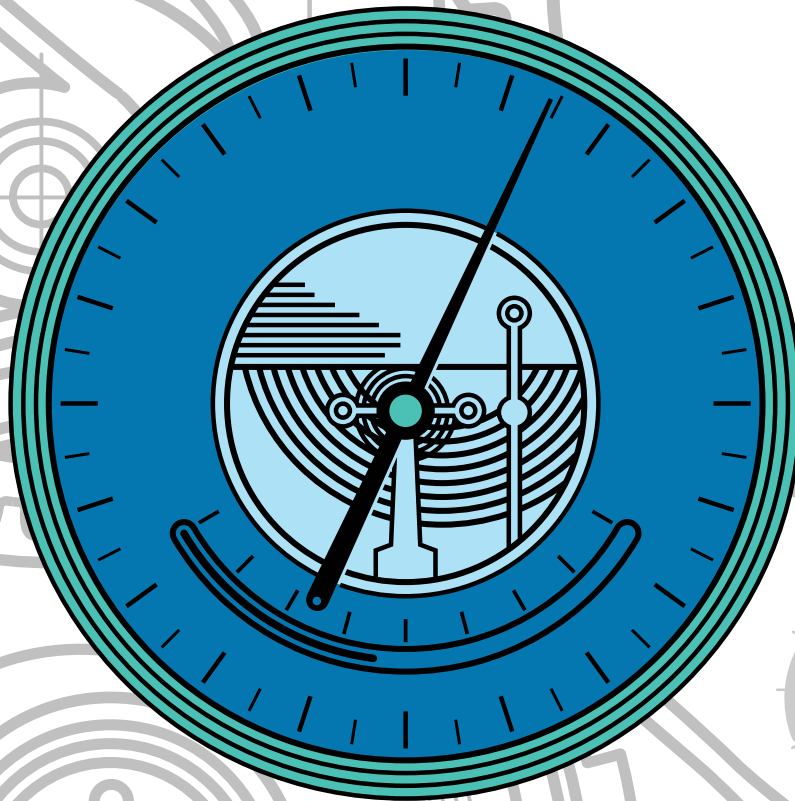


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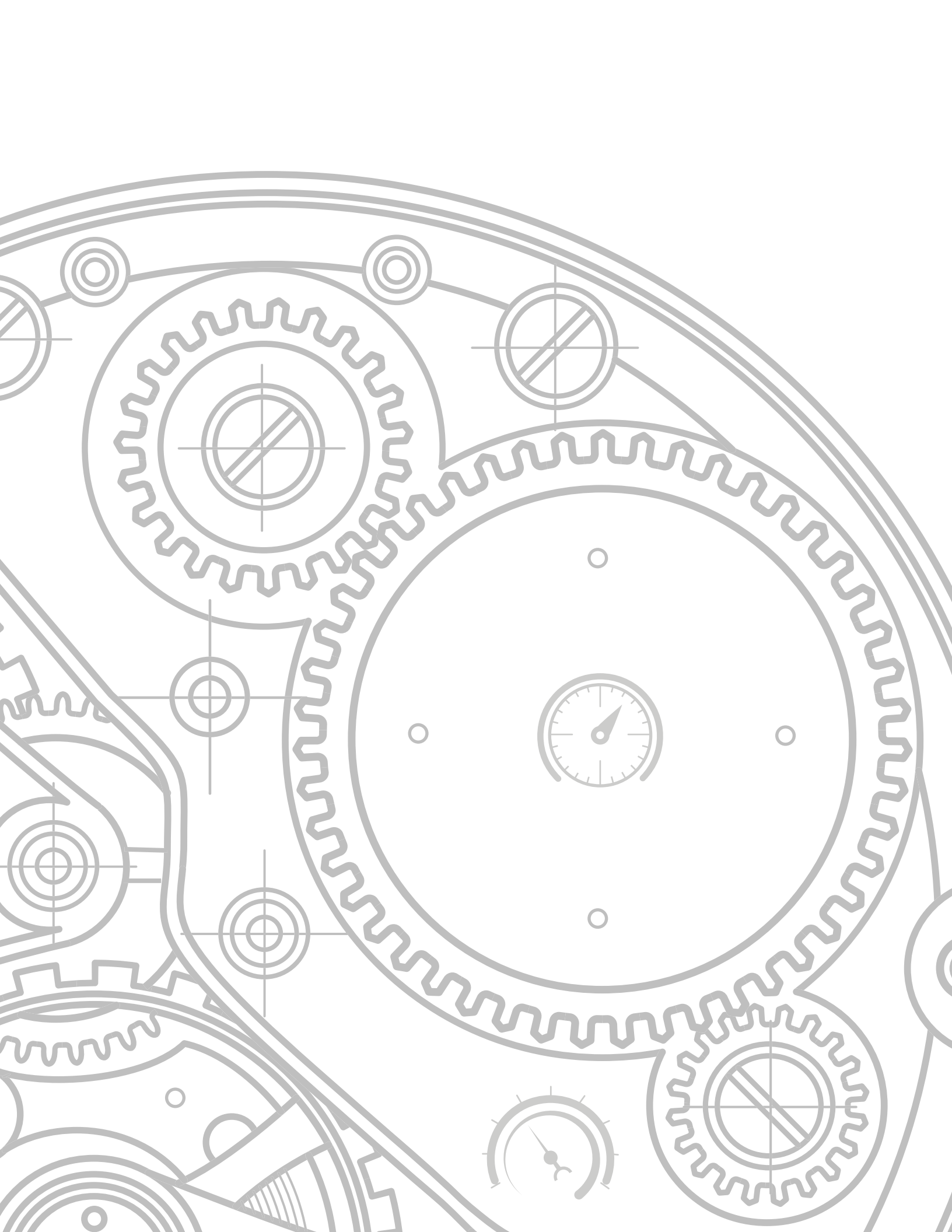
# Audit Committee Transparency Barometer



**CENTER  
FOR AUDIT  
QUALITY**

**AUDIT ANALYTICS®**

NOVEMBER 2018



# About the Center for Audit Quality

The Center for Audit Quality (CAQ) is an autonomous public policy organization dedicated to enhancing investor confidence and public trust in the global capital markets. The CAQ fosters high-quality performance by public company auditors; convenes and collaborates with other stakeholders to advance the discussion of critical issues that require action and intervention; and advocates policies and standards that promote public company auditors' objectivity, effectiveness, and responsiveness to dynamic market conditions. Based in Washington, DC, the CAQ is affiliated with the American Institute of CPAs.

For more information, visit [www.thecaq.org](http://www.thecaq.org).

## About Audit Analytics

Audit Analytics is an independent research provider that enables the accounting, legal, and investment communities to analyze auditor market intelligence, public company disclosure trends, and risk indicators.

For more information, email [info@auditanalytics.com](mailto:info@auditanalytics.com) or call 508-476-7007.

## Methodology

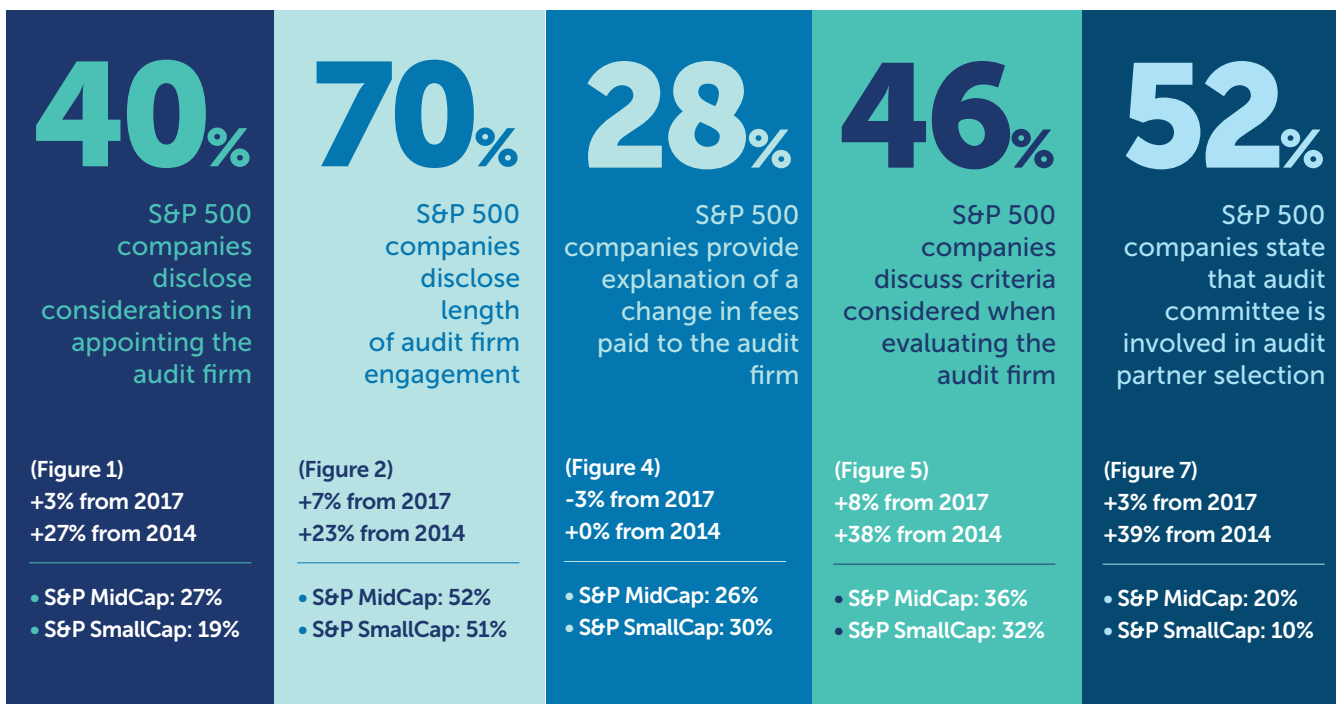
Consistent with the methodology used in prior years, we reviewed the most current S&P Composite 1500 proxy statements (i.e., those filed in the period from July 1, 2017, through June 30, 2018). Each edition of the *Barometer* tracks the companies that are included in the S&P indices at the end of the filing period. For purposes of presenting the findings, we analyzed disclosures located in the audit committee report or elsewhere in the proxy. In certain instances, the disclosure was also duplicated in other sections of the proxy.

# Overview

In 2014, the CAQ, together with Audit Analytics, undertook an effort to gauge how public company audit committees approach the public communication of their external auditor oversight activities, by measuring the robustness of proxy disclosures by companies in the S&P Composite 1500 (S&P 1500). This index comprises the S&P 500 large-cap companies (S&P 500), the S&P MidCap 400 (S&P MidCap), and the S&P SmallCap 600 (S&P SmallCap).

In our fifth year of analyzing proxy disclosures, we continue to observe encouraging year-over-year trends with respect to voluntary, enhanced disclosure regarding external auditor oversight, an important facet of the audit committee's broader financial reporting oversight role.

In this *2018 Audit Committee Transparency Barometer* (the *Barometer*), we detail the five-year trends and provide examples of disclosures of S&P 500, S&P MidCap, and S&P SmallCap companies, to illustrate best practices. In many categories of disclosure, there is an impressive five-year increasing trend in the percentage of audit committees that disclose key information regarding their oversight of the external auditor. The following are key findings from 2018:



The enhanced disclosure trends observed by the CAQ and Audit Analytics in the S&P 1500 are consistent with recent findings from Deloitte's Center for Board Effectiveness, which reviewed proxies for the S&P 100. Deloitte notes that companies in that group are voluntarily increasing disclosures included in the proxy, albeit at a slower pace in some areas.<sup>1</sup> According to Deloitte, the greatest year-over-year percentage increase occurred in disclosures regarding the audit committee's role in the oversight of cybersecurity, which has increased by 13% since 2017. Other key observations include increases in disclosures regarding audit committee practices—

<sup>1</sup> See "Audit Committee Disclosure in Proxy Statements—2018 Trends," available at: <https://www2.deloitte.com/us/en/pages/center-for-board-effectiveness/articles/audit-committee-disclosure-in-proxy-statements-trends.html>.

specifically discussion of management judgments and/or accounting estimates—up 6%. The audit committee’s review of significant accounting policies rose 4%.

EY’s Center for Board Matters has tracked audit committee disclosure in Fortune 100 companies since 2012. In its latest report, EY notes that “although the change in percentage of companies providing voluntary disclosures is smaller in 2018 than in recent years, there has been dramatic increase in disclosures in most categories since we began examining these disclosures in 2012.”<sup>2</sup> Among EY’s notable findings are the following:

- ▶ The disclosure of an “explicit statement that the audit committee is responsible for appointment, compensation and oversight of external auditor” has doubled from 44% in 2012 to 88% in 2018.
- ▶ Disclosure of a “statement that [the] audit committee [is] involved in lead partner selection” increased from 0% in 2012 to 78% in 2018.
- ▶ The “disclosure of factors used in audit committee’s assessment of the external auditor qualifications and work quality” increased in 2018 to 62%, up from 18% in 2012.

The trend is clear and encouraging—year after year, audit committees are voluntarily providing robust disclosures to inform investors about the important role they play in investor protection through their independent oversight of the external audit.

## WHY AUDIT COMMITTEE DISCLOSURES ARE IMPORTANT TO INVESTORS AND OTHER STAKEHOLDERS

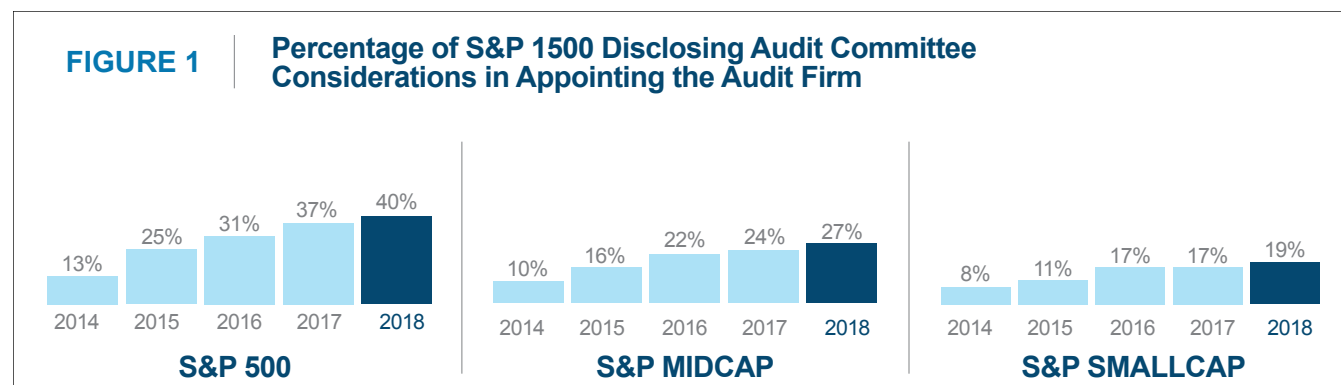
In an August 2018 *Profession in Focus* interview, the CAQ spoke with Jan Babiak, an independent board member and audit committee chair. Babiak explained that she was not always a fan of efforts like the *Barometer* that encouraged greater audit committee disclosure. Why, she had thought, was it necessary to disclose routine parts of the audit committee’s job? However, after receiving perspectives from proxy voting leaders, Babiak changed her mind, as she explained in the interview:

*“They explained to me that not everyone does their job. They believe you if you write it down and tell them what you do. I said okay, if it’s important to my shareholders, then we’re going to revisit this. I went to the company secretary, and we looked at what we were reporting—which was a couple of paragraphs—and it moved to two and a half pages.”*

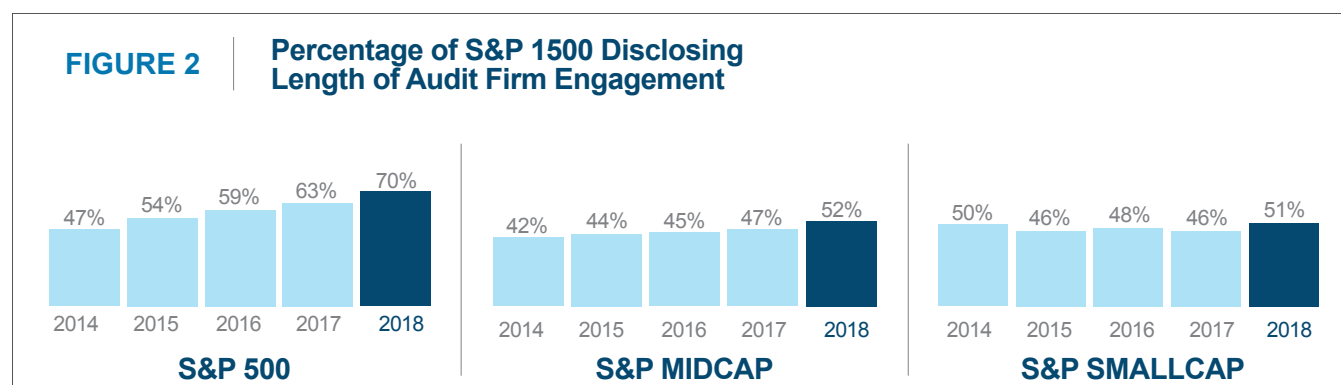
<sup>2</sup> See *Audit Committee Reporting to Shareholders in 2018*, available at: [https://www.ey.com/Publication/vwLUAssets/ey-audit-committee-reporting-to-shareholders-in-2018/\\$FILE/ey-audit-committee-reporting-to-shareholders-in-2018.pdf](https://www.ey.com/Publication/vwLUAssets/ey-audit-committee-reporting-to-shareholders-in-2018/$FILE/ey-audit-committee-reporting-to-shareholders-in-2018.pdf).

# Audit Firm Selection/Ratification

Since 2014, a double-digit increase has occurred across all S&P 1500 indices in the disclosure of considerations in appointing an audit firm (figure 1). Among **S&P 500 companies, audit committee disclosure in this category has increased by 27 percentage points in five years to 40% in 2018.**



**Disclosure of the length of audit firm engagement (i.e., tenure) jumped to 70% for S&P 500 companies in 2018** (figure 2). Among all indices, there has been a steady upward trend, with over 50% of all audit committees disclosing tenure. This may be the result of the new auditing standard requiring disclosure of tenure in the auditor's report.<sup>3</sup> Certain audit committees have taken the opportunity to provide their views on the benefits of long tenure or reasons for a recent auditor change.



<sup>3</sup> See Public Company Accounting Oversight Board (PCAOB) Auditing Standard 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses and Unqualified Opinion*, paragraph 10(b).

## EXAMPLE 1 – AUDIT FIRM SELECTION/RATIFICATION

**Source: Avery Dennison Corporation (S&P 500), 2018 Proxy Statement, Ratification of Appointment of Independent Registered Public Accounting Firm**

<https://www.sec.gov/Archives/edgar/data/8818/000104746918001691/a2234681zdef14a.htm>

In determining whether to reappoint [Audit Firm], the Audit Committee considered the qualifications, performance, and independence of the firm and the audit engagement team, the quality of its discussions with [Audit Firm], and the fees charged by [Audit Firm] for the quality and breadth of services provided. In connection with the 2018 appointment, the Audit Committee considered, among other things, the following:

- ▶ **Audit Quality** — The quality of [Audit Firm]’s audit and non-audit work, based on its oversight of the firm’s work product, as well as its discussions with management in executive session without [Audit Firm]’s present and its discussions with [Audit Firm] in executive session without management present;
- ▶ **Performance** — [Audit Firm]’s reports on its quality controls and its performance during our 2017 and prior-year audits;
- ▶ **Qualitative Review** — The results of our global survey of members of management and the Audit Committee evaluating [Audit Firm]’s (i) expertise and resources, (ii) audit planning, (iii) communication and interaction, (iv) independence, objectivity and professional skepticism and (v) value for fees;
- ▶ **Self-Assessment** — [Audit Firm]’s annual self-assessment of its accomplishments in connection with its audit, its satisfaction of the service needs and expectations of the Audit Committee and management, and areas of continued focus and improvement opportunities;
- ▶ **Regulatory Reviews** — External data on the firm’s audit quality and performance, including recent Public Company Accounting Oversight Board (PCAOB) reports on [Audit Firm] and its peer firms;
- ▶ **Reasonableness of Fees** — The appropriateness of [Audit Firm]’s fees for audit and non-audit services, both on an absolute basis and relative to comparable firms;
- ▶ **Independence** — Written disclosures from the firm and the independence letter required by the PCAOB; and
- ▶ **Tenure** — [Audit Firm]’s tenure as our independent auditor, including the benefits of having a long-tenured auditor and the controls in place to mitigate any potential independence risk.

## EXAMPLE 2 – AUDIT FIRM SELECTION/RATIFICATION

**Source: Air Products and Chemicals Inc. (S&P 500), 2018 Proxy Statement, Selection of Independent Registered Public Accounting Firm**

<https://www.sec.gov/Archives/edgar/data/2969/000119312517368026/d455116ddef14a.htm>

The Audit and Finance Committee annually evaluates the performance of the Company's independent registered public accounting firm, and determines whether to reappoint the current accounting firm or consider other firms. The Committee also evaluates and approves the selection of the lead engagement partner. At its meeting held in November 2017, the Committee approved reappointment of [Audit Firm] as the Company's independent registered public accounting firm for fiscal year 2018. In determining whether to reappoint [Audit Firm], the Committee took into consideration a number of factors, including:

- ▶ [Audit Firm]'s global capabilities to handle the breadth and complexity of the Company's global operations;
- ▶ [Audit Firm]'s technical expertise and knowledge of the Company's industry and global operations;
- ▶ The quality and candor of [Audit Firm]'s communications with the Committee and management;
- ▶ [Audit Firm]'s independence;
- ▶ The appropriateness of [Audit Firm]'s fees; and
- ▶ [Audit Firm]'s tenure as our independent registered public accounting firm, including the benefits of that tenure, and the controls and processes in place (such as rotation of key partners) that help ensure [Audit Firm]'s continued independence.

Based on its evaluation, the Committee believes the continued retention of [Audit Firm] is in the best interest of our shareholders. The Board concurs and requests that shareholders ratify the appointment of [Audit Firm] as the independent registered public accounting firm for fiscal year 2018.



## EXAMPLE 3 – AUDIT FIRM SELECTION/RATIFICATION

**Source: Baxter International Inc. (S&P 500), 2018 Proxy Statement, Ratification of Appointment of Independent Registered Public Accounting Firm**

<https://www.sec.gov/Archives/edgar/data/10456/000119312518094261/d479285ddef14a.htm>

[Audit Firm], or its predecessor firm, has served as Baxter's independent registered public accounting firm continuously since 1985.

Before reappointing [Audit Firm] as the company's independent auditor for 2018, the Audit Committee carefully considered [Audit Firm]'s qualifications as an independent registered public accounting firm. This included a review of [Audit Firm]'s performance in prior years, its knowledge of the company and its operations as well as its reputation for integrity and competence in the fields of accounting and auditing. The Audit Committee's review also included matters required to be considered under rules of the SEC on auditor independence, including the nature and extent of non-audit services, to ensure that the provision of such services will not impair the independence of the auditors. The Audit Committee expressed its satisfaction with [Audit Firm] in all of these respects. In accordance with SEC rules and [Audit Firm] policies, the lead partner overseeing the company's engagement rotates every five years and the Audit Committee and its Chairman are directly involved in Baxter's selection of the lead engagement partner.

The Audit Committee believes that retaining [Audit Firm] again in 2018 is in the best interests of the company and our stockholders, and therefore the Audit Committee requests that stockholders ratify the appointment. Further, the Audit Committee believes that, if handled properly, there are numerous benefits of a long independent auditor relationship, including:

- ▶ higher audit quality due to [Audit Firm]'s deep understanding of Baxter's business and accounting policies and practices;
- ▶ efficient fee structures due to [Audit Firm]'s familiarity with Baxter and industry expertise; and
- ▶ avoidance of significant costs and disruptions (including Board and management time and distractions) that would be associated with retaining a new independent auditor.

Nonetheless, the Audit Committee is also aware that a long-tenured auditor may be believed by some to pose an independence risk. To address these concerns, there are robust safeguards for auditor independence, including:

- ▶ a strong regulatory framework for auditor independence, including limitations on non-audit services and mandatory audit partner rotation requirements;
- ▶ oversight of [Audit Firm]'s that includes regular communication on and evaluation of the quality of the audit and auditor independence;
- ▶ [Audit Firm]'s own internal independence processes and compliance reviews;
- ▶ annual assessment of [Audit Firm]'s qualifications, service quality, sufficiency of resources, quality of communications, independence, working relationship with our management, objectivity, and professional skepticism;
- ▶ conducting regular private meetings separately with each of [Audit Firm]'s and Baxter management at the end of each regularly scheduled Audit Committee meeting;
- ▶ interviewing and approving the selection of [Audit Firm]'s new lead engagement partner with each rotation; and
- ▶ considering periodically whether to conduct a search or request for proposal process for a new independent registered public accounting firm.

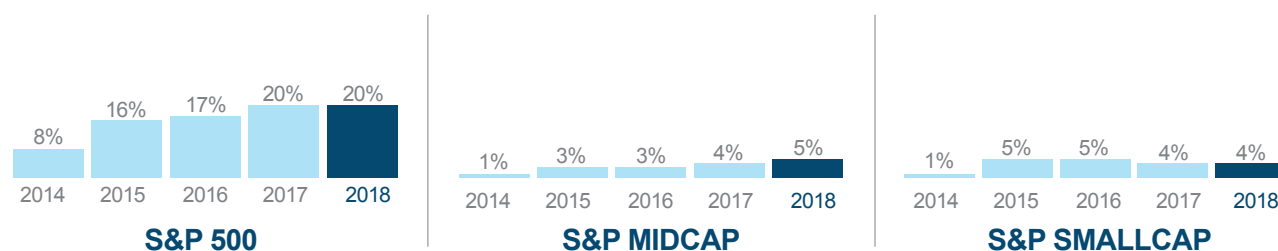
# Audit Firm Compensation

Although the audit committee is “directly responsible for the appointment, compensation, and oversight” of the auditor’s work,<sup>4</sup> there continue to be low levels of disclosure explaining the role of the audit committee in the fee negotiation process. **The percentage of audit committees explicitly stating that they are responsible for fee negotiations was steady in 2018 across all indices, with 20% of S&P 500 companies providing such disclosure** (figure 3). Audit committees may want to explore opportunities to provide stakeholders with more robust insight into considerations related to fee negotiations, including how hours and rates are determined, as well as consideration of audit quality. Importantly, many companies—75% or more of S&P 1500 companies—disclose how non-audit services may impact independence (see page 15).<sup>5</sup>

Disclosure providing insight as to **why a change in fees paid to the audit firm occurred** (figure 4) trended downward in 2018 and has varied over the past five years. **In 2018, over 25% of S&P 1500 companies continue to provide such disclosure.** Disclosure related to changes in fees may correspond to significant transactions such as an acquisition or other nonrecurring business transactions. We encourage audit committee members to provide an explanation of a change in fees paid as part of the overall disclosures of fee negotiations.

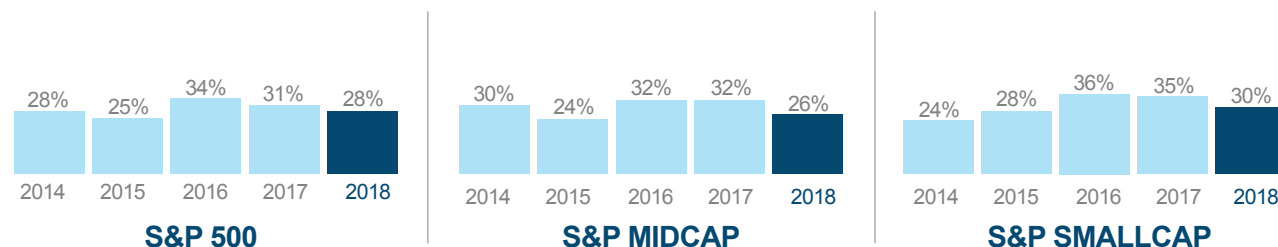
**FIGURE 3**

**Percentage of S&P 1500 Disclosing Audit Committee Responsibility for Fee Negotiations**



**FIGURE 4**

**Percentage of S&P 1500 Providing Explanation of a Change in Fees Paid to the Audit Firm**



<sup>4</sup> See Section 301 of the Sarbanes-Oxley Act.

<sup>5</sup> In accordance with Section 202 of the Sarbanes-Oxley Act, an issuer’s audit committee must preapprove all audit and non-audit services.

## EXAMPLE 4 – AUDIT FIRM COMPENSATION

**Source: Pfizer Inc. (S&P 500), 2018 Proxy Statement**

[https://www.sec.gov/Archives/edgar/data/78003/000093041318000973/c90444\\_def14a.htm](https://www.sec.gov/Archives/edgar/data/78003/000093041318000973/c90444_def14a.htm)

### **Ratification of Appointment of Independent Registered Public Accounting Firm**

Audit fees were principally for audit work performed on the consolidated financial statements and internal control over financial reporting, as well as statutory audits. The decrease in audit fees in 2017 versus 2016 is primarily due to non-recurring projects, including audit procedures in connection with the possible separation of our businesses (which the company decided not to pursue in 2016), the sale of Hospira Infusion Systems net assets and acquisition-related audit work.

Tax fees were principally for services related to tax compliance and reporting and analysis services. The decrease in tax fees in 2017 versus 2016 is primarily due to a reduction in non-recurring projects.

### **Audit Committee Report**

We also considered whether the independent registered public accounting firm's provision of non-audit services to Pfizer is compatible with the auditor's independence. The Committee concluded that the independent registered public accounting firm is independent from Pfizer and its management.

## EXAMPLE 5 – AUDIT FIRM COMPENSATION

**Source: Griffon Corporation (S&P SmallCap), 2018 Proxy Statement, Ratification of Independent Registered Public Accounting Firm**

[https://www.sec.gov/Archives/edgar/data/50725/000093041317004056/c89876\\_def14a.htm](https://www.sec.gov/Archives/edgar/data/50725/000093041317004056/c89876_def14a.htm)

*Audit Fees...* The increase in 2017 audit fees compared to 2016 audit fees was primarily related to the preparation of audited financial statements of Clopay Plastic Products Company, Inc. ("Clopay Plastics") for the three-year period ended September 30, 2017, which process was undertaken in connection with the exploration of strategic alternatives for Clopay Plastics.

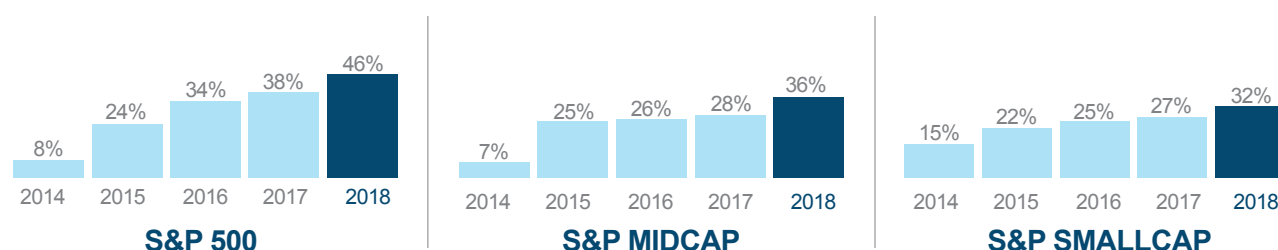
*Audit Related Fees...* In fiscal 2017, such amount related to an add-on offering of our 5.25% Senior Notes due 2022. In fiscal 2016, such amount related to an S-8 registration statement and an add-on offering of our 5.25% Senior Notes due 2022.

# Audit Firm Evaluation/Supervision

Disclosure of the evaluation and/or supervision of the audit firm has increased significantly among the S&P 1500 since 2014 (figure 5). **Nearly 50% of S&P 500 companies discuss criteria considered when evaluating the audit firm, up from just 8% in 2014, an increase of 38 percentage points.** For the S&P MidCap and SmallCap companies, there have been 29 and 17 percentage point increases, respectively, since 2014. In many, but not all, cases, an evaluation process is part of the determination to appoint or reappoint an auditor. We encourage audit committees to make that clear and to describe the evaluation process and the frequency with which the audit committee evaluates the external auditor, if applicable.

**FIGURE 5**

**Percentage of S&P 1500 Discussing Criteria Considered When Evaluating the Audit Firm**



## EXAMPLE 6 – AUDIT FIRM EVALUATION/SUPERVISION

**Source: ArcBest Corporation (S&P SmallCap), 2018 Proxy Statement, Ratification of Appointment of Independent Registered Public Accounting Firm**

[https://www.sec.gov/Archives/edgar/data/894405/000110465918019546/a18-2934\\_1def14a.htm](https://www.sec.gov/Archives/edgar/data/894405/000110465918019546/a18-2934_1def14a.htm)

The Audit Committee has ultimate authority and responsibility for the appointment, termination, compensation, evaluation and oversight of the Company's independent auditor, including review of [Audit Firm]'s qualifications and independence. The Audit Committee's oversight includes regular private sessions with [Audit Firm], discussions with [Audit Firm] regarding the scope of its audit, an annual evaluation of whether to engage [Audit Firm], and direct involvement in the transition of the new lead engagement partner in connection with the regulatory five-year rotation of that position. As part of the annual review, the Audit Committee considers, among other things:

- ▶ the quality and efficiency of the current and historical services provided by [Audit Firm];
- ▶ [Audit Firm]'s capability and expertise in handling the breadth and complexity of the Company's operations;
- ▶ the quality and candor of [Audit Firm]'s communications with the Audit Committee;
- ▶ external data on [Audit Firm]'s audit quality and performance, including recent PCAOB reports;
- ▶ [Audit Firm]'s independence from the Company;
- ▶ the appropriateness of [Audit Firm]'s fees;
- ▶ [Audit Firm]'s tenure as the Company's independent auditor, including the benefits of the extensive institutional knowledge [Audit Firm] has gained through the years and the controls and processes in place to help ensure [Audit Firm]'s continued independence; and
- ▶ the costs associated with onboarding a new independent auditor due to training and lost efficiencies.

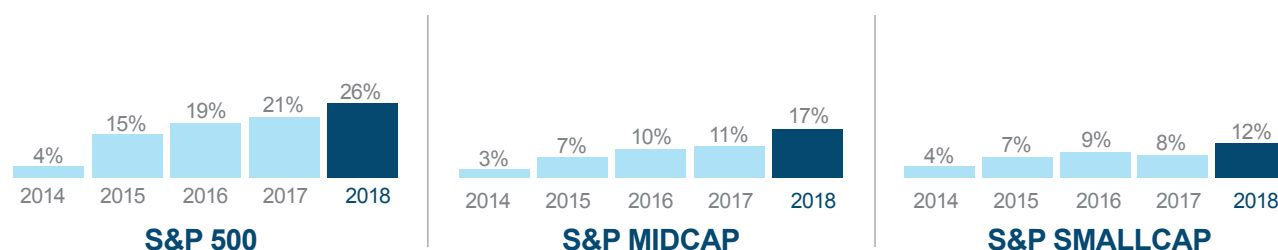
# The Results Are In: 2017's "Opportunity for Audit Committees"

In 2017, we highlighted a new data point, one we saw as an opportunity for audit committees to enhance transparency: **the number of companies disclosing whether the evaluation of the external auditor is at least an annual event. We are pleased to see an increase in the disclosure of this data across all indices—**an increase of 5, 6, and 4 percentage points for S&P 500, S&P MidCap, and S&P SmallCap companies, respectively. But the numbers are still low in comparison with the percentage of companies disclosing criteria considered when evaluating the audit firm (figure 5). Consequently, we believe that stating that the evaluation is an annual event continues to be an area where audit committees can provide enhanced transparency.

The disclosure of this evaluation is important; in addition to telling stakeholders *what* the audit committee considered, the disclosure affirms that such an evaluation is performed at least annually, widely considered a best practice. Providing constructive feedback to the external auditor can improve audit quality and enhance the relationship between the audit committee and the external auditor.<sup>6</sup>

**FIGURE 6**

**Percentage of S&P 1500 Disclosing Evaluation of the Audit Firm Is at Least an Annual Event**



<sup>6</sup> The CAQ's *External Auditor Assessment Tool* is designed to assist audit committees in their evaluation of the external auditor. The publication is available at <https://www.thecaq.org/external-auditor-assessment-tool-reference-us-audit-committees-0>.

## EXAMPLE 7 – AUDIT FIRM EVALUATION/SUPERVISION

**Source: LifePoint Health, Inc. (S&P MidCap), 2018 Proxy Statement, Ratification of Selection of Independent Registered Public Accounting Firm**

<https://www.sec.gov/Archives/edgar/data/1301611/000104746918003156/a2235401zdef14a.htm>

The Audit and Compliance Committee has established practices to evaluate the qualifications, compensation, performance and independence of the Company's independent registered public accounting firm, both on an ongoing basis throughout the year and through the completion of an annual evaluation. The evaluation, which is administered by the Corporate Secretary and an internal risk executive, assesses the Company's satisfaction with the quality and efficiency of the services provided. A summary of the results is provided to the Audit and Compliance Committee for its discussion and analysis.

Based on the results of the annual evaluation, the Audit and Compliance Committee selected [Audit Firm] as the Company's independent registered public accounting firm for 2018. The factors considered by the Audit and Compliance Committee included:

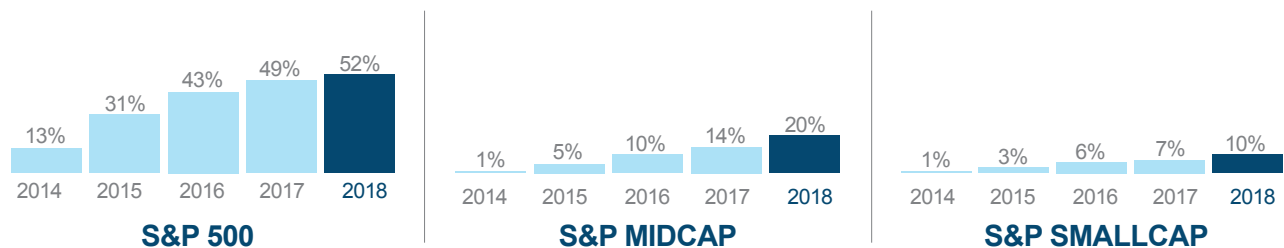
- ▶ Quality of services provided by [Audit Firm];
- ▶ Effectiveness of the communication and interaction between [Audit Firm], management and the Audit and Compliance Committee;
- ▶ The independence and objectivity of [Audit Firm];
- ▶ Resources of [Audit Firm], including technical knowledge and understanding of the Company's business and industry; and
- ▶ Reasonableness of fees.

# Audit Engagement Partner Selection

For S&P 500 companies, disclosure of the role the audit committee plays in audit partner selection (figure 7) and a statement that the audit partner rotates every five years<sup>7</sup> (figure 8) has increased 39 and 33 percentage points, respectively, over the past five years. S&P MidCap and S&P SmallCap companies have experienced a gradual increase in such disclosures but to a lesser extent than the S&P 500 companies. It is unclear if this discrepancy between larger and smaller companies is because of less audit committee involvement in engagement partner selection at smaller companies, or such involvement is simply not disclosed.

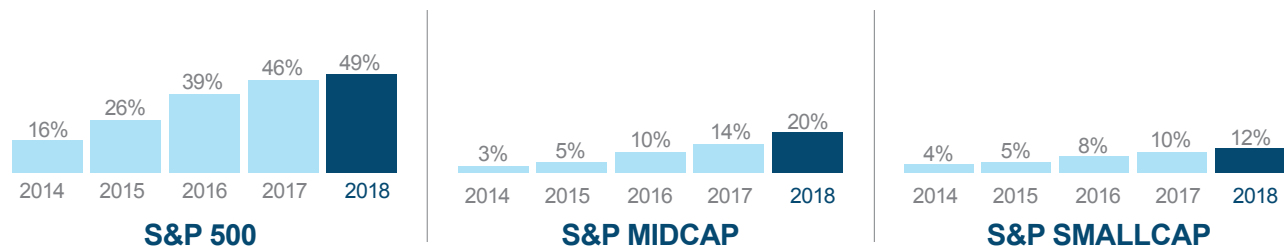
**FIGURE 7**

**Percentage of S&P 1500 Stating That Audit Committee Is Involved in Audit Partner Selection**



**FIGURE 8**

**Percentage of S&P 1500 Stating That Audit Partner Rotates Every Five Years**



<sup>7</sup> In accordance with the Securities and Exchange Commission (SEC) Independence Rule 17 C.F.R. 210.2-01 (6)(i)(A)(1), the lead partner, as defined in paragraph (f)(7)(ii)(A) of this section, or concurring partner, as defined in paragraph (f)(7)(ii)(B) of this section are required to rotate after five consecutive years of service.

## EXAMPLE 8 – AUDIT ENGAGEMENT PARTNER SELECTION

**Source: Vitamin Shoppe, Inc. (S&P SmallCap), 2018 Proxy Statement, Audit Committee Report**

<https://www.sec.gov/Archives/edgar/data/1360530/000119312518167210/d589237ddef14a.htm>

The lead engagement partner from [Audit Firm] is required to be rotated every five years. The process for selection of a new lead engagement partner includes meetings between the candidates for that role and senior management and then with the Chair of the 2017 Audit Committee, as well as discussion with the full 2017 Audit Committee.

A table summarizing the results of these findings and the other data related to auditor oversight disclosures can be found on pages 15-16.

## Conclusion

The *2018 Audit Committee Transparency Barometer* illustrates continued positive trends in audit committees voluntarily providing enhanced disclosure regarding the audit committee's role in overseeing the external auditor. The scale of the increased disclosure is remarkable when we look at the increase in the five years since the *Barometer's* inception.

Still, many opportunities remain for enhancement in transparency and clarification of the involvement of the audit committee in the oversight of the external auditor, and these opportunities are well worth exploring. In addition to communicating regulatory requirements to oversee the external auditor, providing insights into how that oversight is executed is useful to investors and other stakeholders.

The CAQ and Audit Analytics will continue to analyze trends in this important area and look forward to presenting our findings in future editions of this publication.

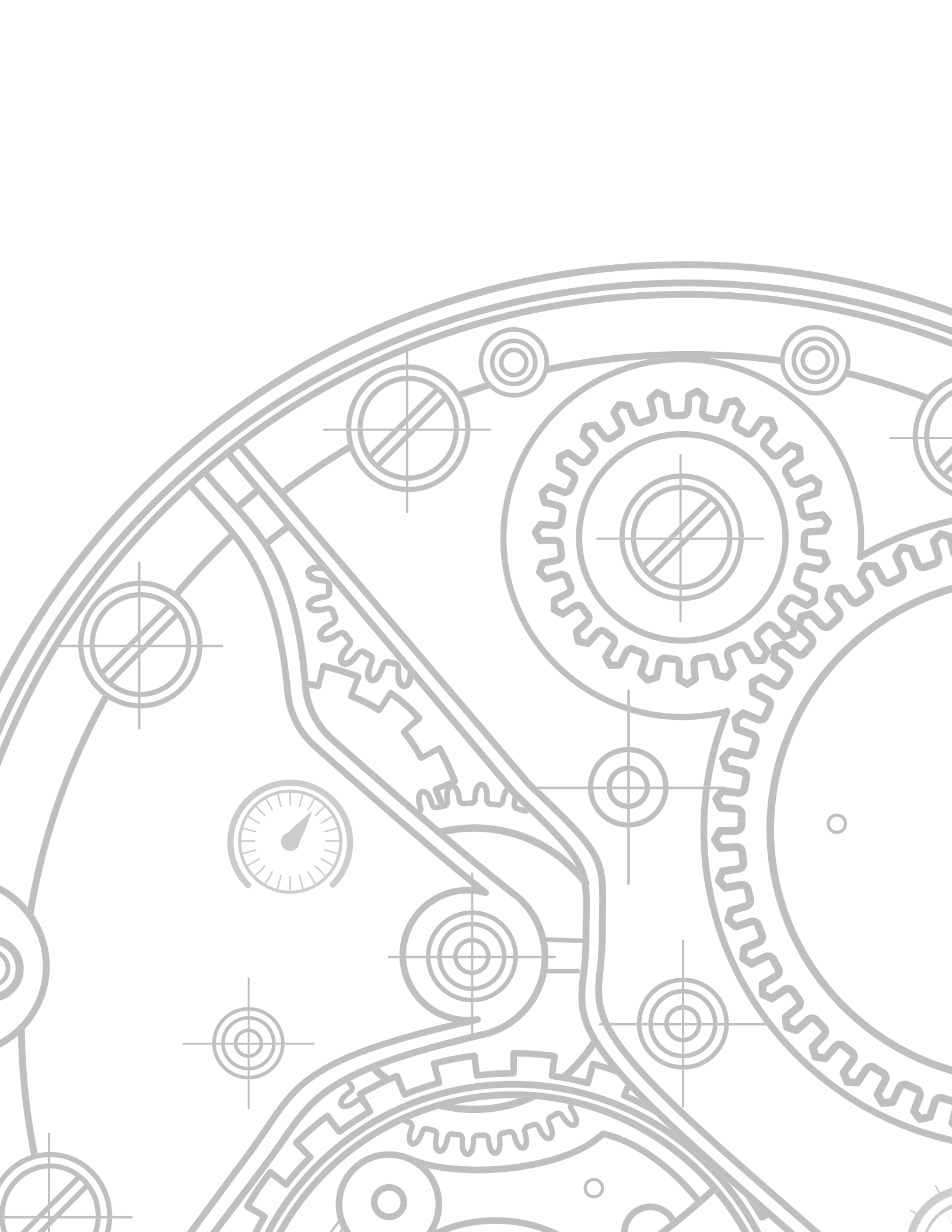


## Auditor Oversight Proxy Statement Disclosures Among S&P 1500

CATEGORY	DISCLOSURE QUESTION	YEAR	S&P 500	S&P MIDCAP	S&P SMALLCAP
Audit Firm Selection	Is there a discussion of audit committee considerations in appointing the external auditor?	2018	40%	27%	19%
		2017	37%	24%	17%
		2016	31%	22%	17%
		2015	25%	16%	11%
		2014	13%	10%	8%
	Does the audit committee [or the company] disclose the length of time the auditor has been engaged?	2018	70%	52%	51%
		2017	63%	47%	46%
		2016	59%	45%	48%
		2015	54%	44%	46%
		2014	47%	42%	50%
Audit Firm Compensation	Is there a discussion of audit fees and their connection to audit quality?	2018	5%	3%	1%
		2017	5%	4%	2%
		2016	9%	3%	1%
		2015	10%	2%	2%
		2014	13%	4%	1%
	Is there a discussion of how the audit committee considers auditor compensation?	2018	2%	1%	0%
		2017	2%	1%	0%
		2016	1%	1%	1%
		2015	0%	0%	0%
		2014	1%	1%	0%
	Is there a discussion of how non-audit services may impact independence?	2018	83%	78%	75%
		2017	80%	75%	72%
		2016	81%	73%	69%
		2015	78%	67%	63%
		2014	83%	69%	58%
	Is there a statement that the audit committee is responsible for fee negotiations?	2018	20%	5%	4%
		2017	20%	4%	4%
		2016	17%	3%	5%
		2015	16%	3%	5%
		2014	8%	1%	1%
	Is there an explanation provided for a change in fees paid to the external auditor?	2018	28%	26%	30%
		2017	31%	32%	35%
		2016	34%	32%	36%
		2015	25%	24%	28%
		2014	28%	30%	24%

## Auditor Oversight Proxy Statement Disclosures Among S&P 1500

CATEGORY	DISCLOSURE QUESTION	YEAR	S&P 500	S&P MIDCAP	S&P SMALLCAP
Audit Firm Evaluation / Supervision	Is there a discussion of criteria considered when evaluating the audit firm?	2018	46%	36%	32%
		2017	38%	28%	27%
		2016	34%	26%	25%
		2015	24%	25%	22%
		2014	8%	7%	15%
	Is the evaluation of the external auditor disclosed as at least an annual event?	2018	26%	17%	12%
		2017	21%	11%	8%
		2016	19%	10%	9%
		2015	15%	7%	7%
		2014	4%	3%	4%
	Is there a disclosure of significant areas addressed with the auditor?	2018	0%	1%	2%
		2017	0%	1%	2%
		2016	0%	1%	2%
		2015	1%	0%	1%
		2014	3%	2%	1%
Audit Partner Selection	Is it stated that the engagement partner rotates every five years?	2018	49%	20%	12%
		2017	46%	14%	10%
		2016	39%	10%	8%
		2015	26%	5%	5%
		2014	16%	3%	4%
	Is it explicitly stated that the audit committee is involved in selection of the audit engagement partner?	2018	52%	20%	10%
		2017	49%	14%	7%
		2016	43%	10%	6%
		2015	31%	5%	3%
		2014	13%	1%	1%





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