

- Audit Evidence
- Data & Technology
- Monitoring Activities
Keeping Current with Standard-Setting Activities & Contacting OCA
KEEPING CURRENT WITH STANDARD-SETTING ACTIVITIES & CONTACTING OCA

• PCAOB Standards website –
  • PCAOB standards and rules
  • Guidance
  • Standard-related activities

• Sign up for the PCAOB Updates service to receive a notification via e-mail that briefly describes significant new postings to our website

• Contact the Standards Inquiry Line via the web form or at (202) 591-4395
QUESTIONS

Please submit any questions or feedback you might have on this presentation to forum@pcaobus.org.