Many Audit Committees Provide Expanded Disclosure in 2013 Proxy Statements

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According to a new Ernst & Young report, many Fortune 100 companies have voluntarily provided increased audit-committee related disclosure in their 2013 proxy statements. The report suggested that the increase in voluntary disclosure represented a response to investors' and policymakers' expressed interest in greater audit committee transparency.

Among the significant changes identified by EY:

- 9% of companies voluntarily disclosed that the audit committee is responsible for audit fee negotiations, compared to 1% of companies in their 2012 proxies
- 23% stated that the selection of the auditor is in the best interests of the company/stockholders, compared to 4% in 2012
- 17% disclosed that the committee was involved in the selection of the lead audit partner, compared to 1% in 2012
- 50% stated that the audit committee is responsible for the appointment, oversight and compensation of the audit firm, compared to 37% in 2012
- 15% said that the committee considers the impact of changing auditors when assessing whether to retain the current external auditor, compare to 3% in 2012

The EY report also noted several areas in which a few companies had provided disclosure, which might signal practices that could become more widespread: an explanation of why audit fees changed from 2012 to 2013; topics that the audit committee discussed with the external auditor in 2013; and the year in which the current lead audit partner was appointed.

The EY report concludes that the focus on audit committee-related disclosures is likely to continue into the 2014 proxy season, and that "companies may decide that increased communication and transparency about audit and audit committee matters is in their self-interest as well as the public interest."