



CENTER FOR AUDIT QUALITY

Serving Investors, Public Company Auditors & the Markets

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Dear Center Members

CAQ, Audit Analytics Release Findings from New Audit Committee Transparency Barometer

Today we released findings from the new [Audit Committee Transparency Barometer](#). Working together with Audit Analytics, an independent research provider, the CAQ has undertaken an extensive analysis of 2014 audit committee disclosures in proxy statements, applying a “barometer” for the first time to measure the robustness of these disclosures among 1,500 Standard & Poor’s (S&P) composite companies. Public disclosures are the primary channel through which audit committees can inform and educate investors and other stakeholders about their critical responsibilities, and demonstrate their effectiveness in executing those responsibilities.

The *Audit Committee Transparency (ACT) Barometer* measures the content of proxy statement disclosures in certain key areas, including auditor oversight and audit committee scope of duties. The CAQ and Audit Analytics reviewed the most current proxies (filed through the end of June 2014) of 1,500 S&P composite companies, including companies in the S&P 500, S&P MidCap 400 (S&P MidCap), and S&P SmallCap 600 (S&P SmallCap) indices.

Some of the key findings include:

- 83% of S&P 500, 69% of S&P MidCap, and 58% of S&P SmallCap companies discussed in their proxy statements how non-audit services may impact auditor independence.
- 47% of S&P 500, 42% of S&P MidCap, and 50% of S&P SmallCap companies disclosed in their proxy statements the length of time an auditor has been engaged.
- 13% of S&P 500, 10% of S&P MidCap, and 8% of S&P SmallCap companies discussed in their proxy statements the audit committee’s considerations in appointing the auditor in terms of qualifications, geographic reach and firm expertise.
- 13% of S&P 500, 4% of S&P MidCap and 1% of S&P SmallCap companies discussed in their proxy statements audit fees and their connection to audit quality.

Greater transparency about the audit committee’s roles and responsibilities can provide an opportunity to communicate more clearly to shareholders about one of its key responsibilities, auditor oversight. The barometer provides an important baseline measurement for audit committee disclosures, and we intend to continue tracking

trends and leading practices in these disclosures in future proxy seasons.

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