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# Audit Committee Resource

## 2021 Inspections Outlook

April 2021

The Public Company Accounting Oversight Board's (PCAOB) *Staff Outlook for 2021 Inspections*, provides an overview of the principal changes we are making to inspections in 2021 and highlights important areas of planned inspection focus, including how we are responding to the financial reporting and audit risks posed by the COVID-19 pandemic. We also discuss how we intend to enhance the unpredictability of our inspections including enhancing our selection of non-traditional financial statement areas for review.

While audit committees of inspected public companies may use the information in that publication, in addition to required communications from the auditors, this document suggests certain questions that audit committees—at their discretion—could use to further engage with their auditors.

## AUDITOR'S RISK ASSESSMENTS

- How have the pandemic and associated economic factors influenced the auditor's risk assessments for the current year's audit?

### Audit Committee Outreach

We remain committed to seeking views and feedback from audit committees on how to further drive improvements in audit quality and will continue these activities. An integral part of this engagement is our interaction with audit committees during the inspection process. Between 2019 and 2020, we had one-on-one conversations with nearly 700 audit committee chairs as part of our process, and in 2021, we will continue to invite the audit committee chairs of most of the U.S. public companies whose audits we inspect to speak with us.

To learn more about what we have heard from audit committee chairs, please visit our [Information for Audit Committees](#) web page.

- How has the auditor considered the relevant economic factors that could affect the public company's ability to continue as a going concern?
  - If applicable, how has the auditor evaluated management's plans to alleviate substantial doubt about the public company's ability to continue as a going concern, and the related financial statement disclosures?
- How has the auditor assessed risks of material misstatement related to the public company's technology systems, including relevant cyber threats, and how has it addressed those potential risks?

## FIRMS' QUALITY CONTROL SYSTEMS

- Has the firm changed any aspects of its quality control system to account for the COVID-19 pandemic and related economic uncertainty (e.g., leadership communications, consultation requirements, and client acceptance and continuance procedures)? If so, how?
- How does the firm's quality control system promote a culture that emphasizes audit quality?

## HOW FIRMS COMPLY WITH AUDITOR INDEPENDENCE REQUIREMENTS

- How does the firm monitor compliance with Securities and Exchange Commission and PCAOB independence requirements, including compliance with obtaining pre-approvals for non-audit services?
- How can the audit committee and management assist the auditor in complying with independence requirements?

## FRAUD PROCEDURES

- How did the auditor identify and assess the risks of material misstatement due to fraud, and how were appropriate audit responses designed and implemented?
- Did the COVID-19 pandemic influence the nature, timing or extent of procedures the auditor performed to address the risk of material misstatement due to fraud? If so, how?

## CRITICAL AUDIT MATTERS

- What items, if any, were considered “close calls” but ultimately not identified as a CAM by the auditor? Why were these items not determined to be CAMs?
- Did the COVID-19 pandemic affect the auditor’s determination as to whether matters were identified as a CAM (i.e., involved especially challenging, subjective or complex judgment)? If so, how?

## HOW FIRMS IMPLEMENT NEW AUDITING STANDARDS

- Was the audit of the public company’s estimates affected by the PCAOB’s new requirements?

## We Want to Hear from You

The PCAOB strives to improve our external communications and provide information that is timely, relevant, and accessible. We invite you to share your views on this document by filling out **our survey**, which should take no more than two minutes to complete.

- To what extent did the public company engage specialists to be involved in the preparation of financial statements?
- Did the auditor involve specialists? If so, in what areas, how were the specialists used, and did the use of specialists change in the current year?
- Did the auditor have any particular challenges in applying any new requirements at the public company?

## SUPERVISION OF AUDITS INVOLVING OTHER AUDITORS

- Did restrictions on travel and in-person interactions in 2020 create challenges for supervision and review of work performed by other auditors? If so, how were these challenges addressed?

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