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Audit Committee Concept Release May Include Auditor Tenure Disclosure

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The question of whether companies should be required to disclose how long they have retained the same auditors may be part of the concept release on audit committees that the SEC plans to issue soon, according to a ***Financial Times* article** that quoted a member of the SEC's investor advisory committee.

The concept release was one of the topics addressed in a **recent speech** by James Schnurr, the SEC Chief Accountant in the Office of the Chief Accountant. He indicated that the SEC staff has been actively developing recommendations to the Commission on a concept release that is intended to seek feedback on how investors currently use the publicly disclosed information about audit committees, along with the usefulness of possible new disclosure requirements. The focus is on the disclosures about the audit committee's oversight of the auditor and whether there should be more insight into the factors the committees considered and the information that they evaluated.

The SEC staff is also examining current trends in audit committee reporting as they work on the release. As we previously discussed **here**, companies have been providing disclosure beyond regulatory requirements. With respect to auditor tenure, the *FT* article reports that 56% of S&P 500 companies already disclose how long they have used the same auditor, double the number that provided such information in 2012.

CalSTRS has found that 114 companies in the Russell 3000 have used the same auditor for between 50 and 99 years, while five companies have retained the same auditor for over 100 years. CalSTRS expects companies to change auditors every seven years to ensure independence.

The question of audit committee appointment of auditors has not affected proposals to appoint them. Investors approved all of those proposals at the 3,000 largest companies in 2014, according to ISS data.

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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