

## Corporate Governance and Policy Organizations Call for Enhanced Audit Committee Disclosures

NOVEMBER 26, 2013

A group of governance and policy organizations calling itself the Audit Committee Collaboration has issued a paper entitled [Enhancing the Audit Committee Report: A Call to Action](#). The group “call[s] on public company audit committees of all sizes and industries to voluntarily and proactively improve their public disclosures to more effectively convey to investors and others the critical aspects of the important work that they currently perform.” The group’s recommendations include enhanced disclosure about:

- The scope of the audit committee’s duties
- The audit committee’s composition
- Factors considered when selecting or reappointing an audit firm
- The audit committee’s involvement in the selection of the lead audit engagement partner
- Factors considered when determining auditor compensation
- How the audit committee oversees the external auditor
- How the audit committee evaluates the external auditor

Citing a recent Ernst & Young study ([discussed in a previous item](#)), the paper notes that many companies have provided more audit committee disclosure than is currently mandated by current SEC rules. Current SEC rules require companies to disclose specified information about the audit committee’s membership, qualifications and independence; a report from the committee about its consideration of the accountant’s independence and communications from auditors, and its recommendations regarding filing of the company’s Form 10-K; and quantitative data about auditor fees. The disclosures do not include much of the more qualitative information suggested in the paper, and they are not required to be included in a single place in the disclosure document.

The paper acknowledges the “perennial concern about information overload,” but nonetheless urges audit committees to “critically evaluate their disclosures and carefully consider whether improvement can be made to provide investors with more relevant information that conveys an informed, actively engaged and independent audit committee is carrying out its duties.”