

# Audit Committee Reporting Increased in 2014 Proxy Statements

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For companies considering a review of the audit committee disclosure in proxy statements, the [recent review](#) by EY's Center for Board Matters provides several insights on some of the additional information that Fortune 100 companies included in 2014. We previously discussed some of the background related to the increased disclosure [here](#).

The increased disclosures focus on three areas of audit-related matters: the audit committee's evaluation of external auditors, approval of fees and auditor tenure. 15% of companies also provided a direct link to the audit committee charter. Interestingly, more than half these companies have three or more audit committee financial experts.

*On the audit committee's review of external auditors:*

- 65% specified that the audit committee is responsible for the appointment, compensation and oversight of the auditor and 46% stated that their selection is in the best interest of shareholders. 44% disclosed that the committee was involved in the selection of the lead engagement partner while slightly one-third explained the factors used in assessing the auditor's qualifications. However, only 8% disclosed the matters that audit committees discussed with auditors beyond the regulatory requirements, a percentage which has remained steady for the last several years. Some of the topics mentioned by companies making this disclosure include risk controls and compliance, income tax strategy, risk management and cybersecurity.

*On audit committee approval of fees and auditor tenure:*

- 80% noted that the committee considers non-audit services when assessing auditor independence and 19% disclosed committee involvement in fee negotiations, while only 8% of companies explained a change in fees.
- Half the companies disclosed auditor tenure and slightly more than a quarter of companies examined disclosed that the committee considers the impact of rotating their auditor.

Since governance practices are sometimes imported, we note that the UK Competition Commission recommended that the UK Corporate Governance Code be amended to require an advisory vote on the sufficiency of the disclosures contained in the audit committee report.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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