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AUDIT COMMITTEE AND AUDITOR OVERSIGHT UPDATE

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Summary

What Should Be on the Audit Committee's 2026 Agenda? Each year, accounting and consulting firms present their views on the issues on which audit committees should focus during the coming 12 months. This Update lists five of these 2026 agenda papers. Some of the most frequently identified audit committee agenda topics in the papers are audit committee effectiveness and skills; oversight of AI, cybersecurity, data privacy, and data governance; geopolitical uncertainty; internal control effectiveness and deficiencies; regulatory change; and talent management. In addition, the Center for Audit Quality has distilled three of these papers into a ten-point audit committee action plan for 2026. A high-level review of these papers could help the audit committee both identify priority issues for 2026 and check that it is not overlooking topics that should be on its agenda. Each paper also includes suggested questions for the audit committee to pursue with management or the auditor to better understand the topics.

CAQ Reviews Form 10-K Climate, AI, and Digital Asset Reporting. The Center for Audit Quality has released an analysis of S&P 500 company Form 10-K disclosures on climate, artificial intelligence, and digital assets. [Analysis of S&P 500 Companies' 10-Ks](#) provides "a snapshot of what S&P 500 companies typically disclose and where they disclose that information within the 10-K" on these three topics. The CAQ's findings show that disclosures on climate, artificial intelligence, and digital assets, although generally voluntary, are important aspects of S&P 500 company Form 10-K reporting. Despite some backlash against climate disclosure, many investors remain interested in the topic, and companies continue to provide this information. The one exception appears to be climate-related commitments, where disclosure has slipped. On the other hand, Form 10-K disclosures regarding AI and digital assets are, not surprisingly, growing rapidly compared to previous years' 10-K filings.

Audit committees may want to use the CAQ's study as an opportunity to review their company's disclosures on these topics and consider whether they should be enhanced. As the CAQ states, "It's critical that companies clearly communicate how these topics are impacting operations, from potential risks to possible financial statement impacts, to foster investor and public trust in their disclosures."

PCAOB Investor Advisory Group Has Suggestions to Improve CAMs. Members of the Public Company Accounting Oversight Board's Investor Advisory Group (IAG) have published [The Second Annual Investor Advisory Group Most Decision-Useful Critical or Key Audit Matters For 2024](#). Under the PCAOB's standards, critical audit matters (CAMs) are matters arising from the financial statement audit that involve especially challenging, subjective, or complex auditor judgment, while key audit matters (KAMs) are similar disclosures required under the

International Standards on Auditing. The IAG report opines that the U.K. “continues to lead the world in the quality of Auditor Reports, and likely overall audit quality” primarily because U.K. KAMs include more quantitative information than U.S. CAMs and because U.K. KAMs often explore lesser-known areas. The report recommends three CAM improvements: Auditors should include a detailed conclusion with respect to each CAM, CAMs should explore more non-routine topics, and auditors should increase the number of CAMs in their reports. Audit committees may want to discuss these ideas with their auditor and make sure they understand the reasons for the auditor’s approach to CAM reporting. Audit committees may also want to obtain input from the company’s investor base on possible improvements to CAM reporting.

E.U. Approves Sustainability Reporting and Diligence Simplification. On December 16, the European Parliament approved [Omnibus I](#), a package of amendments to the E.U.’s Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive. These reforms, which the European Commission proposed in February 2025, reduce sustainability reporting burdens, simplify the CSRD and CSDDD, and narrow the scope of companies subject to the directives. For U.S. companies with E.U. sales or subsidiaries, Omnibus I may change whether the company is in scope, and when and how E.U. sustainability rules apply.

Audit committees of companies with any level of contact with the E.U. should ensure that management considers how Omnibus I affects the company’s CSRD and CSDDD obligations. Audit committees should discuss with management the need to refresh the company’s analysis of whether it meets the thresholds or whether the company may no longer be in scope. For companies that remain in scope, management should update its CSRD/CSDDD implementation plan to reflect the new timelines and simplified requirements and discuss with the committee the company’s revised compliance resource needs.

SEC is Rethinking its Disclosure Requirements. Securities and Exchange Commission Chair Paul Atkins has announced that the Commission will undertake a comprehensive review of Regulation S-K, which contains the core public company disclosure requirements. In [Statement on Reforming Regulation S-K](#), Chair Atkins said that during the past 40 years, the requirements of Regulation S-K have “grown from the size of a gym locker to the size of an artificial-intelligence data center” and that the disclosure companies provide in response “does not always reflect information that a reasonable investor would consider important in making an investment or voting decision.” The Commission has invited public comment on Regulation S-K reform through April 13, 2026. The SEC is likely to be receptive to changes that reduce or simplify the disclosure requirements, and companies and their audit committees may want to consider submitting suggestions for Regulation S-K reform.

SEC Chief Accountant Sends Signals on PCAOB Priorities. During the AICPA’s December 2025 Conference on Current SEC and PCAOB Developments, SEC Chief Accountant Kurt Hohl offered hints as to what the SEC would like to see on the PCAOB’s 2026 agenda. Among other things, Mr. Hohl’s [statement](#) suggested that the PCAOB take a fresh look at its inspection process and consider whether inspection reports provide meaningful information to stakeholders. He also urged consideration of a public consultation process to solicit input on the Board’s standard-setting agenda and recommended that PCAOB auditing standards more closely align with those of the International Auditing and Assurance Standards Board. While these changes would affect audit firms more directly than audit committees, they could have significant downstream effects on committee oversight of the auditor. The SEC is likely to

appoint new PCAOB Board members soon, and audit committees should stay informed of their priorities.

The Audit Blog. The Audit Blog provides commentary on developments in auditing and financial reporting, auditor oversight and regulation, and sustainability disclosure. Recent posts include [PCAOB Board Member Pay Cuts and What They May Mean for Audit Oversight](#).

The blog is available [here](#). You can also follow [@BlogAuditor](#) on X or [@the-audit-blog](#) on medium.com.

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Update Nos. 99-present (March-April 2025 to present), and summaries are available [here](#). Update Nos. 89-98 (March 2024 to February 2025) 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](#).