

**The Sarbanes-Oxley
Act of 2002:
Effect on Audit Committee
Meetings at
Organizations Not Publicly
Traded**

THE IIA RESEARCH FOUNDATION

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1. INTRODUCTION

No event in recent years has had more effect on audit committee charters, practices, and schedules than the passage of the U.S. Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley). Audit committees are taking on new responsibilities, and they are requiring new types of information and services from internal auditors.

In January 2004, The Institute of Internal Auditors conducted a survey to evaluate recent changes to audit committee practices. Titled *Sarbanes-Oxley Impact on Audit Committee Meetings*, the survey was also designed to provide audit executives with benchmarking information related to the changing roles of internal auditors in support of their audit committees. The survey drew 157 responses, including 88 responses from publicly traded organizations and 67 responses from nonpublic organizations.¹

This report highlights recent changes in audit committee practices at organizations that are not publicly traded. A separate report that discusses changes to audit committee practices at publicly traded companies is also available from The IIA Research Foundation.²

More specifically, this report:

- Provides benchmarking information about agendas of typical audit committee meetings at organizations that are not publicly traded.
- Makes specific suggestions for audit executives working in support of a nonpublic audit committee.
- Describes recent changes to the frequency and length of nonpublic audit committee meetings.
- Analyzes the effect of Sarbanes-Oxley and other recent governance initiatives on audit committee membership.
- Provides insights into the way the internal audit function supports audit committees in the post-Sarbanes-Oxley environment.

¹ Throughout this report, the terms "nonpublic organizations" and "private organizations" are used interchangeably to mean organizations that have not issued securities traded on an open market or exchange.

² The Institute of Internal Auditors Research Foundation, Emerging Issues Series Vol. 1, No.1, *The Sarbanes-Oxley Act of 2002: Effect on Audit Committee Meetings at Publicly Traded Companies*, 2004.

2. AUDIT COMMITTEE PRACTICES ARE CHANGING

Nonpublic organizations have widely varying governance practices, and individual organizations may take very different approaches in addressing new governance issues. Some organizations are voluntarily choosing to adopt many provisions of Sarbanes-Oxley, while others are taking a more deliberative "wait and see" approach to changes in governance practices. In general, however, the extent of recent changes to audit committee practices at nonpublic organizations is noteworthy.

Like their public company peers, audit committees at nonpublic organizations are more likely than ever before to review their organization's legal compliance, whistleblower allegations and processes, and external audit/non-audit fees and services. They are increasingly likely to review documents such as the audit committee charter and the organization's ethics policy, and they are more likely than in the past to schedule executive sessions with internal audit, management, and legal counsel. However, these are only a few of the recent changes to audit committee practices.

Survey results indicate that recent events related to organizational governance have affected virtually the entire spectrum of audit committee practices at nonpublic organizations. The survey listed 41 common audit committee agenda items. It inquired about the frequency with which each item was scheduled and, for organizations that included the item on their audit committee's agendas, inquired whether the item had also been scheduled before Sarbanes-Oxley. For each of the 41 agenda items listed in the survey, some organizations reported that the activity was not included on the audit committee schedule until after passage of the Sarbanes-Oxley Act.

The following table indicates the frequency with which survey respondents at nonpublic organizations stated that audit committees schedule various items for discussion

! ACTION ITEMS FOR AUDIT EXECUTIVES

- *Compare your organization's audit committee agendas to typically scheduled activities, using the information on the following page (Table 1). Identify possible new agenda items as appropriate.*
- *Be prepared to furnish the audit committee with specific tools related to new agenda items. For example, if your committee schedules a review of whistleblower processes, provide copies of IIA's free [Implementation Guide for Sarbanes-Oxley §301.4](#) (Complaints/Whistleblowing).*

Table 1 – Frequency with which 41 common agenda items are scheduled by audit committees at organizations that are not publicly traded

AGENDA ITEMS	IF SCHEDULED, ADDED AFTER SARBANES? ³	FREQUENCY							
		ALL MEETINGS	QUARTERLY	THREE PER YEAR	SEMI-ANNUALLY	ANNUALLY	AT LEAST ANNUALLY	OTHER/AD HOC	N/A
1. Sarbanes-Oxley and Other Regulatory Updates and Company Responses	54.5%	16.3%	14.3%	2.0%	6.1%	18.4%	57.1%	16.3%	26.5%
2. Review of Whistleblower Processes	53.1%	8.0%	2.0%	2.0%	0.0%	20.0%	32.0%	26.0%	42.0%
3. Approval of External Audit/Non-audit Services and Fees	42.9%	14.0%	6.0%	2.0%	4.0%	40.0%	66.0%	16.0%	18.0%
4. Review of Whistleblower Allegations and Actions Taken, Including Report on Complaints re: Accounting, Audit or Significant Fraud	40.0%	15.7%	5.9%	2.0%	2.0%	7.8%	33.3%	23.5%	43.1%
5. Approval of Annual Update of Audit Committee Charter and Meeting Agenda	26.5%	2.0%	0.0%	3.9%	5.9%	52.9%	64.7%	13.7%	21.6%
6. Executive Sessions with Internal Audit	25.8%	31.4%	9.8%	2.0%	7.8%	21.6%	72.5%	9.8%	17.6%
7. Review of Ethics Policy	24.2%	4.0%	0.0%	2.0%	2.0%	36.0%	44.0%	14.0%	42.0%
8. Review of Overall Assessment of Control Environment	21.2%	17.6%	3.9%	2.0%	5.9%	25.5%	54.9%	5.9%	39.2%

³ Results based upon "Yes" responses from organizations that currently schedule the agenda item.

AGENDA ITEMS	IF SCHEDULED, ADDED AFTER SARBANES? ³	FREQUENCY							
		ALL MEETINGS	QUARTERLY	THREE PER YEAR	SEMI-ANNUALLY	ANNUALLY	AT LEAST ANNUALLY	OTHER/AD HOC	N/A
9. Key Business/Control Risks Presented by Senior Management	20.7%	9.8%	2.0%	0.0%	3.9%	17.6%	33.3%	17.6%	49.0%
10. Review of Accounting and Reporting Requirements and Processes	20.6%	15.7%	3.9%	2.0%	7.8%	41.2%	70.6%	5.9%	23.5%
11. Review of Control Self-assessment Process and Results	18.5%	2.0%	0.0%	0.0%	2.0%	11.8%	15.7%	11.8%	72.5%
12. Appointment of Independent Auditors	15.2%	0.0%	0.0%	0.0%	4.0%	60.0%	64.0%	22.0%	14.0%
13. Executive Session with Senior Management	14.8%	13.7%	5.9%	0.0%	5.9%	15.7%	41.2%	15.7%	43.1%
14. Summary of IA Results and Distribution of Control Ratings	9.7%	21.6%	7.8%	2.0%	0.0%	15.7%	47.1%	3.9%	49.0%
15. Key Project Status Update Presented by Senior Management	9.7%	14.0%	6.0%	2.0%	0.0%	0.0%	22.0%	24.0%	54.0%
16. Highlights of Significant Special Investigation (i.e., Fraud) Cases	9.1%	25.5%	9.8%	0.0%	3.9%	9.8%	49.0%	31.4%	19.6%
17. Report on Year-end Significant Accounting Changes and Extraordinary Items	8.6%	8.0%	2.0%	0.0%	6.0%	64.0%	80.0%	6.0%	14.0%
18. Review of Number of Significant Findings and Corrective Action Status	8.6%	40.0%	22.0%	4.0%	2.0%	10.0%	78.0%	2.0%	20.0%

AGENDA ITEMS	IF SCHEDULED, ADDED AFTER SARBANES? ³	FREQUENCY							
		ALL MEETINGS	QUARTERLY	THREE PER YEAR	SEMI-ANNUALLY	ANNUALLY	AT LEAST ANNUALLY	OTHER/AD HOC	N/A
19. Executive Sessions with Legal Counsel	8.3%	10.2%	4.1%	0.0%	2.0%	2.0%	18.4%	20.4%	61.2%
20. Review of Percent of Completion vs. Annual Internal Audit Plan	8.1%	23.5%	19.6%	2.0%	15.7%	21.6%	82.4%	3.9%	13.7%
21. Approval of Audit Committee Report for Inclusion in Proxy Statement	8.0%	2.0%	0.0%	0.0%	0.0%	7.8%	9.8%	0.0%	90.2%
22. Review of Audited Financial Statements and Footnotes on Form10-K	7.7%	0.0%	2.0%	0.0%	2.0%	29.4%	33.3%	2.0%	64.7%
23. Summary of Internal Audit Findings by Risk Types	7.4%	14.0%	8.0%	2.0%	2.0%	14.0%	40.0%	4.0%	56.0%
24. Executive Sessions with External Audit	7.1%	16.0%	4.0%	6.0%	18.0%	30.0%	74.0%	4.0%	22.0%
25. Summary of Recoveries and/or Savings Identified by Internal Audit	6.7%	15.7%	3.9%	3.9%	3.9%	13.7%	41.2%	5.9%	52.9%
26. Business Update Presented by Senior Management	6.5%	16.0%	10.0%	4.0%	2.0%	6.0%	38.0%	14.0%	48.0%
27. Review of External Audit Plan	5.9%	0.0%	0.0%	0.0%	9.8%	64.7%	74.5%	3.9%	21.6%
28. Review of Internal Audit Department Budget vs. Actual	5.9%	7.8%	3.9%	0.0%	0.0%	23.5%	35.3%	7.8%	56.9%

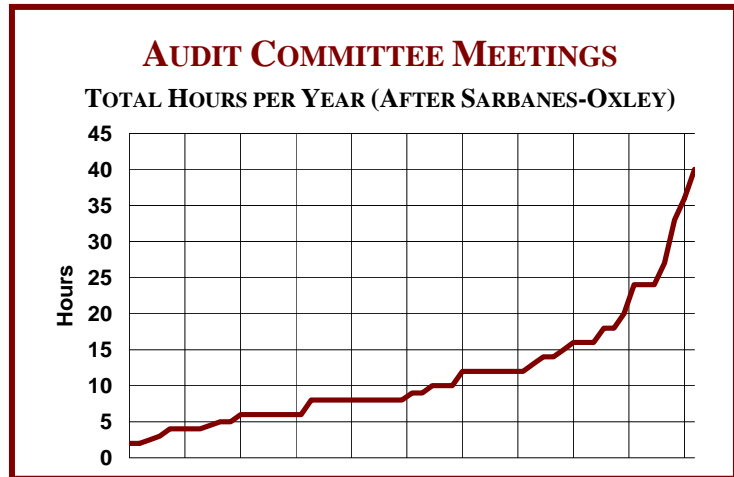
AGENDA ITEMS	IF SCHEDULED, ADDED AFTER SARBANES? ³	FREQUENCY							
		ALL MEETINGS	QUARTERLY	THREE PER YEAR	SEMI-ANNUALLY	ANNUALLY	AT LEAST ANNUALLY	OTHER/AD HOC	N/A
29. Report on Completion of External Audit Work	5.7%	21.6%	7.8%	0.0%	11.8%	52.9%	94.1%	0.0%	5.9%
30. Independence Discussion with External Audit	5.7%	9.8%	3.9%	0.0%	15.7%	51.0%	80.4%	5.9%	13.7%
31. Review of Internal Control Recommendations by External Audit	5.6%	3.9%	2.0%	0.0%	3.9%	74.5%	84.3%	2.0%	13.7%
32. Approval of Audit Committee Minutes	5.4%	62.0%	10.0%	4.0%	6.0%	0.0%	82.0%	4.0%	14.0%
33. Highlight of Unsatisfactory Rated Audit Reports/Significant Internal Audit Findings	5.4%	47.1%	19.6%	3.9%	0.0%	9.8%	80.4%	5.9%	13.7%
34. Review of Changes in Internal Audit Plan	5.4%	27.5%	17.6%	2.0%	11.8%	13.7%	72.5%	9.8%	17.6%
35. Approval of Annual Internal Audit Plan and Budget	5.3%	0.0%	0.0%	0.0%	2.0%	82.4%	84.3%	2.0%	13.7%
36. Review of Form 10-Q (Pre-release)	5.0%	0.0%	2.0%	0.0%	0.0%	2.0%	3.9%	2.0%	94.1%
37. Review of Earnings Releases	4.3%	2.0%	8.0%	0.0%	0.0%	14.0%	24.0%	2.0%	74.0%
38. Audit Committee Recommendation to the Board Regarding the 10-K Report	4.2%	2.0%	0.0%	0.0%	0.0%	3.9%	5.9%	2.0%	92.2%

AGENDA ITEMS	IF SCHEDULED, ADDED AFTER SARBANES? ³	FREQUENCY							
		ALL MEETINGS	QUARTERLY	THREE PER YEAR	SEMI-ANNUALLY	ANNUALLY	AT LEAST ANNUALLY	OTHER/AD HOC	N/A
39. Benchmarking Comparison with Other Internal Audit Departments	3.4%	2.0%	2.0%	0.0%	0.0%	14.0%	18.0%	24.0%	58.0%
40. Review of Internal Audit Balanced Scorecard Plan vs. Actual	3.2%	8.0%	8.0%	0.0%	0.0%	10.0%	26.0%	4.0%	70.0%
41. Review of Internal Audit Objectives Plan vs. Actual	3.1%	9.8%	13.7%	0.0%	5.9%	31.4%	60.8%	5.9%	33.3%

3. AUDIT COMMITTEES AT NONPUBLIC ORGANIZATIONS ARE MEETING LONGER AND MORE OFTEN THAN EVER BEFORE — BUT IN SOME CASES, THEY MAY NOT BE MEETING LONG ENOUGH

Given the sweeping regulatory changes and growing liability risks facing audit committee members, it is not surprising that audit committees are meeting longer than in the past. Since the advent of Sarbanes-Oxley, a few audit committees at both public and private organizations have more than doubled the number of hours they meet.

Even now, however, it might surprise some readers to know how few hours some audit committees meet, especially at organizations that are not publicly traded. Nonpublic audit committees reportedly meet an average of 11.6 hours per year, and some survey participants stated that their audit committee meets for only two or three hours per year.



At organizations not publicly traded, some audit committees meet 35-40 hours per year, while others meet only two or three hours.

The wide variation in audit committee meeting times might lead some people to wonder how long it is necessary for audit committees to meet in order to fulfill their responsibilities. There is no simple answer to this question, but committee schedules seem to depend in part upon the size of the organization and upon whether or not the organization is publicly traded.

	BEFORE SARBANES-OXLEY			AFTER SARBANES-OXLEY		
	HIGH	LOW	MEAN	HIGH	LOW	MEAN
1. Number of face-to-face audit committee meetings (per year)	12	1	4.1	12	1	4.5
2. Length of audit committee meetings (in hours)	12	0.5	2.4	12.0	0.5	2.7
3. Number of telephonic audit committee meetings (per year)	3	1	1.4	4	1	1.6
4. Length of telephonic audit committee meetings (in hours)	2	0.5	1.2	2	1	1.4
5. Total number of hours for audit committee meetings annually	40	1.5	9.8	40	2.0	11.6

Audit committees at nonpublic organizations tend to meet fewer hours than committees at publicly traded companies, and nonpublic organizations with total annual revenues of less than U.S. \$500 million reported meeting only about half as many hours as other nonpublic organizations in the survey. Even among survey participants from nonpublic organizations of similar size, there was wide variation in reported meeting schedules. Although some nonpublic audit committees meet for only two or three hours per year, at other organizations the audit committee meets for 35-40 hours per year.

! ACTION ITEMS FOR AUDIT EXECUTIVES

Compare your organization's audit committee meeting schedule to that of similar organizations, using the information in Table 3. If your audit committee meets significantly fewer hours than those at similar organizations, be prepared to discuss with the audit committee chair or forward benchmarking statistics to the committee for review.

Every organization has unique needs, but many analysts question whether meeting schedules of only a few hours per year can ever be optimal for audit committees, even at smaller organizations with less complex business operations. As indicated by the types of activities listed in Table 1, audit committees are often charged with a wide range of duties. Audit committees meeting significantly fewer than average hours per year may wish to reexamine the extent of deliberations necessary to ensure sound governance.

The fact that meeting schedules are shorter at nonpublic than at publicly traded organizations is not merely a result of briefer discussions on various topics: There is also a significant difference in the number of items on the agendas of typical public and nonpublic audit committees.

When asked how often their audit committee scheduled discussion of 41 common agenda items, respondents from nonpublic organizations reported significantly fewer discussions of most types of agenda items. Although it is not surprising that some of the agenda items were scheduled more frequently for discussion at public companies, the amount of the disparity between public and nonpublic organizations is intriguing: For all but one of the agenda items included in the survey, publicly traded companies were more likely than nonpublic organizations to schedule the agenda items at least annually.

Table 3 – Audit committee meetings: Total hours per year

	NONPUBLIC ORGANIZATIONS			
	UNDER \$500 MILLION	\$500 MILLION TO \$1 BILLION	\$1 BILLION TO \$5 BILLION	\$5 BILLION OR MORE
High	24	40	27	33
Low	2	4	8	12
Average	7.7	15.0	13.6	18.0
	PUBLICLY TRADED ORGANIZATIONS			
	UNDER \$500 MILLION	\$500 MILLION TO \$1 BILLION	\$1 BILLION TO \$5 BILLION	\$5 BILLION OR MORE
High	13	33	39	36
Low	5	6	4	10
Average	9.0	16.6	17.7	19.6

4. NONPUBLIC AUDIT COMMITTEES ARE SIGNIFICANTLY DIFFERENT FROM THEIR PUBLIC COMPANY COUNTERPARTS – AND MANY OF THE DIFFERENCES INVOLVE OVERSIGHT OF THE INTERNAL AUDIT FUNCTION

Of the 41 agenda items in the survey, the only item that was more likely to be scheduled at least annually on private organizations' audit committee agendas than on audit committee calendars at publicly traded companies was "Review of a Summary of Recoveries and/or Savings Identified by Internal Audit." Audit committees at 39 percent of nonpublic organizations reviewed internal audit cost savings and recoveries, compared to reviews at only 31 percent of publicly traded organizations.

It is not clear why nonpublic audit committees place greater emphasis than public company committees on internal audit cost savings. The disparity may possibly result from differences in the effectiveness and completeness of other communications about internal auditing. Among surveyed organizations, nonpublic audit committees were 42 percent less likely than public company committees to schedule executive sessions with the chief audit executive. Nonpublic committees were less likely to review benchmarking comparisons with other internal audit functions, and they less frequently reviewed information about completion of the audit plan. Despite placing greater emphasis on recoveries and savings, nonpublic audit committees were less likely to review the internal audit budget or to compare the budget to actual internal audit expenditures.

! ACTION ITEMS FOR AUDIT EXECUTIVES

- *Pay special attention to internal audit issues on the list of common agenda items in Table 4. If not already provided to your audit committee, compile and analyze benchmarking data, reviews of plans vs. results, summaries of cost savings and recoveries, and other information that audit committees frequently request about internal auditing.*
- *If your audit committee does not schedule executive sessions with internal audit, invite the audit committee chair to add an executive session to the agenda for the next audit committee meeting. If it is impossible to schedule an executive session, consider scheduling a private meeting with the audit committee chair.*

Additional research is needed in this area, but audit executives at nonpublic organizations might benefit from initiatives designed to enhance audit committee communications about the internal audit function and how it adds value to the organization.

Table 4 – Differences in audit committee agendas at nonpublic and publicly traded organizations

PERCENT OF ORGANIZATIONS SCHEDULING SPECIFIC AGENDA ITEMS AT LEAST ANNUALLY	NONPUBLIC ORGANIZATIONS	PUBLICLY TRADED	DIFFERENCE
1. Review of Whistleblower Processes	30%	82%	171%
2. Review of Audited Financial Statements and Footnotes on Form10-K	38%	91%	142%
3. Review of Whistleblower Allegations and Actions Taken, Including Report on Complaints re: Accounting, Audit or Significant Fraud	31%	74%	135%
4. Key Project Status Update Presented by Senior Management	23%	41%	82%
5. Executive Sessions with Legal Counsel	16%	28%	72%
6. Executive Session with Senior Management	38%	66%	71%
7. Review of Ethics Policy	41%	68%	65%
8. Summary of IA Results and Distribution of Control Ratings	52%	78%	52%
9. Appointment of Independent Auditors	62%	92%	48%
10. Review of Internal Audit Department Budget vs. Actual	37%	53%	46%
11. Key Business/Control Risks Presented by Senior Management	36%	52%	46%
12. Review of Overall Assessment of Control Environment	55%	79%	45%
13. Executive Sessions with Internal Audit	65%	92%	42%
14. Approval of Annual Update of Audit Committee Charter and Meeting Agenda	66%	92%	40%
15. Sarbanes-Oxley and Other Regulatory Updates and Company Responses	51%	70%	37%
16. Executive Sessions with External Audit	70%	94%	35%
17. Benchmarking Comparison with Other Internal Audit Departments	22%	29%	29%
18. Review of External Audit Plan	74%	94%	28%
19. Approval of External Audit/Non-audit Services and Fees	64%	82%	27%
20. Highlights of Significant Special Investigation (i.e., Fraud) Cases	51%	62%	22%
21. Business Update Presented by Senior Management	35%	43%	21%
22. Independence Discussion with External Audit	78%	93%	19%

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PERCENT OF ORGANIZATIONS SCHEDULING SPECIFIC AGENDA ITEMS AT LEAST ANNUALLY	NONPUBLIC ORGANIZATIONS	PUBLICLY TRADED	DIFFERENCE
23. Review of Accounting and Reporting Requirements and Processes	69%	82%	19%
24. Review of Internal Audit Objectives Plan vs. Actual	62%	72%	16%
25. Approval of Audit Committee Minutes	83%	95%	15%
26. Review of Control Self-assessment Process and Results	19%	22%	14%
27. Review of Internal Control Recommendations by External Audit	83%	94%	14%
28. Report on Year-end Significant Accounting Changes and Extraordinary Items	79%	90%	13%
29. Summary of Internal Audit Findings by Risk Types	44%	49%	11%
30. Approval of Annual Internal Audit Plan & Budget	88%	98%	11%
31. Review of Internal Audit Balanced Scorecard Plan vs. Actual	25%	28%	9%
32. Highlight of Unsatisfactory Rated Audit Reports/Significant Internal Audit Findings	80%	85%	7%
33. Review of % of Completion vs. Annual Internal Audit Plan	85%	90%	6%
34. Review of Number of Significant Findings and Corrective Action Status	79%	83%	4%
35. Report on Completion of External Audit Work	89%	92%	3%
36. Review of Changes in Internal Audit Plan	75%	76%	1%
37. Summary of Recoveries and/or Savings Identified by Internal Audit	39%	31%	-21%

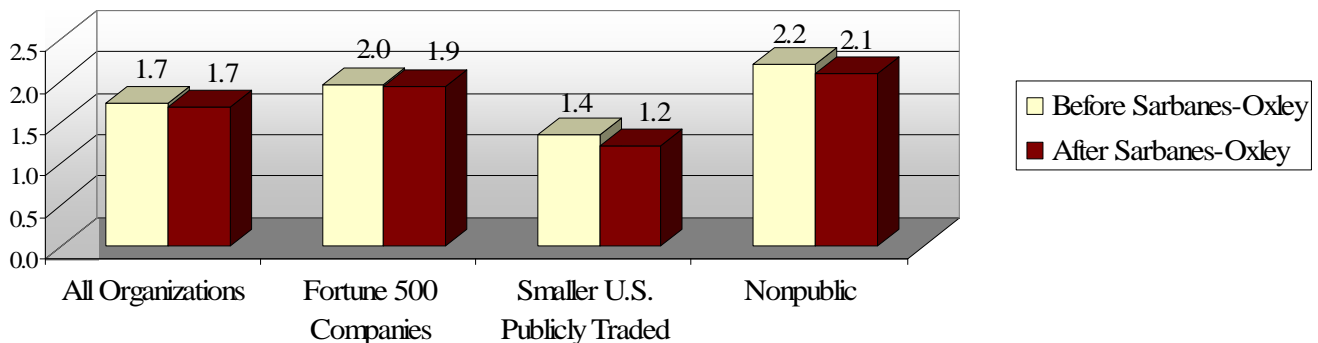
5. DESPITE CALLS FOR ENHANCING AUDIT COMMITTEE FINANCIAL EXPERTISE AND INDEPENDENCE, FEW CHANGES HAVE BEEN MADE TO AUDIT COMMITTEE MEMBERSHIP.

Due to recent events, some organizations report adding new financial experts to their audit committees. Others are making changes to the audit committee because of independence issues. A few organizations have even created a new audit committee where one did not exist previously. Regardless of recent events regarding corporate governance, however, it seems that relatively few fundamental changes have taken place in audit committee membership. When asked whether the composition of the audit committee had changed since the passage of Sarbanes-Oxley, over 80 percent of survey respondents from nonpublic organizations reported no change.

- Despite the call for increased financial expertise, there was no reported increase in the number of financial experts serving on committees at nonpublic organizations.
- Despite questions about audit committee independence, survey respondents reported no statistically significant increase in the number of independent audit committee members at nonpublic organizations.
- Despite the new challenges and responsibilities facing audit committee members, there was no increase in the average number of audit committee members.

Survey respondents report that the membership of their audit committees is changing, but the Sarbanes-Oxley requirement for audit committee financial expertise may or may not be increasing the average number of financial experts serving on public company audit committees.

AVERAGE NUMBER OF AUDIT COMMITTEE FINANCIAL EXPERTS



It is too soon to know the full impact of Sarbanes-Oxley and related initiatives on nonpublic audit committees. Although the survey results indicate that, on average, the number of financial experts on audit committees has not increased, many analysts predict that the number of experts serving on committees will increase in the near future. Possibly more time is required to locate and recruit qualified financial experts, or possibly the longer working hours and increasing personal liability risks facing audit committee members are working to lower the number of qualified candidates willing to serve on audit committees.

! ACTION ITEMS FOR AUDIT EXECUTIVES

Review your audit committee's membership requirements regarding financial expertise and independence. Analyze the effect of these and other factors on audit committee succession planning.

Section 407 of the Sarbanes-Oxley Act requires annual disclosure of whether at least one member of the audit committee is a financial expert. The time needed to recruit qualified new board members with financial expertise seems to be growing, and this trend is expected to continue over the next year as public companies deal with the new Sarbanes-Oxley requirements. It is possible that over the next few years, nonpublic organizations might face growing challenges in recruiting and retaining qualified audit committee members. To assure continuing financial expertise, audit committees and boards may need to analyze the effect of Sarbanes-Oxley requirements on succession planning.

6. RESOURCES FOR ADDITIONAL INFORMATION

Additional resources and information related to corporate governance, audit committees, and relationships between internal auditors and audit committees can be found at <http://www.theiia.org/guidance/additional-resources/audit-committees-board-of-directors/>.

For other research reports from The Institute of Internal Auditors Research Foundation, please visit <http://www.theiia.org/research/research-reports/chronological-listing-research-reports/>

APPENDIX A: PROFILE OF SURVEY RESPONDENTS

In January 2004, The Institute of Internal Auditors published a survey titled *Sarbanes-Oxley Impact on Audit Committee Meetings*. The survey drew 157 responses, including 67 responses from individuals employed at organizations that are not publicly traded and 88 responses from individuals at publicly traded companies. This report is based primarily upon information about organizations that are not publicly traded. A separate report containing information on publicly traded companies is available separately from The Institute of Internal Auditors Research Foundation.¹

Surveys are hosted by The Institute of Internal Auditors' *Flash Survey* program and are designed to provide information about new and emerging subjects related to the profession of internal auditing. Most participants in *Flash Surveys* are chief audit executives; thus, the surveys reflect the thinking of audit executives within a variety of organizations. *Flash Surveys* are intended to detect general trends but normally are not statistically random samples and may not be of statistically significant size. Readers should use judgment in reading and interpreting this information, especially as it applies to non-U.S. organizations.

TOTAL EMPLOYEES WORLDWIDE	NONPUBLIC ORGANIZATIONS	PUBLICLY TRADED
Under 500	9%	1%
501 to 1,000	16%	3%
1,001 to 2,500	30%	13%
2,501 to 5,000	21%	23%
5,001 to 10,000	18%	23%
10,001 to 25,000	0%	0%
25,001 to 50,000	2%	20%
50,001 to 100,000	2%	7%
Over 100,000	4%	10%

Approximately 77 percent of nonpublic organizations and 81 percent of publicly traded organizations were from the U.S.

Although survey participants were not randomly selected, the participants represented a wide cross-section of industries and varied considerably in size. Nonpublic organizations ranged in size from fewer than 500 employees to over 100,000 employees and had annual revenues from under \$500 million U.S. to over \$50 billion U.S. Respondents from educational institutions accounted for 35 percent of survey responses from organizations that were not publicly traded.

¹ The Institute of Internal Auditors Research Foundation, Emerging Issues Series Vol. 1, No.1, *The Sarbanes-Oxley Act of 2002: Effect on Audit Committee Meetings at Publicly Traded Companies*, 2004

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