



Your Q2 audit committee guide

Everything you need to walk into your next audit committee meeting with confidence

June 2026



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Understanding the SEC's proposal on optional semiannual reporting

What the audit committee needs to know

In May, the SEC proposed an optional semiannual reporting framework that would allow registrants currently required to file a quarterly report on Form 10-Q to elect, on an annual basis, to report semiannually instead of quarterly. Quarterly reporting would remain the default, but a company could opt into the new framework through a check box on its Form 10-K, with that election applying for the following fiscal year.

Under the proposal, a company that elects semiannual reporting would replace quarterly Form 10-Q filings with a new Form 10-S filing covering the first half of the fiscal year. Form 10-S would require the same information currently included in Form 10-Q, except that the financial statements and related disclosures would cover a six-month period rather than a quarter. Those financial statements would still be prepared under US GAAP, reviewed by the independent auditor, and tagged using Inline XBRL.

Importantly, the proposal would not change Form 8-K requirements, including those related to earnings releases. As a result, companies that elect semiannual reporting may still choose to communicate quarterly through earnings releases and other voluntary disclosures based on investor expectations, peer practice, financing requirements, or broader stakeholder needs. The proposal would also revise the age of financial statements requirements for registration statements and certain other filings to align more closely with the company's reporting cadence.

Why is it relevant to the audit committee?

A core responsibility of the audit committee is to assist the board in overseeing the integrity of the company's financial statements, financial reporting processes, internal controls, and disclosure practices. A change in reporting cadence would directly affect how the committee fulfills those responsibilities and would require a clear understanding of management's assessment of whether semiannual reporting is appropriate for the company.

If the proposal becomes effective, the audit committee will need to think not only about whether the semiannual option makes strategic sense, but also about how its oversight would operate in quarters not covered by a Form 10-Q. A company may still communicate quarterly with investors, but those communications could rely more heavily on earnings releases and other disclosures that may be shorter and not provide the same context as Form 10-Q. The committee should be comfortable that quarterly close discipline, disclosure controls, and escalation processes remain strong even if the SEC filing cadence changes.



In our recent peer exchange discussions among more than forty audit committee members, initial overall perspectives included the following:

- Disclosure simplification would be a more practical area of support rather than reduced reporting frequency
- Broad caution and skepticism toward moving away from quarterly reporting
- Investors, analysts, peers, debt holders, regulators, and capital markets participants are likely to drive companies' decision-making on choosing a reporting model
- For many companies, the likely initial outcome may be continued quarterly reporting, even if formal SEC requirements change, with any changes occurring slowly and only after investor expectations, peer behavior, governance implications, and regulatory requirements become clearer
- Companies that take advantage of the option to report semiannually will likely continue to file/furnish financial information quarterly on Form 8-K

The audit committee should also understand how management would maintain consistency across reporting channels, how the disclosure committee's role might evolve, and whether any reduction in required filings could create pressure points relating to fraud risk, insider trading policies, market perception, or litigation and regulatory scrutiny. The proposal also has implications for the committee's interactions with internal audit and the external auditor, including the timing and scope of internal audit coverage, the auditor's interim procedures, and the communications cadence.

More broadly, the audit committee may need to revisit meeting cadence, annual workplans, and aspects of its charter if the company were to move to a different reporting regime. The goal is not simply to reduce process, but to confirm that oversight remains effective under a new set of rules and expectations.

What questions should the audit committee ask?

- How is management evaluating whether optional semiannual reporting would be appropriate for the company, and what strategic, investor, financing, and peer considerations are shaping that assessment?
- How would management maintain reporting discipline and control rigor in quarters when no Form 10-Q is filed?
- What information would management plan to provide in the ‘off quarters,’ and how would it help stakeholders understand performance trends and significant developments?
- How would management support consistency across earnings releases, Form 8-K filings, investor materials, and other external communications if the reporting cadence changes?
- How might the company’s disclosure committee process evolve to help identify and communicate material developments promptly under a semiannual reporting framework?
- How should the audit committee think about meeting cadence, agenda planning, and charter updates if the company were to operate under a semiannual reporting framework?
- How would internal audit adjust its plan, timing, and coverage if the company moved to semiannual reporting?
- How would internal audit evaluate the design and operating effectiveness of controls over voluntary quarterly earnings releases if no Form 10-Q is filed?
- How might the external auditor’s interim procedures, quarterly review approach, and communications with the audit committee change under a semiannual reporting model?



Where to go for more information

[Audit committee considerations for SEC’s proposal on semiannual reporting](#)

[SEC proposes optional semiannual reporting framework](#)

[SEC: Fact Sheet: Proposal to allow optional semiannual reporting](#)

[SEC semiannual reporting proposal: Cutting quarters, not corners \(podcast\)](#)

What the SEC's filer status proposal could mean for reporting and audit committee oversight

What the audit committee needs to know

In May, the SEC proposed a significant overhaul of the filer status framework for public companies. The proposal would simplify the system into two primary filer categories—large accelerated filers (LAF) and non-accelerated filers (NAF). Key takeaways from the proposal include:

- LAF requirements would remain similar to today, but the threshold to become a LAF would be raised to \$2 billion public float (compared to \$700 million today).
- NAFs would have scaled disclosures as well as other accommodations aligned with current smaller reporting and emerging growth companies, including only two years of financial statements, scaled executive compensation disclosures, and more.
- While management's responsibility to assess the effectiveness of internal control over financial reporting (ICFR) would remain unchanged, NAFs would no longer be required to obtain an auditor attestation on ICFR.
- A subset of NAFs with under \$35 million in total assets, referred to as small NAF registrants, would have additional time to file annual and quarterly reports.
- Companies filing initial registration statements would always enter as NAFs—regardless of size, revenues, or past issuances of debt securities—and would retain that status for a minimum of five years.

The proposal could affect a broad portion of the public-company population. If the proposed amendments were in place today, the SEC estimates that 19% of current public companies would be LAFs (compared to 35% currently) and 81% would be NAFs.

The comment period for the proposal ends on July 20. Audit committees and management teams should consider whether to submit a comment letter.

The SEC has framed the proposal as part of a broader effort to simplify the reporting framework and make public company status more attractive, particularly for smaller companies. If adopted, it could affect reporting timetables, disclosure requirements, ICFR attestation requirements, and how the audit committee thinks about oversight of financial reporting and controls.



Why is it relevant to the audit committee?

The audit committee oversees the integrity of financial reporting, effectiveness of ICFR, and the relationship with the external auditor. Since the proposal could change companies' reporting status and ICFR attestation requirements, the audit committee should keep a close eye on how the proposal progresses.

For some companies, the proposal may not change anything. For others, it could affect how management and the audit committee think about disclosure obligations, readiness, external communications, and the role of the external auditor in future periods. This means the audit committee will want to understand whether the company could move into a different filer category, what accommodations might become available, and whether any shift in filing deadlines or ICFR attestation requirements would alter the company's reporting discipline, investor expectations, or the external auditor's approach. The audit committee should ask management to discuss the potential impacts of the proposal on the company at its next audit committee meeting. Further, the audit committee may want to understand how management is considering this proposal along with the SEC's proposal on semiannual reporting, and any other proposals expected to be issued in the near term.



What questions should the audit committee ask?

- How is management assessing whether the company could be affected by the filer status proposal, and what scenarios is it considering?
- If the proposal were adopted as proposed, how might it affect the company's filing deadlines, scaled-disclosure eligibility, or ICFR attestation requirements?
- How is management thinking about the benefits and tradeoffs of any potential change in filer status, including investor expectations and reporting discipline?
- What would management want to preserve in the company's current reporting and control processes even if scaled accommodations became available?
- How might internal audit's risk assessment and internal audit plan change if auditor attestation on ICFR is no longer required?
- How would a change in ICFR attestation requirements affect management's expectations of the external auditor?
- What views does the external auditor have on how the proposal could affect audit planning, ICFR-related work, or communications with the audit committee?
- How should the audit committee think about disclosure quality and investor communication if the company were to become eligible for additional scaled accommodations?



Where to go for more information

[SEC proposes major filer status overhaul](#)

[SEC: Fact Sheet: Enhancing the Public Company Reporting Framework](#)

[Overseeing the external auditors](#)

Accounting and oversight considerations for tariff refund claims

What the audit committee needs to know

On February 20, 2026, the US Supreme Court struck down tariffs imposed under the International Emergency Economic Powers Act (IEEPA), holding that the statute did not authorize the President to impose them. However, the Court gave limited guidance on retroactive effects, leaving continued uncertainty around refund claims and their ultimate resolution.

The US Court of International Trade subsequently ordered US Customs and Border Protection (CBP) to issue IEEPA refunds, estimated at approximately \$170 billion, impacting many industries. On April 20, CBP launched the first phase of tariff refunds under an automated, importer-based process. Only an importer of record or a licensed customs broker can file a claim for a refund.

For companies that may recover previously paid tariffs, the central accounting issue is not just whether a claim exists, but when and how any recovery should be recognized, measured, classified, and disclosed in the face of ongoing uncertainty. Management should be prepared to support its conclusions with clear evidence, a disciplined assessment of legal and administrative developments, and coordination across trade, tax, finance, and legal functions.

Why is it relevant to the audit committee?

Tariff refund claims are directly relevant to the audit committee because they require significant judgment and affect financial reporting, disclosure controls, internal control, and coordination with the external auditor. If management believes a claim exists, the committee should understand the legal basis, the uncertainty that remains, the support for any recorded amount, and how management is approaching classification and disclosure as the legal and administrative process continues to evolve.

The committee should also consider whether tariffs and any potential refunds have affected inventory, margins, tax positions, impairments, or prior guidance. Even if a refund is expected, timing and amount may remain uncertain, which can influence estimates, disclosures, and the evidence the external auditor expects. Internal audit can help evaluate any manual processes and management estimates to determine that appropriate controls are in place.



What questions should the audit committee ask?

- How does management understand the legal and factual basis for any refund claim, and what is driving its estimate of the potential recovery?
- How is management thinking about the appropriate accounting model, including recognition, measurement, classification, and disclosure, given the remaining uncertainty?
- What are the most significant process, control, data, or coordination challenges in the claims and reporting process, and how are they being addressed?
- What legal or administrative developments are management watching most closely, and under what circumstances could its conclusions or disclosures change?
- What leading practice is the external auditor seeing as companies prepare for possible IEEPA tariff refunds?
- How aligned are management and the external auditor on the company's conclusions, required evidence, and the areas of greatest judgment or disclosure risk?



Where to go for more information

[IEEPA refunds—impact across industries](#)

[Accounting implications of tariffs](#)

[US Supreme Court decision on IEEPA tariffs reshapes trade authority and introduces potential refund opportunity](#)

[Disclosure committee essentials](#)

[Tariff uncertainty: Business and financial reporting impacts \(podcast\)](#)

What evolving AI means for ICFR

What the audit committee needs to know

AI is moving from experimentation into day-to-day finance and reporting workflows, and it is not always obvious where it is showing up. AI may already be embedded in existing tools like ERP systems, consolidation, close, and reporting platforms, or introduced by vendors. This ‘invisible AI’ means it can influence financial reporting even when it is not labeled as an AI initiative. A related challenge is AI being used informally by employees as ‘shadow AI.’

The landscape is also expanding further from basic generative AI tools, which can create content based on a person’s prompts, to agentic tools, which operate autonomously to plan and execute multi-step tasks. AI agents in finance and reporting can improve speed and efficiency (e.g. autonomously match invoices to payment records) but also raise new governance questions because they can act across systems and processes rather than simply generate text or analysis. In practical terms, this means AI may be influencing how work is performed, routed, reviewed, and evidenced.

Each of these paths can create different ICFR and disclosure control implications. Common risk patterns in reporting workflows include output reliability, data lineage uncertainty, access and segregation of duties issues, unmanaged change to models or prompts, and weaker evidence or explainability. While the benefits of faster analysis, broader exception detection, better workflow support, and more timely insight are real, the control implications are equally real. AI can quietly change how financial reporting work gets done without the controls changing with it. This means potentially new challenges for the financial reporting function and audit committee oversight.

Why is it relevant to the audit committee?

As the ultimate steward of financial reporting integrity, the audit committee bears the responsibility for oversight of the effectiveness of ICFR. This means confirming that internal controls keep pace with technological change.

AI agents and embedded AI may alter who performs a task, how exceptions are resolved, how information moves through a workflow, and what evidence exists to support a conclusion. If an AI agent drafts a memo, routes an exception, suggests a journal entry, screens a population, or summarizes support for a disclosure, the audit committee may want to gain comfort that management has updated process narratives, risk assessments, control descriptions, review procedures, audit trail expectations, evidence retention, and change management to reflect how the work is actually being done.

Shadow AI often creates a related but different challenge—employees may introduce AI into reporting activities outside approved channels, bypassing established review, access, retention, or change-management processes. AI has helped transform ICFR into a dynamic, fast-evolving operational risk that demands proactive governance and oversight. Now is a good time for a focused discussion with management, internal audit, and the external auditor about where AI is already affecting reporting workflows and whether governance and controls are keeping pace.

What questions should the audit committee ask?

- What is management's process for identifying and inventorying 'invisible' and 'shadow' AI tools currently interacting with the financial reporting systems?
- Where is management using AI agents, vendor-embedded AI, or employee-directed AI today in the close, consolidation, reporting, or disclosure drafting processes?
- What processes and procedures are in place to help prevent autonomous AI agents from executing material transactions without human review?
- How is management confirming that AI updates from third-party enterprise resource planning (ERP) and software vendors do not alter the established control environment?
- What is management's process for updating ICFR documentation, risk assessments, and control descriptions when AI changes how work is performed, reviewed, or evidenced?
- How has internal audit incorporated AI-related risks into the audit plan for finance processes and ICFR?
- How does AI use in the financial reporting process affect the external auditor's risk assessment, reliance on controls, and interim testing approach this year?
- Where has the external auditor seen issues arise when companies introduce AI into finance workflows, and what leading practices appear to help strengthen control effectiveness?



Where to go for more information

[Oversight in the AI era: understanding the audit committee's role](#)

[Responsible AI: Now that AI is part of your business, what does it mean for audits?](#)

[Overseeing the external auditors](#)

[Responsible AI in finance: 3 key actions to take now](#)

Revisiting fraud risk oversight as the operating environment evolves

What the audit committee needs to know

Fraud risk is not new, but the environment in which it arises is changing quickly. As companies digitize processes, redesign workflows, expand shared services, rely more on third parties, and embed automation and AI into routine activities, fraud risk can shift in ways that are not always obvious. The key question is whether management's fraud risk assessment, controls, and monitoring still reflect how the company operates today.

In a tech-enabled environment, fraud may begin in procurement, vendor onboarding, treasury, payroll, inventory, customer credits, access management, or workflow approvals before surfacing as a reporting, compliance, or disclosure issue. Beyond AI-enabled impersonation and social engineering, risks also include overridden automated controls, misuse of exceptions, manipulated inputs, and unclear accountability across functions or service providers.

While the fundamental drivers of fraud remain anchored in the traditional fraud triangle—pressure/incentive, opportunity, and rationalization—technology has radically transformed how these elements show up in the real world. Traditional fraud relied on personal desperation and physical access to manual ledgers or systems. Today, automated operating environments have industrialized these drivers. Opportunity is no longer a localized loophole but can be an algorithmic vulnerability that can be exploited systemically. Furthermore, because technology distances the fraudster from the victim, the moral friction ('guilt barrier') required to rationalize the crime is drastically reduced, transforming fraud into a highly efficient, systemic 'business model.'

Why is it relevant to the audit committee?

Fraud risk oversight is central to the audit committee's remit because it can affect financial reporting integrity, internal control, whistleblower processes, investigations, and oversight of internal and external audit. The audit committee's role is to confirm that management's prevention, detection, escalation, and response capabilities related to likely and possible fraud schemes remain fit for purpose as the business evolves.

Traditional internal controls, such as basic managerial signoffs, email confirmations, or strict dollar-value audit thresholds, are often inadequate against modern tech-driven fraud tactics. For instance, if an automated attack subtly alters vendor payment routing data or master file records, the financial data itself becomes compromised. The audit committee must confirm that internal controls are robust enough to detect data manipulation and fraudulent transactions at the source. This means the company must invest in modern anti-fraud defenses and specialized internal audit capabilities required to safeguard corporate assets.

If a company has experienced significant process changes, technology deployment, organizational shifts, or changes in third-party arrangements, those changes may be creating new vulnerabilities. A mid-year discussion helps the audit committee refresh its fraud lens before second-half priorities and year-end reporting demands intensify. It is also a useful time to ask whether internal audit's plan, hotline reporting, compliance updates, and management dashboards are capturing the right signals.

What questions should the audit committee ask?

- How is management refreshing the company's fraud risk assessment to reflect changes in operating model, technology, and third-party reliance?
- Which processes or workflows are currently most vulnerable to fraud or manipulation, and what has changed in those areas over the past year?
- How is management identifying where automation, AI, shared services, or redesigned workflows may be weakening segregation of duties, increasing override risk, or reducing accountability?
- What are hotline activity, investigation themes, employee feedback, and other conduct indicators suggesting about pressure points in the control environment?
- How has internal audit adjusted its plan or identified themes across audits, investigations, or remediation efforts that may indicate broader vulnerabilities?
- How does the external auditor view the company's current fraud risk profile, particularly in areas involving management judgment, override risk, or new technology-enabled processes?



Where to go for more information

[Audit committee oversight checklist](#)

[Overseeing internal investigations](#)

[Oversight in the AI era: understanding the audit committee's role](#)

[Redefining internal audit oversight: strategies for audit committees](#)

[Overseeing the external auditors](#)

Using COSO's governance principles to refresh audit committee oversight

What the audit committee needs to know

COSO's recently issued **Corporate Governance—Guiding Principles for Board Oversight** gives boards a practical framework for assessing whether governance remains fit for purpose. Grounded in COSO's work on risk, internal control, and oversight, the publication sets out 12 guiding principles that can help boards and committees reassess how they oversee strategy, risk, accountability, and long-term performance.



COSO governance principles at a glance

- 12 guiding principles for board oversight
- A practical framework, not a checklist
- Helps boards assess whether governance is still fit for purpose
- Useful for committee discussions, assessments, and governance reviews

The principles cover key areas of board responsibility, including board governance structure; board accountability; board composition and leadership; board effectiveness; purpose, mission, and values; culture, conduct, and tone at the top; strategy, objectives, and performance; technology and data; stakeholder engagement; executive leadership and succession; executive performance and compensation; and risk management and internal control. They are intended to be used together and applied in light of the company's facts and circumstances.

For audit committees, the framework can help clarify responsibilities, improve information flows, and align oversight with strategy, risk, culture, and operating context. It is a practical tool for reassessing whether the committee is focused on the issues that matter most.

Why is it relevant to the audit committee?

The framework is especially relevant as audit committee responsibilities continue to expand, and the reporting and risk environment grows more complex. It provides the audit committee with a practical way to step back and assess whether its remit, agenda, information flows, and coordination with the full board and other committees are still fit for purpose. It can also help the committee decide whether it is spending enough time on high-impact areas such as disclosures, financial reporting, risk management, internal control, technology and data, and assurance.

The principles are also useful because they connect governance effectiveness to how the board and committee operate. They highlight practices such as annual assessments, thoughtful agenda design, concise materials, executive sessions, continuing education, and follow-through on improvement opportunities. For audit committees, these practices can help sharpen whether discussions are forward-looking, whether materials support real oversight rather than routine updates, and whether dialogue with management, internal audit, and the external auditor is candid and effective. Used well, the COSO principles can help audit committees step back, reassess whether their oversight model still fits today's demands, and make targeted improvements where it matters most.

This may also be a good time to consider whether an externally facilitated assessment would be useful. For committees looking to refresh their oversight approach, clarify responsibilities, or improve effectiveness, an external perspective can help identify blind spots and turn broad goals into practical actions.



What questions should the audit committee ask?

- How well does the audit committee's remit align with the company's strategy, risk profile, and broader governance structure?
- How effective is management's reporting in giving the committee concise, decision-useful information on disclosures, controls, risk, and emerging issues?
- How do management's reporting processes support complete, accurate, and timely disclosures across financial and other external reporting?
- How well does the committee's charter, information flows, and escalation paths keep pace with changes in the business and risk environment?
- What education does the audit committee need on technology, data, AI, and changing regulatory expectations?
- How is internal audit assessing whether risk, compliance, controls, and other assurance activities fit together to give the audit committee a coherent view?
- What practices have the external auditor seen that could improve audit committee effectiveness, especially over disclosures and controls?
- How might an externally facilitated assessment help identify blind spots, benchmark practices, and build a practical action plan?



Where to go for more information

Stronger governance, better outcomes: Practical guidance for boards

Conducting effective board assessments

Redefining internal audit oversight: strategies for audit committees

Deep-dive and special topics for the audit committee agenda

What the audit committee needs to know

As the business landscape becomes more complex, audit committee oversight continues to expand. Today's audit committees oversee risks related to technology disruption, changing regulations and standards, geopolitical tension, finance transformation, cybersecurity, AI, data privacy, and supply chain instability. To keep pace, committees should build flexibility into their agendas for deeper discussion and upskilling on current and emerging developments.

Periodically stepping back from the standing agenda to identify issues that merit deeper discussion and education is essential for a modern audit committee. These targeted sessions on high-impact and emerging matters can strengthen committee effectiveness by:

- Creating dedicated time to discuss and evaluate complex, fast-moving risks such as generative AI, geoeconomic volatility, and third-party resilience
- Giving members more time to test assumptions, assess control frameworks, and engage meaningfully with management
- Assessing whether internal audit and compliance teams have the tools, technology, and talent to audit modern environments and track remediation effectively
- Encouraging more collaborative, in-the-moment dialogue among committee members, management, and the external auditor

A deep dive may take the form of a management session on a judgment-heavy area, a dashboard-based discussion of trends and early warning indicators, a session with internal audit on control pressure points, a session with outside specialists to hear different perspectives, or a candid discussion with the external auditor about where the audit may become more challenging. Used well, these sessions help the audit committee get ahead of issues rather than react after they surface.

Why is it relevant to the audit committee?

The audit committee's role is not just to review what has happened, but to help support the integrity of financial reporting, the quality of disclosures, and the effectiveness of oversight as conditions change. Without deliberate space for deeper discussion, high-impact and emerging topics may not receive the attention they need, reducing overall committee effectiveness.

Mid-year is often a good time for audit committees to hold deep-dive discussions and identify special topics for future agendas. It is also a useful point to assess whether the committee is getting the right information, at the right level, from the right people. In some cases, the most valuable deep dives are less about adding a new topic and more about improving what the committee sees and hears—through clearer dashboards, better escalation of emerging issues, more direct input from internal audit, or sharper discussion with the external auditor about heightened risk.



What questions should the audit committee ask?

- How has management identified matters that warrant greater audit committee focus because of their potential impact on financial reporting, controls, or disclosures?
- Where are management's most significant judgments, assumptions, or estimates becoming more sensitive, and which areas would benefit from a dedicated committee discussion?
- How is management assessing whether the information it provides is concise, decision-useful, and focused on trends, themes, and emerging issues?
- Which transformation initiatives, process changes, or technology deployments has internal audit identified as putting the most pressure on controls or reporting discipline right now?
- What topics does the external auditor believe deserve more committee time this fall based on audit risk, control observations, or changes in the company's environment?
- How should the audit committee's agenda be rebalanced so forward-looking discussions get enough time without weakening attention to core responsibilities?



Where to go for more information

[Audit committee effectiveness: practical tips for the chair](#)

[Audit committee oversight checklist](#)

[Audit committee dashboard reporting](#)

What the PCAOB's new quality control standard means for the audit

What the audit committee needs to know

The PCAOB's new quality control standard, **QC 1000, A Firm's System of Quality Control**, is a key development for audit committees to watch as they look ahead to the 2026 audit. The standard has been adopted by the PCAOB, approved by the SEC, and is effective December 15, 2026. Additionally, on June 9 the PCAOB issued for public comment **proposed amendments** to certain QC 1000 requirements intended to reduce cost, complexity, and prescriptiveness, while keeping the overall quality control framework intact. The comment period ends on July 9, 2026.

The new standard modernizes quality control requirements with a proactive, risk-based approach and includes the following key takeaways, which are foundational to the standard and are not impacted by the proposed amendments:

- Requires audit firms to continuously identify risks to audit quality, design specific responses, and monitor their effectiveness in real time
- Mandates that firms establish quality objectives tied directly to personnel compensation and impose strict accountability for system compliance on specific firm leaders
- Requires firms to conduct an annual evaluation of their quality control systems and file a confidential Form QC with the PCAOB each year

The standard is built on eight integrated components—the firm’s risk assessment process, governance and leadership, ethics and independence, acceptance and continuance of engagements, engagement performance, resources, information and communication, and monitoring and remediation. It also includes requirements for roles and responsibilities, annual evaluation of the QC system, and documentation.

Why is it relevant to the audit committee?

Since the audit committee has direct oversight responsibility for the external auditor, a new quality control standard matters because it helps to shape how the audit is staffed and supervised, how audit work is documented, and how matters related to audit quality are communicated. While the audit committee does not need to oversee the auditor’s firmwide QC system directly, it can benefit from understanding how implementation may affect their engagement team and the audit process. Given this backdrop, the audit committee will want to know how its auditor is preparing for the new standard and could use this as an opportunity to revisit how it determines indicators of audit quality and related communications with the auditor.



What questions should the audit committee ask?

- How is the external auditor preparing for the new standard, and what, if any, aspects of the implementation are most likely to affect the 2026 audit?
- What challenges, if any, does the external auditor anticipate in complying with the requirements of the new standard as of the effective date?
- What changes, if any, are expected in audit planning, supervision, other audit participants, communication, or documentation?
- What changes, if any, should management expect in terms of requests for support, evidence, or timing of procedures?
- What is internal audit's process for helping management stay audit-ready in areas where the external auditor may change its approach?
- How should the committee expect communications with the auditor to evolve during the second half of 2026 as implementation progresses?



Where to go for more information

[Overseeing the external auditors](#)

[SEC: SEC Appoints New Chairman and Board Members to PCAOB](#)

Recurring items for the audit committee agenda

Every audit committee meeting agenda should include these important items or, at least, they should be discussed at scheduled intervals:

- Hotline complaints and code of conduct violations
- Changes in the regulatory environment
- Private and executive sessions
- Related-party transactions
- Internal and external audit plan reviews
- Discussions with the CIO, CISO, and GC as needed





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