

## SEC Chief Accountant Issues Statement on Public Company Audit Quality

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On February 5, 2024, Securities and Exchange Commission (SEC) Chief Accountant Paul Munter issued a [statement](#) calling for increased quality of public company audits. Munter's statement follows [findings](#) from the Public Company Accounting Oversight Board (PCAOB) of increased deficiency rates in recent year-over-year inspections, and alludes to new and existing risks that "may put pressure on the operations and financial health of companies and render financial reporting and auditing more challenging."

In his statement, Munter addresses responsibilities of audit committees and independent auditors in protecting the investing public and provides suggestions for each.

### AUDIT COMMITTEES

- Prioritize audit quality when selecting an auditor.
- Frequently evaluate process for assessing auditor performance, including through:
  - PCAOB inspection results.
  - Engagement team industry expertise.
  - Engagement team total hours and staffing mix.
  - Engagement team changes from previous audits.
- Support auditor independence, including through:

### AUDITORS

- Request more persuasive evidence to corroborate management assertions during periods of economic uncertainty.
- Frequently and proactively engage with a company's audit committee.
- Integrate expert specialists to assist in auditing complex areas or where specialized knowledge is needed.
- Ensure engagement teams are appropriately trained on biases that can affect auditor judgment and decision-making.
- Ensure that audit staff are empowered to exercise professional skepticism and challenge the judgments of management.

- Open dialogue and meetings with the auditor independent of management.
- Probing questions to assess audit quality.
- Directly speaking with the audit engagement team about the importance of professional skepticism.
- Avoiding substituting audit committee judgment of the auditor with that of management.

Munter's comments suggest an increased focus by the SEC on public company audit quality, and particularly areas that have been identified by the PCAOB as having the highest rates of deficiency, including auditor testing of management review controls, auditors' selection of controls to test, and auditors' selection of controls over the completeness and accuracy of information used in the operation of the controls.

Winston's Capital Markets and Securities Law Watch will continue to monitor the SEC's positions on public company audit quality and will post additional updates as they become available.

1 Min Read

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