
New Guide for Audit Committee Annual Evaluation of the External Auditor

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A group of seven leading governance and professional organizations has issued an important [Guide for Audit Committee Annual Evaluation of the External Auditor](#) (October 2012). Audit committees' prescribed functions have always encompassed evaluating the performance of the audit in connection with a decision to retain the auditor for a succeeding period. This guide provides a framework and specific recommendations for a process to be followed by the audit committee in conducting an annual assessment of an issuer's external audit firm and the firm's personnel. The guide highlights important areas for the assessment to cover, and suggests specific questions for the audit committee to ask in each area. The areas covered include:

- Quality of the services and sufficiency of resources provided by the auditor
- Communication and interaction with the auditor
- Auditor independence, objectivity and professional skepticism

The guide indicates that it is appropriate to obtain observations about the audit from management, internal audit and others within the company. It provides a sample survey for obtaining this input.

Finally, the guide suggests that "audit committees should consider advising shareholders that they perform an annual evaluation of the auditor and explain their process and scope of the assessment." Such disclosures are not currently required by SEC rules.