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**STANDING ADVISORY GROUP MEETING**

**PANEL DISCUSSION – NEW AUDITOR'S REPORT IMPLEMENTATION**

**JUNE 5-6, 2018**

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**Introduction**

At the June 2018 Standing Advisory Group ("SAG") meeting, a SAG panel will discuss implementation of the PCAOB's new auditor reporting standard, including planning for implementation of the critical audit matter ("CAM") requirements. This paper provides background information about the new auditor reporting standard, including the PCAOB's efforts to facilitate effective implementation of changes to the auditor's report. In addition, the paper outlines the topics that the panelists will address. Throughout the presentation, the SAG will have an opportunity to ask questions and provide input.

**Background**

In June 2017, the PCAOB adopted a new auditing standard, AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, to enhance the relevance and usefulness of the auditor's report by providing additional and important information to investors and other financial statement users.<sup>1</sup>

The standard retains the pass/fail opinion of the existing auditor's report but makes significant changes to the report, including the communication of CAMs, disclosure of auditor tenure, new form of the auditor's report, and enhancements to

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<sup>1</sup> See *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion and Related Amendments to PCAOB Standards*, PCAOB Release No. 2017-001 (June 1, 2017). The standard and related amendments were approved by the SEC on Oct. 23, 2017.

This paper was developed by the staff of the Office of the Chief Auditor as of May 23, 2018 to foster discussion among the members of the Standing Advisory Group. It is not a statement of the Board; nor does it necessarily reflect the views of the Board, any individual Board member, or staff of the PCAOB.

clarify the auditor's role and responsibilities related to the audit of the financial statements. All of the changes, except those relating to CAMs, became effective for audits of fiscal years ending on or after December 15, 2017.

To assist accounting firms and others with implementation of the changes to the auditor's report, the PCAOB staff issued staff guidance covering the requirements that were in effect for the 2017 fiscal year end audits and introducing the CAM requirements.<sup>2</sup> Additionally, the PCAOB staff held two webinars – one on December 12, 2017, and one on January 10, 2018 – to describe the changes to the auditor's report.

Auditor communication of CAMs is permissible on a voluntary basis, but is not required until audits of fiscal years ending on or after June 30, 2019 (for audits of "large accelerated filers") or December 15, 2020 (for audits of all other companies to which the requirements apply).<sup>3</sup> The PCAOB will begin a post-implementation review after the initial adoption phase of CAMs to determine if any further guidance is needed.

## **SAG Discussion**

The panel discussion will consist of SAG members from public accounting firms, who will discuss experiences from the 2017 implementation as well as how accounting firms are preparing for the implementation of the CAM requirements. After a brief introductory discussion, the panelists will address the following topics:

- Firm implementation plans for CAMs;
- Pilot testing of CAMs, including discussions with audit committees;
- Other efforts to assist with implementation of CAMs; and
- Questions/challenges on the implementation of CAMs and how they are being addressed.

In addition to comments from SAG panelists, SAG members are invited to share their experience with implementation of the new audit reporting changes, including planning for the implementation of CAMs. The PCAOB is also interested in input from

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<sup>2</sup> See PCAOB, *Staff Guidance, Changes to the Auditor's Report Effective for Audits of Fiscal Years Ending on or After December 15, 2017* (updated Dec. 28, 2017).

<sup>3</sup> The later effective dates for the communication of CAMs provide accounting firms, companies, and audit committees more time to prepare for implementation of the requirements.

SAG members about what further actions the PCAOB might take to facilitate the effective implementation of the CAM requirements.

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The PCAOB is a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect investors and the public interest by promoting informative, accurate, and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.