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Quality Indicators, which represents a two-year effort with its member firms to develop perspectives regarding which indicators may be most relevant and how and to whom they should be communicated. The paper sets forth in detail the CAQ approach to communicate a set of potential Audit Quality Indicators (AQIs), which will be pilot tested by CAQ member firms with select audit committees.

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The Center for Audit Quality (CAQ) has released the [*CAQ Approach to Audit Quality Indicators*](#), which represents a two-year effort with its member firms to develop perspectives regarding which indicators may be most relevant and how and to whom they should be communicated. The paper sets forth in detail the CAQ approach to communicate a set of potential Audit Quality Indicators (AQIs), which will be pilot tested by CAQ member firms with select audit committees.

Throughout the development of this approach, the CAQ has sought input from a variety of key stakeholders including investors, audit committees, regulators, academics, and the audit profession.

“We recognize that regulators, including the PCAOB, also are conducting important work in the area of audit quality indicators,” said CAQ Executive Director Cindy Fornelli. “We hope that the *CAQ Approach to Audit Quality Indicators*, and the subsequent pilot testing, will be valuable to their efforts.”

The *CAQ Approach to Audit Quality Indicators* is based on a two-fold focus:

1. Communications of AQIs that are directed at audit committees.

The *CAQ Approach* to communicating a set of potential AQIs recognizes the vital role the audit committee plays in providing oversight of the audit. These communications are intended to supplement other communications provided to the

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Additionally, AQIs may primarily be quantitative in nature, but these indicators are most useful when accompanied by contextual information to enhance an audit committee's understanding of engagement-specific matters.

“At the highest level, our approach flows from the common sense notion that information collection and communication must be tailored to be useful and to avoid excessive cost and overload,” said Fornelli. “This effort reflects our ongoing commitment to improving audit quality and we look forward to working with audit committees and other key stakeholders to continue to assess and refine the *CAQ Approach to Audit Quality Indicators*.”

The *CAQ Approach* includes a set of potential AQIs that taken as a whole could aid audit committees in their oversight of the audit. This set of AQIs encompasses four key elements of audit quality:

- Firm leadership and tone at the top
- Engagement team knowledge, experience, and workload
 - Knowledge and experience of key engagement team members (e.g., engagement partner(s), manager(s), and engagement quality review partner(s))
 - Audit firm training requirements
 - Trends in engagement hours and related timing
 - Allocation of resources by significant risk areas
 - Specialists and national office personnel involvement by significant risk areas
 - Key engagement team members' workloads
- Monitoring
 - Internal quality review findings
 - PCAOB inspection findings
- Auditor reporting

- Reissuance restatements and withdrawn auditor's reports

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