

Audit and Finance Roundtable: Current Issues and Coming Attractions

March 15, 2018 | Portland, OR

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The role of the Audit Committee and the impact of changes to Accounting Standards, financial reporting, disclosure requirements, cyber security responsibilities, and corporate policy frameworks for risk response were discussed. Key points included:

1. In general, the new Revenue Recognition standard requires earlier recognition of revenue and, therefore, significantly increases the impact of management estimates on financial statements. This presents challenges to Audit Committees and their External Auditors.
2. The new Lease Accounting standard is focused on a materially expanded definition of those contractual relationships that must be reflected as Balance Sheet liabilities. These include long term service contracts, certain contract manufacturing arrangements, as well as, property and equipment operating leases.
3. For some industries and companies, the impacts of these changes will obfuscate clarity within GAAP financials to core profitability.
4. The increased reliance on estimates further underscores the Audit Committee's responsibility for a comprehensive understanding of their firm's Internal Control structure and estimation processes.
5. Restatements are likely to become more frequent.