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AUDIT COMMITTEE AND AUDITOR OVERSIGHT UPDATE

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Summary

[Common Threads 2025: Audit Committee Top Priorities are Still Cybersecurity and ERM.](#)

The Center for Audit Quality and the Deloitte Center for Board Effectiveness have released their annual survey of audit committee practices and priorities, [Audit Committee Practices Report: Common Threads Across Audit Committees](#). As was the case last year, cybersecurity, enterprise risk management, and finance and internal audit talent topped the list of audit committee concerns. In terms of improving audit committee effectiveness, 21 percent of respondents thought that the most impactful step would be to increase committee member discussion and engagement during meetings, while 18 percent believed that improving the quality of meeting presentations would have the most impact. In addition to the survey findings, the report includes suggestions for audit committees in addressing the top three priorities. Committees may find those ideas useful as they consider their approach to these topics. ([more](#))

[PCAOB Issues Guidance on the Use of Specialists](#). The PCAOB inspection staff has published [Spotlight: Considerations for Audit Firms Using the Work of Specialists](#). This paper discusses considerations for audit firms that use the work of a specialist in public company or broker-dealer audits and highlights inspection staff observations, including common audit deficiencies and good practices. A specialist is a person or firm with special skills or knowledge in a field other than accounting or auditing. Companies use specialists to assist in developing accounting estimates, and auditors may engage or employ specialists to evaluate significant accounts and disclosures, such as those involving asset valuations and impairment determinations. In addition to providing guidance for auditors, the [Specialist Spotlight](#) includes suggested questions for audit committees to consider in connection with their auditor's use of specialists. ([more](#))

[The Better Part of Valor: PCAOB Withdraws its Engagement Metrics and Firm Reporting Rules.](#)

On February 11, the SEC [issued a notice](#) stating that the PCAOB had withdrawn its rules on firm reporting and firm and engagement metrics. PCAOB rules and standards cannot take effect unless approved by the SEC, and the PCAOB's decision to withdraw these rules from SEC consideration means that they are dead, at least for now. News accounts reported that the Board withdrew the rules after consultation with the SEC and that it would continue "to work with the Commission and all stakeholders to protect investors and increase transparency." Last year, the PCAOB adopted rules requiring registered accounting firms to disclose performance metrics regarding their larger audit engagements. These rules would have required firms that audit accelerated filers or large accelerated filers to publicly report eight metrics relating to specific audit engagements or to the firm's overall audit practice. The Board also

adopted expanded firm operational and financial condition reporting. The performance metrics were, in part, intended to aid audit committees in their auditor oversight. However, the large accounting firms and some audit committee members opposed the new disclosures. ([more](#))

[PCAOB Makes Public 2021 Quality Control Criticisms of Deloitte and Grant Thornton.](#) On February 3, the PCAOB released previously nonpublic portions of the 2021 inspection reports of Deloitte & Touche and Grant Thornton. This action indicates that, in the Board’s view, the firm did not satisfactorily address the quality control issue discussed in that portion of the inspection report within 12 months of the date the report was originally published.

- For Deloitte, the now-public quality control criticism in the firm’s 2021 inspection report relates to compliance with the firm’s policies for employee financial holdings disclosure. 2021 is the fourth inspection year for which the PCAOB has found that Deloitte failed to remedy this deficiency. The quality control lapse relates to Deloitte’s internal procedures, and there is no indication that it has resulted in any violations of the SEC’s or PCAOB’s independence rules.
- For Grant, the portion of the firm’s 2021 inspection report that was made public contains criticisms of Grant’s quality controls with respect to testing controls, reliance on company-prepared data or reports, and supervision of audits. This is the fourth inspection year for which the PCAOB has found that Grant failed to remedy these, or substantially similar, deficiencies, all of which relate to audit performance.

Audit committees of Deloitte and Grant clients may want to ask their engagement partner how the firm is addressing these matters. Because Grant’s deficiencies relate to the conduct of its audits, audit committees of Grant clients may also want to inquire whether the deficiencies might have affected their company’s audit. ([more](#))

[Acting Chair Asks Court to Pause Challenges to SEC Climate Disclosure Rules.](#) Acting SEC Chair Mark Uyeda directed the Commission’s appellate litigation team to request that the Court of Appeals for the Eighth Circuit, which is considering challenges to the validity of the SEC’s climate disclosure rules, suspend consideration of the case while the Commission reconsiders its position. In [Acting Chairman Statement on Climate-Related Disclosure Rules](#), he instructs the staff to request “that the Court not schedule the case for argument to provide time for the Commission to deliberate and determine the appropriate next steps in these cases.” In 2024, the SEC adopted rules requiring public companies to disclose certain climate-related information, including material Scope 1 and Scope 2 GHG emissions. Several lawsuits were filed challenging the validity of the rules, and the Commission suspended their effectiveness pending the outcome of these cases, which were consolidated in the Eighth Circuit. Acting Chair Uyeda’s statement is likely the first step toward SEC withdrawal of the climate disclosure rules. However, for public companies and their audit committees, this may not end the need to make GHG emissions and other climate-related disclosures. Many large U.S. companies will be subject to California’s climate disclosure requirements, and some will be required to comply with E.U. requirements. In addition, many public companies make climate disclosures voluntarily in response to investor interest in this information. ([more](#))

[What Should be on the Audit Committee’s 2025 Agenda? – Part III.](#) BDO has released [Audit Committee Priorities for 2025](#). This paper “discusses the evolving priorities and responsibilities of audit committees (ACs) in 2025, emphasizing risk governance, technology

integration, and investor expectations.” As a supplement to the summaries of other firms’ 2025 agenda papers in prior [Updates](#), this edition includes an overview summary of BDO suggestions. Audit committees may want to review these recommendations as they consider the issues they should address in 2025. ([more](#))

[President Puts FCPA Enforcement on Hold](#). On February 10, President Trump issued an [Executive Order](#) directing Attorney General Bondi to pause enforcement of the Foreign Corrupt Practices Act for 180 days. During the pause, the Attorney General will draft new FCPA enforcement guidelines and review existing FCPA investigations or enforcement actions. The Executive Order states that the FCPA has been “systematically, and to a steadily increasing degree, stretched beyond proper bounds and abused” and has harmed the interests of the United States. The brief order does not address several key questions, including whether it applies to SEC civil enforcement of the FCPA. For public companies and their audit committees, prudence suggests that no changes should be made at present in FCPA compliance practices. ([more](#))

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[Update](#) Nos. 89-present (March 2024 to present) and summaries are available [here](#). [Update](#) Nos. 76-88 (August 2022 to February 2024) and summaries are available [here](#). [Update](#) Nos. 60-75 (June 2020 to July 2022) are available [here](#). [Update](#) Nos. 49-59 (January 2019 to May 2020) are available [here](#). [Updates](#) prior to No. 49 are available on request.

An index to titles and topics in the [Update](#) beginning with No. 39 (July 2017) is available [here](#).