



CENTER FOR AUDIT QUALITY

Serving Investors, Public Company Auditors & the Markets

FOR IMMEDIATE RELEASE

March 18, 2008

Contact: Jeannie McPherson

202-609-8048, or

Jay Hyde

202-609-8057

Post-SOX Audit Quality Has Improved, Say Nation's Audit Committee Members

~~Respondents believe most SOX-related changes have had positive impact~~

Washington, D.C. – More than three-quarters of audit committee members who took part in a recent survey commissioned by the Center for Audit Quality (CAQ) rate overall audit quality “very good” or “excellent,” and 82 percent say it has improved in recent years.

The survey offers an unprecedented look at the views of key players in the fight against corporate fraud – corporate board members who oversee the preparation and auditing of public company financial statements. The findings indicate that even in the face of market turbulence, audit committee members have high confidence in the quality of audited financial statements and consider the Sarbanes-Oxley Act (SOX) a positive influence.

About 53 percent of the audit committee members agreed that overall audit quality is “very good,” while 25 percent described it as “excellent.” About 87 percent said the risk of inaccuracies in financial statements due to fraud is “not very high,” and 60 percent agreed that the risk declined after the passage of SOX. Audit committee members indicate they believe the risk of fraud and materially inaccurate statements is low due to tightened internal controls and increased external auditor scrutiny.

Nearly two-thirds (65 percent) agreed that investors should have more confidence in the markets as a result of the 2002 law.

“The findings confirm that public company audit quality is high and has only gotten better in recent years, according to the people closest to the process,” said CAQ Executive Director Cindy Fornelli.

(Page 1 of 3)

The views of audit committee members echo the results of a CAQ poll of investors last July. That survey found that 80 percent of investors had confidence in audited financial information, and 56 percent thought SOX was a good idea.

The CAQ periodically measures attitudes toward the capital markets as part of its mission to improve financial reporting and enhance investor confidence.

“The CAQ’s research tells us that Sarbanes-Oxley is working – for investors, for audit committee members and for our capital markets,” said Michele Hooper, co-founder of The Directors’ Council and one of three public members on the CAQ’s governing board. “We should always strive to do better when it comes to safeguarding the integrity of the markets, but it’s good to know that we’re making progress.”

Participants in the audit committee survey represented a broad range of publicly traded companies. All served on at least one audit committee in 2007. Six in 10 served on two or more audit committees, and half were committee chairs. About 56 percent began their service as audit committee members prior to enactment of SOX.

Overall, 58 percent of the audit committee members said changes resulting from SOX had a positive impact. They offered several reasons for the improvement, among them:

- Increased audit committee oversight -- 92 percent
- Requirements regarding internal controls -- 87 percent
- Better communication within audit committees -- 85 percent
- CEO/CFO sign-off on financial statements -- 81 percent
- Increased emphasis on quality by auditors -- 77 percent
- More rigorous audits -- 76 percent
- Audit committee oversight of auditors -- 76 percent

Nearly all of the audit committee members (99 percent) said they devote more time to their committee work as a result of SOX. About 90 percent said they work more closely with external auditors.

The audit committee members expressed mixed views on the efficacy of audited financial statements filed with the U.S. Securities and Exchange Commission (SEC). Although most described financial statements as “easily accessible” (81 percent) and “relevant to investors” (87 percent), 78 percent said they are too complicated.

Since 1972, the SEC has encouraged the establishment of audit committees, a committee of the board of directors of publicly held companies. The Sarbanes-Oxley Act of 2002 expanded the role of audit committees by increasing their responsibility and requiring them to limit their composition to independent directors. Audit committees are charged with monitoring the internal control processes, the hiring and firing of external auditors and overseeing the audit and financial reporting processes.

The Internet survey of 253 audit committee members was conducted between January 7 and February 20, 2008, by The Glover Park Group. The survey questionnaire and complete results are posted on the CAQ's Web site, <http://www.thecaq.org>.

#

The Center for Audit Quality (CAQ) is an autonomous public policy organization serving investors, public company auditors and the capital markets. The CAQ's mission is to foster confidence in the audit process and to aid investors and the markets by advancing constructive suggestions for change rooted in the profession's core values of integrity, objectivity, honesty and trust. Based in Washington, D.C., the CAQ is affiliated with the American Institute of Certified Public Accountants. For more information, visit www.thecaq.org.

(Page 3 of 3)

wwwTheCAQ.org
Affiliated with the American Institute of CPAs