

# Effective communication between audit committees and external auditors

## Croner.CCH Group - The appointment, function and responsibilities of audit committees

External Auditing and Corporate Governance	
Problems	Problems
<ul style="list-style-type: none"> <li>Auditor dependency on nonaudit fees from major clients</li> <li>Performance of nonaudit services</li> <li>Auditors influenced by economic pressures</li> <li>Management hires, compensates, and fires auditors</li> <li>No proper communication with audit committees</li> <li>Do the minimum to meet GAAS</li> <li>Reduce the cost of audit</li> <li>Employment relationship</li> <li>Self-regulation of auditing profession</li> <li>Ineffective public oversight board</li> <li>Inadequate and ineffective disciplinary and monitoring process of the auditing profession</li> </ul>	<ul style="list-style-type: none"> <li>More restricted auditor independence</li> <li>Auditors not immune from economic pressures</li> <li>Regulatory framework for the auditing profession</li> <li>A five-member Public Company Accounting Oversight Board (PCAOB)</li> <li>PCAOB empowered to register, inspect, and review registered public accounting firms and impose disciplinary actions</li> <li>PCAOB responsible for issuing auditing, quality controls, and ethics standards</li> <li>More effective communication with the audit committee</li> <li>Non-audit services prohibited (bookkeeping, financial information system design and implementation, actuarial services, appraisal, management function, bookkeeping and investment advising, legal services, expert witness services)</li> <li>Issue of internal control over financial reporting (ICFR)</li> <li>Report on management's assessment of the effectiveness of ICFR</li> <li>Promotion of an integrated audit approach for audit of internal controls and financial statements</li> <li>Shareholder vote on the certification of the auditor</li> <li>Rotation of the lead and reviewing auditors every five years</li> </ul>

Description: -

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The committee does not have any management functions and cannot involve itself in management processes or procedures.

### How Internal Auditors Can Communicate Effectively With the Audit Committee

Services Outside the Scope of Practice of Auditors. Accordingly, each bank's audit committee should establish a mechanism, appropriate to the size and complexity of the bank, for employees to submit confidentially and anonymously concerns to the committee about questionable accounting, internal accounting control or auditing matters. The committee should undertake a proper selection and appointment process as part of appointing, or reappointing an auditor.

### Financial Reporting and Disclosure and External Audit

It was proposed March 29, 2010, and repropoed Dec. In this environment, coordination between auditors is one of the methods by which companies can improve their perceived trustworthiness.

### Importance of communication with management during audit of financial statement

To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. A culture where people can admit mistakes and learn from them was identified as the ideal.

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Guidance is provided to the committee as it approaches its task of appointing an external auditor through provision of a minimum standard audit specification and as it forms an opinion of the local government's internal audit requirements.

## **Overseeing Internal Audit: The Role of the Audit Committee**

In this regard, the audit committee should consider the independence guidance contained in the American Institute of Certified Public Accountants' Code of Professional Conduct and the broad principles that the auditor should not perform management functions or act as an advocate for the client. Local governments need to consider the Model to ensure that only those clauses applicable to its requirements are used. Any form of sampling, whether statistical or judgmental, is an application of a procedure to less than 100% of the population.

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