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DEAR CENTER MEMBERS

CAQ Issues Practice Aid on Discussions with Audit Committees about Inspections and Quality Control Matters

The CAQ believes that transparent, candid communication between the audit committee and its independent audit firm about the firm's internal quality control system, including information about the nature and impact of internal and PCAOB inspection results, supports the audit committee's role in overseeing the external auditor. Thus, the CAQ supports appropriate interactions and communications between auditors and audit committees consistent with the objectives of the PCAOB's August 1, 2012, [Release No. 2012-003, Information for Audit Committees about the PCAOB Inspection Process](#) (Release). The Release specifically identifies topics audit committees may wish to discuss with auditors in order to gain a better understanding of PCAOB inspections of audit firms.

Today, the CAQ issued a [practice aid](#) intended to encourage audit firms to proactively communicate in a timely, forthright, and robust manner, information about relevant quality control matters – including those related to inputs from internal firm reviews, peer reviews, and PCAOB inspections – and improvements the firm is making to its system of quality control. While we are aware many firms already engage in such discussions with audit committees, this practice aid is being issued as part of the CAQ's commitment to share best practices across its member firms.

We encourage audit firms to refer to the [practice aid](#) in its entirety; which discusses in more detail, tailored and timely audit firm communications to the audit committee around the matters below.

- Audit deficiencies identified by an inspection of the issuer's audit engagement.

The CAQ encourages communications that explain the nature of the findings, including the audit procedures considered to be either omitted or insufficient, the audit firm's perspective on the issues identified, and the nature and extent of any additional audit procedures that were performed to address the deficiency. Importantly, the audit committee should also be informed if the issuer's underlying accounting or management's assessment of internal control over financial reporting has been called into question.

- Information about the firm's overall quality control programs and related improvements.

The CAQ believes that the audit firm also should discuss with the audit committee the changes the firm is making to address any issues identified in its system of quality control. Through these communications, the audit committee can obtain useful information about a firm's commitment to quality. While the precise form of these communications should be decided by each firm, the objective is to candidly convey the steps the firm is taking to improve its quality controls based on *all* of its quality inputs - internal firm reviews, peer reviews, and PCAOB inspections.

Register Now: Related CAQ Webcast – October 24, 2012, 2:30-4:00 PM ET

This upcoming Webcast, *Communications with Audit Committees: Requirements and Leading Practices*, includes panelists from the PCAOB, the audit committee community, and the audit profession. Panelists will provide an overview of required communications under PCAOB Auditing Standard 16, *Communications with Audit Committees*; and share unique insights and perspectives on leading practices that can be employed by auditors and audit committees to promote robust and candid dialogue on significant audit and financial statement matters as well as inspection results and other quality control matters.

[Register for this Webcast](#)

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