SURVEY REPORT
ON
AUDIT COMMITTEE OVERSIGHT OF AUDITORS

THE BOARD
OF THE
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

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Executive Summary

In many jurisdictions, audit committees or their equivalents (collectively, "audit committees") play a key role in appointing external auditors and overseeing the conduct of audits, including oversight of auditor independence. In light of the role played by audit committees and the fact that it has been 10 years since IOSCO last completed a stock-taking exercise in this area, the Audit Quality Task Force ("AQTF") of the Board of the International Organization of Securities Commissions ("IOSCO") undertook a survey of its ordinary members to gain a better understanding of existing legal, regulatory and other requirements such as soft law requirements (e.g., self-regulatory codes) related to the audit committee's oversight of the auditor and the audit process of domestic, publicly listed entities in IOSCO member jurisdictions (the "Survey"). This report (the "Report") summarises the results of the Survey and is intended to inform interested stakeholders and IOSCO members about audit committee requirements in existence as of 31 December 2014 and could be used to help identify audit committee practices to improve audit quality.

General Findings of the Survey

The audit committee function plays a critical role in overseeing the audit process of publicly listed entities' financial reporting in many jurisdictions. This is demonstrated in the Survey response rates that indicated that 96 per cent of the responding jurisdictions require publicly listed entities to establish an audit committee, or other similar governance body. In total, responses were received from 47 jurisdictions, including 29 (62%) from members of IOSCO's Growth and Emerging Markets Committee, and 18 (38%) from developed capital markets. Geographically, 10 (21%) responses were received from the Inter-American region, 10 (21%) from the Asia-Pacific region, 22 (47%) from the European region, and 5 (11%) from the Africa/Middle-East region.[1] Attachment A includes a complete listing of respondents.

The following are key observations from the Survey.

Audit Committee Independence

At least one member of the audit committee is required to be independent of both the management of the publicly listed entity and the auditor in 100 per cent of responding jurisdictions, and 76 per cent of jurisdictions require a majority of audit committee members or all audit committee members to be independent.[2] Although 100 per cent of responding jurisdictions require that at least one member of the audit committee be independent, the manner by which the independence of an audit committee member is determined varies significantly among responding jurisdictions.

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1 Where responses to individual survey questions differed significantly (i.e., by GEM or developed markets, between the four geographic regions), separate discussion is included in the Report.

2 The reader should note that throughout the Report, the quoted percentages and graphs related to audit committee requirements have been presented based on 45 respondents, rather than 47, which excludes the two jurisdictions that do not have audit committee requirements. Percentages unrelated to audit committee requirements have been presented based on 47 respondents.

In 87 per cent of responding jurisdictions, the audit committee is not directly responsible for auditor selection; the auditor selection or auditor recommendation to the shareholders may be the responsibility of the board of directors more broadly, which may not be subject to the same independence requirements as the audit committee.

Audit Committee Special Skills or Experience

As businesses become more complex, globalized, and increasingly face new risks, the requisite skills needed by audit committee members have similarly increased. At least one audit committee member is required to have special skills or experience in 87 per cent of responding jurisdictions.

Audit Committee Assessment of Auditor Independence

Over 90 per cent of responding jurisdictions require that the audit committee be explicitly responsible for assessing the auditor's independence. One of the factors considered in this assessment is the provision of non-audit services to a publicly listed entity by its independent audit firm. There are restrictions on the types of non-audit services that may be provided to the publicly listed entity in 94 per cent of the responding jurisdictions; however, the methodology for determining which services are prohibited varies by jurisdiction. Some responding jurisdictions provide specific listings of prohibited non-audit services, whereas others base the decision on a more qualitative assessment as to the likelihood that provision of the service could affect the auditor's independence.

Audit Committee Assessment of Auditor Performance

A periodic assessment of auditor performance by the audit committee is required in 71 per cent of responding jurisdictions. The guidance provided to audit committees to consider in assessing auditor performance varies significantly by jurisdiction. It may be based on subjective criteria (e.g., audit committee's perception of audit quality), or it may require the use of more objective and detailed criteria (e.g., results of previous inspections by independent oversight bodies) to assess performance.

Auditor Communications to the Audit Committee

Communications from the auditor to the audit committee are required in 80 per cent of responding jurisdictions. The content and frequency of the required communications regarding an audit engagement are generally specified in the auditing standards adopted in a particular jurisdiction. In addition, in a number of jurisdictions, mainly within the European Union, auditor communications to audit committees are also regulated in statutes or other regulations. The communications usually cover a wide variety of matters from audit planning through audit execution, to key findings and conclusions made by the auditor.

Transparency Reporting

Transparency reporting is a tool employed by certain audit firms to communicate to investors and stakeholders with respect to audit firm governance and elements of the audit firm's system of quality control for their audits. Transparency reporting can foster internal introspection and discipline within audit firms and may encourage audit firms to sharpen their focus on audit quality. Requirements that audit firms provide transparency reporting exist in 61 per cent of countries with developed capital markets, while 15 per cent of growth and emerging market jurisdictions have this requirement.

Shareholder Vote and Reporting to Shareholders

Shareholders continue to have interest in understanding the role and performance of the auditor and many jurisdictions have required reporting from the auditor and the audit committee. In addition, an active involvement by shareholders is evident in that 79 per cent of responding jurisdictions require a shareholder vote on auditor selection. However, fewer responding jurisdictions (49 per cent) require that audit committees report to shareholders on their process for and results of oversight of the auditor.

Comparison to 2004 Survey Results[3]

There have been notable increases in the role and responsibility of the audit committee related to auditor oversight since IOSCO's 2004 stock-taking of audit committee requirements. Overall, the frequency with which responding jurisdictions reported the existence of an audit committee increased significantly since 2004. There have been changes in the composition of the audit committee as well as increases in the number of members that are required to be independent of the entity and the auditor, as well as enhancements in the specific skills or experience of audit committee members.

Survey results indicate that audit committees have increased their role in assessing auditor independence since the 2004 Survey. The number of responding jurisdictions reporting restrictions on the performance of certain non-audit services has increased; however, the nature of these restricted non-audit services has remained consistent since the 2004 Survey. Audit committees have similarly increased their role in initial selection and subsequent re-appointment of the auditor and determination of the audit fee.

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Additional discussion of Survey findings follows in Sections A and B of this Report.

Throughout the Report, several observations and percentages of responding jurisdictions are provided. This Report does not propose a common international approach to the oversight of the auditor or the audit process. Any information provided is for informational use only by the reader and should not be interpreted as an endorsement of any particular view or approach of IOSCO.

[3] As noted in the Survey Methodology section, IOSCO developed a survey on regulation and oversight of auditors (the "2004 Survey"). The objective of the current survey was not to present trend data related to audit committee oversight of auditors, but rather to present the results as of a point in time (i.e., 31 December 2014). Nevertheless, where the same question was asked in the 2004 Survey and the current survey, the comparable results are presented. It is important to note that given the differences in respondents to the two surveys, the reader should not interpret percentage changes as a precise trend analysis. Please see the Survey methodology section for more information regarding the 2004 Survey.

Survey Methodology

The IOSCO AQTF developed a comprehensive survey questionnaire to request information from IOSCO members regarding the establishment and composition of the audit committee, its relationship to the board of directors, and audit committee responsibilities for oversight of the external auditor, the auditor's independence, and audit performance. The Survey requested information on the role of the audit committee in overseeing the audit and the auditor rather than the complete scope of work that audit committees may perform.

The Survey questionnaire focused on requirements for domestic, publicly listed entities in each IOSCO ordinary member jurisdiction. Certain responding jurisdictions indicated that the requirements related to the establishment, composition, and performance of audit committees may differ based on the demographics of the publicly listed entity. The most common distinctions among publicly listed entities that affect the requirements related to audit committees include the size of the entity, whether it is a foreign or domestic entity, or whether it is a financial or insurance institution (Source: Survey Questions Section, Question 3). Where such differences exist within a jurisdiction, respondents were asked to complete the Survey for the predominant group of listed entities determined by market capitalization. If multiple responses were received from jurisdictions for distinct groups of publicly listed entities, only the response for the predominant group of publicly listed entities is reflected in the Report.

The scope of the Survey was audit committee requirements in force as of 31 December 2014. The extent of the Survey included legal, regulatory, and other requirements such as soft law requirements (e.g., self-regulatory codes). Where common practice differed from the legal requirements, respondents were asked to complete the Survey based on the existing legal requirements as of 31 December 2014 rather than practice. The exact form of a listed entity's governance structure and the roles that any individual governance bodies perform in relation to the external auditor may vary. For ease of reference, the term "audit committee" is used throughout the Report to refer to any governance body or bodies with responsibilities for overseeing the external audit and auditor of a publicly listed entity, regardless of whether they have that title.

The Survey questionnaire was sent to all ordinary members of IOSCO. The ordinary members of IOSCO are chiefly the securities regulators in jurisdictions around the world. In total, the Survey was sent to IOSCO members in 125 jurisdictions and 47 responses to the Survey were received. Of these 47 responding jurisdictions, 22 are members of the IOSCO Board. The jurisdictions that submitted responses to the questionnaire are listed in Attachment A of this Report. The questionnaire that was used to conduct the Survey is included as Attachment B.

IOSCO's Previous Work on Oversight of Auditors

In 2004, in response to widespread interest in the conduct and quality of audits and in oversight of auditors, IOSCO, in cooperation with a group of other international organisations, developed a survey on regulation and oversight of auditors (the "2004 Survey")[4]. One of the specific goals of the 2004 Survey

[4] See http://www.iosco.org/library/pubdocs/pdf/IOSCOPD199.pdf for the survey report published in April 2005.

was to obtain a point-in-time description of the structures and processes in place in 2004 for regulation and oversight of auditing around the world to serve as baseline information for regulators and oversight bodies and other organisations that work to enhance auditor oversight and international audit quality. The 2004 Survey noted that the overall picture was one of a mixed and changing landscape of auditor oversight arrangements and that many variations existed in the approaches, structures, and methodologies in member jurisdictions. Throughout the Report, comparisons are provided between the results of the 2004 Survey and the current Survey, where appropriate. [5]

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5 The reader should note that the populations of respondents to the 2004 Survey and the current Survey differ to some extent. Of the 47 respondents to the current Survey, 32 also provided input to the 2004 Survey which in total was responded to by 59 jurisdictions. The percentages of responding jurisdictions provided throughout the survey are based on 100 per cent of the jurisdictions who responded to specific questions in each Survey. Accordingly, a change in percentages since 2004 should not be interpreted by the reader as a precise trend analysis given the difference in the profile of the respondents; however, the information is provided to indicate an overall change in the status of important matters at the time of both surveys.

Survey Respondent Demographics

The Survey questionnaire solicited demographic information from respondents regarding the degree of market development and the existence and role of an independent audit oversight body in each respondent's jurisdiction.

Geography and Degree of Market Development

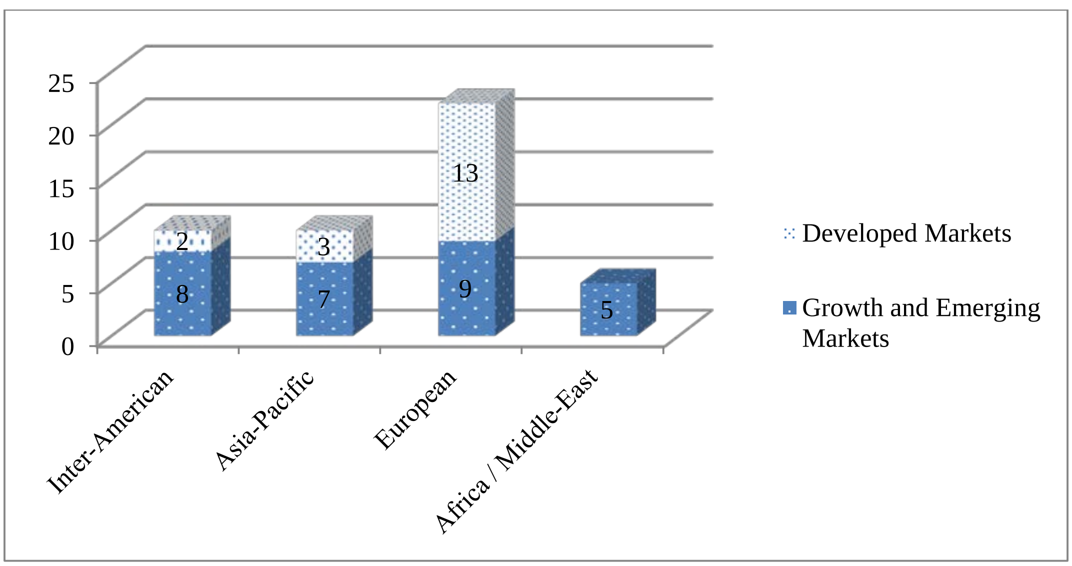
Responses to the Survey were received from respondents from a number of different geographic regions where regulators oversee markets of varying size and varying degrees of development. Some Survey findings have been analysed and presented by type of IOSCO member jurisdiction according to whether the IOSCO member is considered a developed capital market, or whether the responding IOSCO member is a member of the IOSCO Growth and Emerging Markets ("GEM") Committee.

Throughout the Survey, where information is presented according to geographic region, it has been done so consistently with the four IOSCO Regional Committees: Inter-American Regional Committee, Asia-Pacific Regional Committee, European Regional Committee, and Africa/Middle-East Committee.

A complete listing of respondents to the Survey, whether those respondents are a member of the GEM Committee, and also the respondents' geographic region, is included at Attachment A. Where responses to individual survey questions differed significantly (i.e., GEM or developed markets, between the four geographic regions), separate discussion is included throughout the remainder of the Report in the relevant sections.

Figure 1 provides the breakdown of respondents by both geographic region and degree of market development.

Figure 1. Geographic Regions and Degree of Market Development of Respondents



(Source: Jurisdiction Profile Information Section)

In total, responses were received from 47 jurisdictions, including 29 (62%) from GEM members, and 18 (38%) from developed markets. Geographically, 10 (21%) responses were received from the Inter-American region, 10 (21%) from the Asia-Pacific region, 22 (47%) from the European region, and 5 (11%) from the Africa/Middle-East region.

Independent Audit Oversight Body

IOSCO believes that auditors should be subject to adequate levels of oversight. (*IOSCO Objectives and Principles of Securities Regulation: Principle 19*) Effective oversight of those performing audit services is critical to the reliability and integrity of the financial reporting process, and helps reduce the risks of financial reporting and auditing failures in the public securities market. The ultimate purpose of such oversight is to protect the interests of investors and further the public interest in the preparation of informative, true, fair, and independent audit reports.

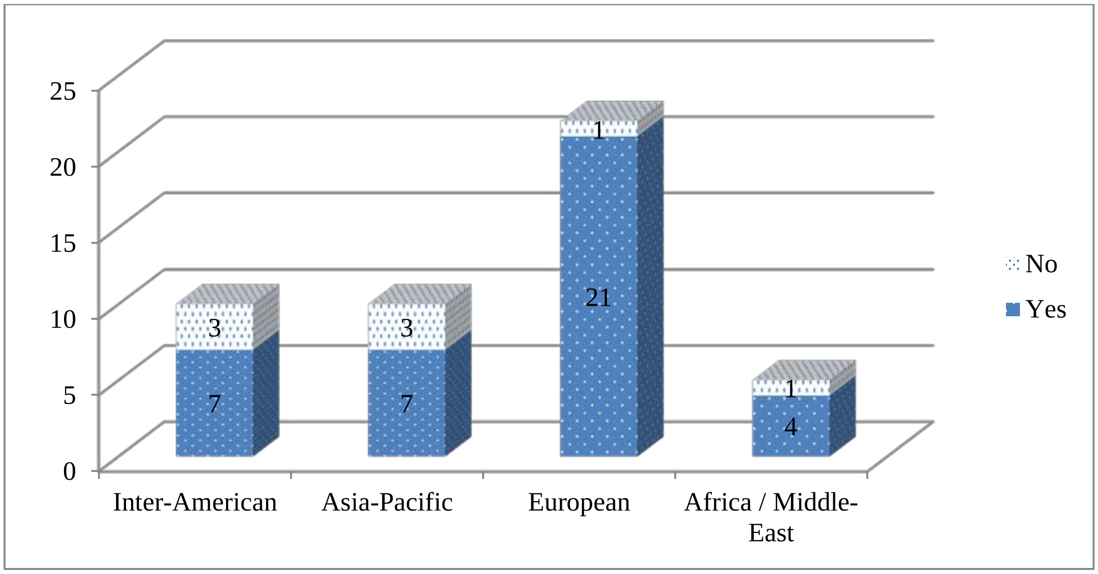
There are benefits to an auditor oversight system that is not based exclusively or predominantly on self-regulation. Oversight of auditors can occur in several ways, including within audit firms, by professional organisations and public or private sector oversight bodies, and through independent regulatory as well as government oversight. Within a jurisdiction, auditors should be subject to oversight by a body that acts, and is seen to act, in the public interest. (*IOSCO Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation*)

A mechanism often exists that requires auditors to be subject to the discipline of an auditor oversight body that is independent of the audit profession. If a professional body acts as the oversight body, often this professional body is overseen by an independent body. Such an auditor oversight body should be seen as acting in the public interest. (*IOSCO Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation*)

The objective of the Survey was to better understand the role of the audit committee, in particular its aspects of overseeing the external audit and external auditors; however, information related to the existence of a formal independent audit oversight body was solicited from respondents since an independent audit oversight body can enhance effective oversight of the audit and the auditor.

Figure 2 provides a breakdown of responding jurisdictions by region that reported the existence of a national audit oversight body that is independent of the auditing profession.

Figure 2. Independent Audit Oversight Bodies

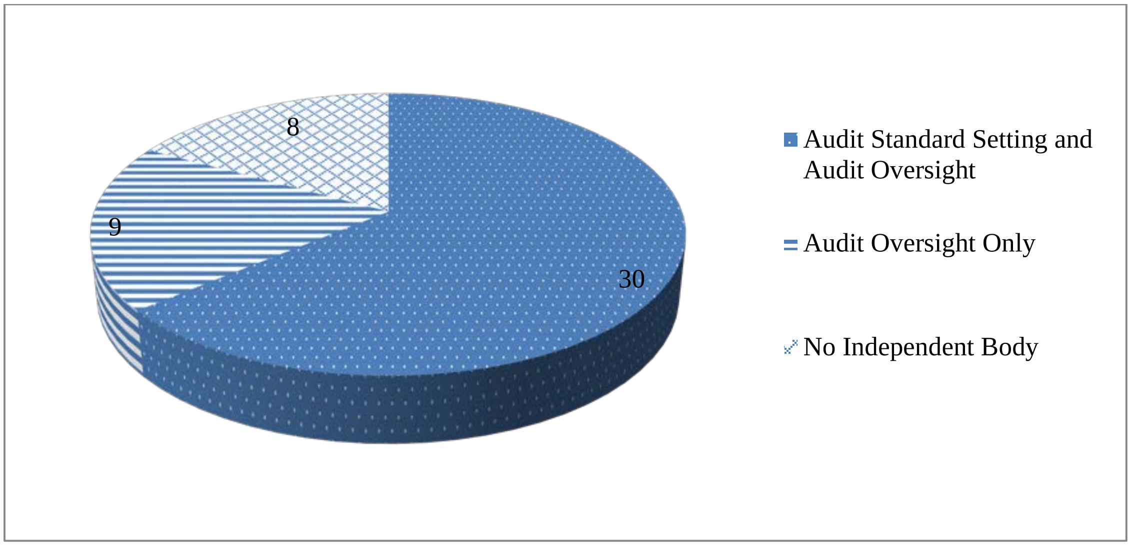


(Source: Jurisdiction Profile Information Section, Question B)

Formal oversight bodies that are independent of the auditing profession exist in 83 per cent of responding jurisdictions. This represents an increase from 67 per cent reported in connection with the 2004 Survey. IOSCO GEM members reported that an independent audit oversight body existed in 76 per cent of responding jurisdictions, as compared to 94 per cent of the respondents from developed markets. An independent audit oversight body exists in 70 per cent of the responding jurisdictions from the Inter-American region, compared to 70 per cent of the Asia-Pacific region, 95 per cent of the European region, and 80 per cent of the Africa/Middle-East region.

The scope of responsibilities of the independent audit oversight bodies varies among the responding jurisdictions. Figure 3 provides a breakdown of those responsibilities.

Figure 3. Independent Audit Oversight Body Responsibilities



(Source: Jurisdiction Profile Information Section, Question B)

Of the 39 responding jurisdictions reporting the existence of an independent audit oversight body that is independent of the auditing profession, 9 reported that the oversight body is responsible only for oversight of audits (e.g., inspection of audits), as compared to 30 jurisdictions that reported responsibilities for oversight of audits as well as audit standard setting. Of the jurisdictions reporting the existence of an independent audit oversight body, no jurisdictions reported responsibility for oversight of audit standard setting alone, without the additional responsibility to oversee audits. An independent audit oversight body does not exist in 8 responding jurisdictions.

IOSCO believes that audit standards should be of a high and internationally acceptable quality. (*IOSCO Objectives and Principles of Securities Regulation: Principle 21*) Many responding jurisdictions apply International Standards on Auditing ("ISAs") as issued by the International Auditing and Assurance Standards Board (the "IAASB"), or with some modifications thereto. In those jurisdictions, there is often an organisation independent of the auditing profession (often governmental) that endorses or adapts the ISAs for use in the local jurisdiction; however, that organisation does not write the standards. In these such instances, the independent audit oversight body of the responding jurisdiction has been presented in Figure 3 as having responsibility for both audit standard setting and audit oversight.

Survey Results

Section A – Audit Committee Requirements

Section A.1 – Audit Committee Existence

Of the 47 responding jurisdictions, 45 (96%) require that there be an audit committee, or other corporate governance structure separate from executive management, to oversee the financial reporting process and external audits[6] (Source: Survey Questions Section, Question 1). This body acts in the interests of investors and has responsibility for overseeing the external auditor of a publicly listed entity. The two responding jurisdictions that reported no requirements related to audit committees or similar bodies responded that there is legislation coming into effect in the near term that will require domestic publicly listed entities to establish an audit committee (Source: Survey Questions Section, Question 5). Both of these jurisdictions are located in the Inter-American region. The number of jurisdictions that require audit committees or similar bodies has increased significantly since the 2004 Survey that identified such requirements in approximately 55 per cent of the responding member jurisdictions.

[6] The reader should note that throughout the Report, the quoted percentages and graphs related to audit committee requirements have been presented based on 45 respondents, rather than 47. This excludes the two jurisdictions that do not have audit committee requirements. Percentages unrelated to audit committee requirements have been presented based on 47 respondents.

Section A.2 – Audit Committee Composition

Requirements for Audit Committee Independence

The importance of an audit committee's independence from the publicly listed entity's management, in both fact and appearance, is acknowledged in the IOSCO Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation. At least one audit committee member is required to be an independent non-executive director in 100 per cent of responding jurisdictions, although there is a spectrum of the required number of such directors varying from "all" in some jurisdictions to "at least one" in others. Certain jurisdictions responded that the required number of independent non-executive directors may vary depending on the governance structure of the publicly listed entity (e.g., one-tier versus two-tier boards). (Source: Survey Questions Section, Question 12) These results represent a change from the 2004 Survey which found that approximately 85 per cent of the responding jurisdictions required audit committees to have at least some independent non-executive directors.

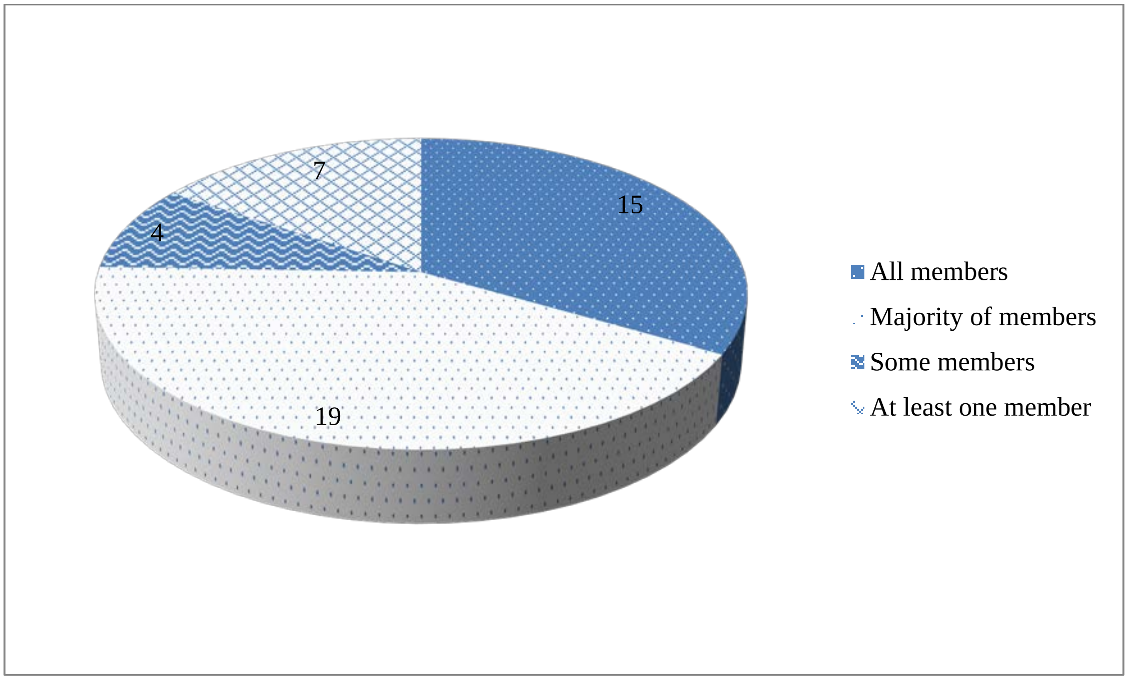
Restrictions related to former auditors participating on the audit committee of his or her former audit client were reported by 58 per cent of responding jurisdictions. Periods of one to five years were often reported as a sufficient amount of time after which a former auditor could become an audit committee member of the entity that he or she formerly audited, with two years being the most frequently cited length of time for a "cooling off period". (Source: Survey Questions Section, Question 11)

Supplementally, one responding jurisdiction also noted additional independence requirements including, among others, departure from and financial separation from the audit firm before becoming an audit committee member at an audit client. This same responding jurisdiction noted that its stock exchange listing rules require that the publicly listed entity itself establish clear hiring policies for employees or former employees of the independent auditor, whereas a small number of other jurisdictions noted that such restrictions exist only in the auditing and ethics standards applied to independent auditors.[7]

Figure 4 illustrates the requirements for audit committee members to be independent non-executive directors.

[7] Throughout the Report, relevant supplemental information provided by jurisdictions has been included to reflect the complete results of the survey and provide additional information to the reader of the Report. However, reporting of this supplemental information provided by certain jurisdictions is not intended to be interpreted as an all-inclusive survey of jurisdictions, as the same circumstances may exist in other jurisdictions, but was not solicited as part of the Survey questionnaire.

Figure 4. Requirements for Audit Committee Members to be Independent Non-Executive Directors



(Source: Survey Questions Section, Question 12)

<u>Considerations for Determining Audit Committee Independence</u>

Responding jurisdictions require consideration of differing criteria when determining independence for purposes of serving on a publicly listed entity's audit committee. Certain jurisdictions noted the existence of objective independence tests (e.g., share ownership percentage) while others noted that the test is of a more subjective nature (e.g., independent of management and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interest of a publicly listed entity).

While not an all-inclusive list, examples of relevant considerations for determining independence of an audit committee member provided by the responding jurisdictions include:

- The audit committee member may not have a direct or indirect material relationship with the listed entity. This relationship may be defined differently by different jurisdictions. For example, audit committee members may not be a majority shareholder of the company, hold over 1 per cent (or 5 per cent) of the shares outstanding, hold a significant interest in the publicly listed entity, or be one of the top ten shareholders.
- The audit committee member may not have been an executive officer, employee, director, supervisor, or business or accounting advisor of the company or its affiliates for a specified period of time (e.g., 2 to 10 years) before becoming an audit committee member.

- The audit committee member may not serve in the capacity of management or make business decisions on behalf of the entity.
- The audit committee member may not have an immediate family member who i) is a senior employee of the entity, ii) is a current partner of the independent audit firm, iii) is a current employee of the independent audit firm and personally works on the listed company's audit, or iv) was within the last three years a partner of the independent audit firm.
- Audit committee members may not undertake any business of the same nature and in competition with the business of the listed entity.

In addition, certain jurisdictions also noted term limits for audit committee members (or only for the chair of the audit committee in certain jurisdictions) with limits ranging from six to 12 years, some allowing for an additional term after a two-year period of not serving as an audit committee member. (Source: Survey Questions Section, Question 12)

Audit Committee Skills or Expertise

As businesses become more complex, globalized, and increasingly face new risks, the breadth and complexity of the audit committee responsibilities similarly continues to increase. As noted throughout the Report, these responsibilities often include requirements for the audit committee to oversee the audit and the auditor. These requirements imposed on audit committees are often times not accompanied by prescribed guidance on how to execute these responsibilities. (Source: Survey Questions Section, Question 6) However, many jurisdictions have requirements for the skills or experience necessary to enable audit committee members to execute their important responsibilities.

More specifically, 87 per cent of responding jurisdictions responded that one or more member(s) of the audit committee must possess special skills or experience. This represents an increase from approximately 59 per cent as reported under the 2004 Survey. The specific skills or experience required varied among responding jurisdictions. Some require expertise and/or experience in accounting or finance, while others require that audit committee members have only an ability to read and understand basic financial statements. Supplementally, a small number of respondents also indicated that audit committee members are required to possess knowledge of auditing in addition to accounting and finance.

Responses varied among the responding jurisdictions as to whether the requirement for special skills or experience applied to at least one member, several members, or all members of audit committees. A small number of jurisdictions noted that incremental requirements apply to the chair of the audit committee only. (Source: Survey Questions Section, Question 10)

Section A.3 – Source of Audit Committee Requirements

It is not uncommon for IOSCO member jurisdictions to implement corporate governance structures that, while intended to achieve similar objectives, are designed differently to meet the specific needs of each member jurisdiction. Similar to this varied approach that is often observed across member jurisdictions, the requirement for such a governance body at publicly listed entities originates from varying sources, including legislation, government agency regulations, exchange rules, or a combination thereof. (Source: Survey Questions Section, Question 2)

Some responding jurisdictions noted the existence of "best practices" documents that are used as guidelines by publicly listed entities in establishing audit committees and the manner in which they should operate. In certain jurisdictions, the guidance in these best practices documents is expected to be followed by publicly listed entities, and when the entity does not comply with such guidance, they are required to explain the reasons therefore. Other jurisdictions reported that compliance with best practices guidance is encouraged; however, there are no specified ramifications if an entity does not comply.

Governance structures at publicly listed entities vary by jurisdiction. Some respondents prescribe the use of boards of directors ("one-tier" boards) while others also have boards of supervisors ("two-tier" boards). Many jurisdictions report audit committees that operate under delegated authority from a publicly listed entity's board. (Source: Survey Question 9)

<u>Section B – Audit Committee's Role and Requirements to Oversee the Audit and the Auditor</u>

Section B.1 – Auditor Eligibility Determination

IOSCO believes that auditors should be independent of the issuing entity that they audit (*IOSCO Objectives and Principles of Securities Regulation: Principle 20*). The investing public's perception of the credibility of financial reporting by publicly listed entities is influenced significantly by the perceived effectiveness and independence of external auditors in examining and reporting on financial statements. A fundamental element of this public confidence is that external auditors operate, and are seen to operate, in an environment that supports objective decision-making on all issues having a material effect on the listed entity's financial statements. For this to happen, auditors must be independent of the entities they audit, in both fact and appearance. (*IOSCO Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation*)

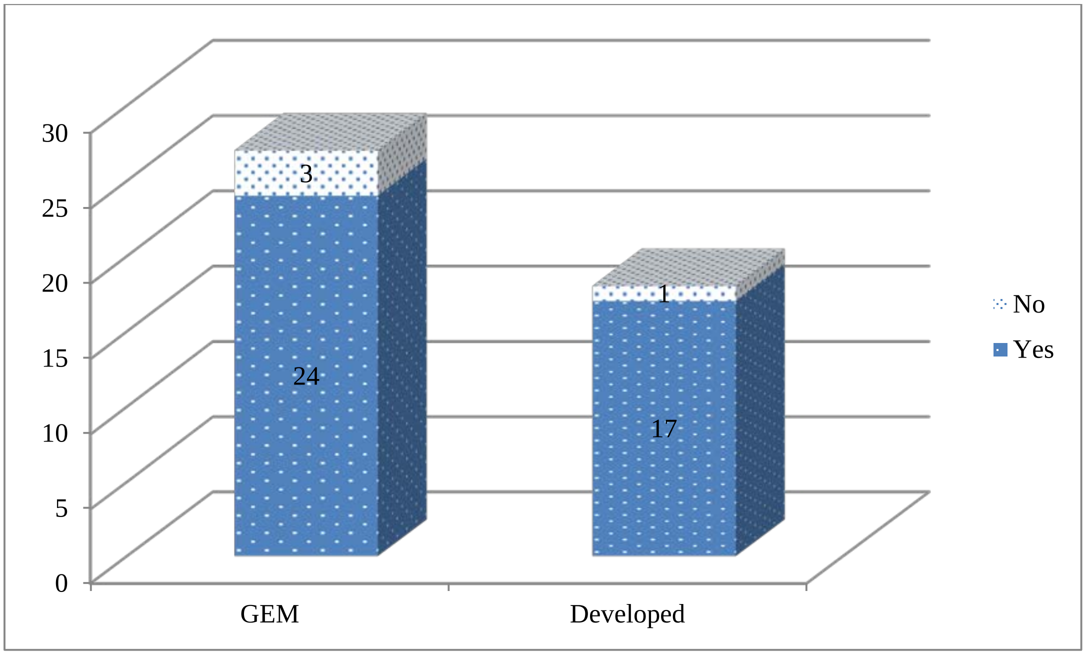
Because publicly listed entities often utilise professional services firms for services beyond external audit, there could be instances where one specific firm or several firms may be considered ineligible to participate in the tender of the external audit, limiting the choices of an external auditor for a publicly listed entity for a specific time period. Although respondents indicated that there is a multitude of additional factors to consider when selecting the external auditor (e.g., presence of appropriate resources), those factors would be considered as part of the selection process following the initial determination of whether the firm is independent of the entity.

Section B.1.a – Auditor Independence

In over 90 per cent of the responding jurisdictions, the audit committee is explicitly responsible for assessing auditor independence. In the small number of jurisdictions where such an explicit requirement does not exist, there is an implicit expectation that independence will be considered as part of the audit committee's considerations related to auditor selection and re-appointment. These results represent a fairly significant change as compared with the 2004 Survey which found that audit committees were held responsible for assessing independence of the company's auditors in only about 75 per cent of the responding jurisdictions.

Figure 5 provides the breakdown of audit committee responsibility for assessing auditor independence between GEM and developed markets.

Figure 5. Audit Committee Responsibility for Assessing Auditor Independence



(Source: Survey Questions Section, Question 16)

For audit committees that have a responsibility to assess auditor independence, a majority of jurisdictions reported that this is required when the auditor is originally appointed and also upon the re-appointment of the auditor. A small number of jurisdictions noted that the independence assessment by the audit committee is required on an ongoing basis, rather than solely upon selection and re-appointment. Further, a small number of jurisdictions noted that while a requirement does exist for the audit committee to assess the auditor's independence, it does not mandate when this assessment should be made. One responding jurisdiction noted supplementally that independence is the responsibility of the audit firm; however, the board of directors may be held liable if it proposes a non-independent audit firm to the shareholders or if it knowingly tolerates a non-independent firm. (Source: Survey Questions Section, Question 16)

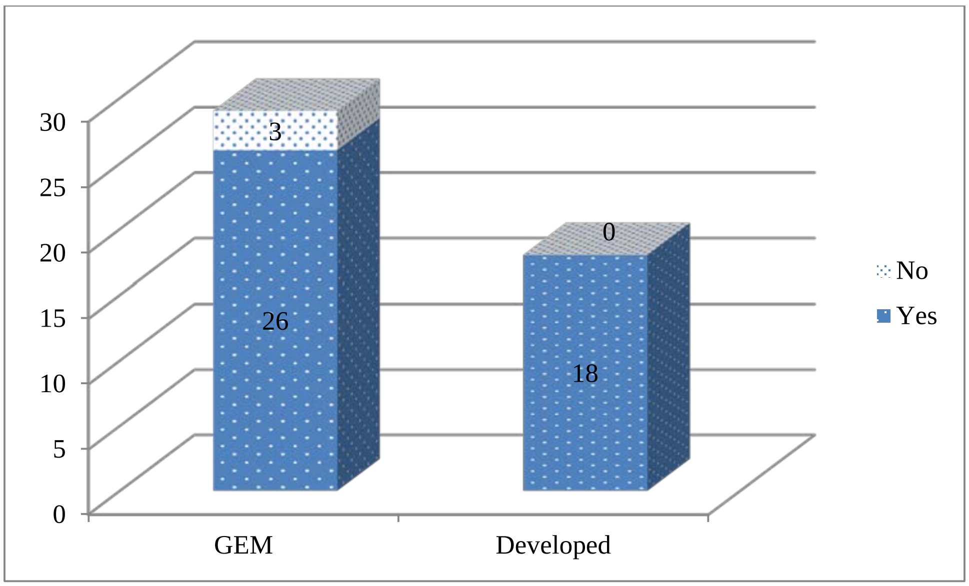
Because auditor independence is also a responsibility of the auditor, in a majority of jurisdictions auditors are required to confirm in writing to the audit committee that they are independent in accordance with applicable standards upon original selection and also upon annual re-appointment. Many jurisdictions noted that there is a requirement within the applicable auditing standards that the auditor report to the audit committee whenever there are threats to the auditor's independence, including reporting the related safeguards to protect the auditor's independence. One responding jurisdiction supplementally noted that a written statement regarding independence is not required to be provided to the audit committee; however, such a written statement must be provided to the directors for inclusion within the directors' reporting to shareholders. (Source: Survey Questions Section, Question 17)

Section B.1.b – Non-Audit Services

Considerations related to auditor independence typically include the nature of the services provided by the auditor to the publicly listed entity. In nearly all (94%) of the responding jurisdictions, there are prohibitions on certain non-audit services that a publicly listed entity's auditor may provide to the entity. This represents an increase from the 66 per cent reported in connection with the 2004 Survey. The reason most frequently reported for restricting the type of services provided by an auditor was to avoid potential impairments of the auditor's independence that might occur as a result of the auditor auditing his or her own work, or providing an opportunity for the auditor to act in his or her own self-interest.

Figure 6 provides the breakdown of responding jurisdictions that have prohibitions on certain non-audit services between GEM and developed markets.

Figure 6. Prohibitions on Certain Non-Audit Services



(Source: Survey Questions Section, Question 7)

A majority of jurisdictions responded that there are specific services that are prohibited from being provided by an auditor. Several responding jurisdictions also noted that, in addition to a listing of specific prohibited services, there is an overriding principle within the jurisdiction prohibiting services that could impair the auditor's independence or create a conflict of interest. The most commonly noted restricted services that are not allowed to be performed by the auditor are:

- bookkeeping or other services related to the accounting records of the company;
- preparation of the financial statements;
- appraisal or valuation services;
- information technology systems design and implementation services;
- actuarial services;
- internal audit outsourcing services;

- certain tax services;
- corporate finance services such as dealing in or underwriting the entity's or a related entity's securities, advising the entity on corporate finance matters, making investment decisions on behalf of the entity, executing transactions to buy or sell the entity's investments, or having custody of assets of the entity or a related entity;
- human resources functions, including recruitment of senior management for financial or administrative functions, or members of the board of directors; and
- expert services such as litigation support for the purposes of advocating a client's position.

The types of restricted services listed above are largely consistent with the restricted non-audit services reported in connection with the 2004 Survey.

One jurisdiction supplementally noted that auditors of public interest entities (including publicly listed entities) are required to report to a regulatory body if the non-audit fees exceed audit fees by a certain ratio. The regulatory body may then initiate an inspection to ensure compliance with applicable independence rules. Another jurisdiction supplementally noted that its corporate governance code states that auditors preferably should not also provide non-audit services; however, if such services are provided, the fee for such services should not exceed 30 per cent of the total fees charged by the auditor. Another jurisdiction supplementally noted that if an audit firm generated 15 per cent of its revenue in each of the previous five years from one individual public interest entity (including publicly listed entities), then that audit firm is prohibited from continuing to audit that public interest entity.

One jurisdiction supplementally noted that it is a rebuttable presumption that services related to information technology systems, actuarial services, valuation services, and internal audit will become subject to audit procedures and are therefore prohibited from being provided by the auditor. Another jurisdiction supplementally noted that the auditor is prohibited from providing any non-audit services to the entity and its affiliates.

In a majority of jurisdictions where certain non-audit services are allowed to be provided by the external auditor, the audit committee is required to approve such services. This represents a change from the 2004 Survey which found that less than half of the responding jurisdictions required audit committee approval of the non-audit services provided by the auditor. Some respondents noted that in such situations, the audit committee is required to approve non-audit services in advance of their performance. Other jurisdictions noted that non-audit services are considered by the audit committee when assessing auditor independence; however, the performance of those services is not required to be pre-approved.

One responding jurisdiction supplementally noted that the authority to pre-approve non-audit services can be delegated to one or more independent members of the audit committee and that if such services are pre-approved, they must be presented to the entire audit committee at its first meeting following the pre-approval. A small number of jurisdictions require that the company establish a policy allowing certain non-audit services to be pre-approved and that the policy is required to be considered by the audit committee during its assessment of non-audit services. One jurisdiction noted that a detailed description of non-audit services provided by the auditor, including the nature and the fee, should be disclosed in the company's annual report.

Several respondents supplementally noted that the audit committee considers the total fees related to non-audit services in determining whether to approve such services. Certain jurisdictions noted that there are objective criteria used to assess the fee (e.g., non-audit services fee should be less than five per cent of the total audit fee or the non-audit services fee should be no more than the total audit fee), while other jurisdictions noted that the fee should be assessed subjectively when considering whether the fee was of such significance that it could affect the auditor's independence. (Source: Survey Questions Section, Questions 7 and 8)

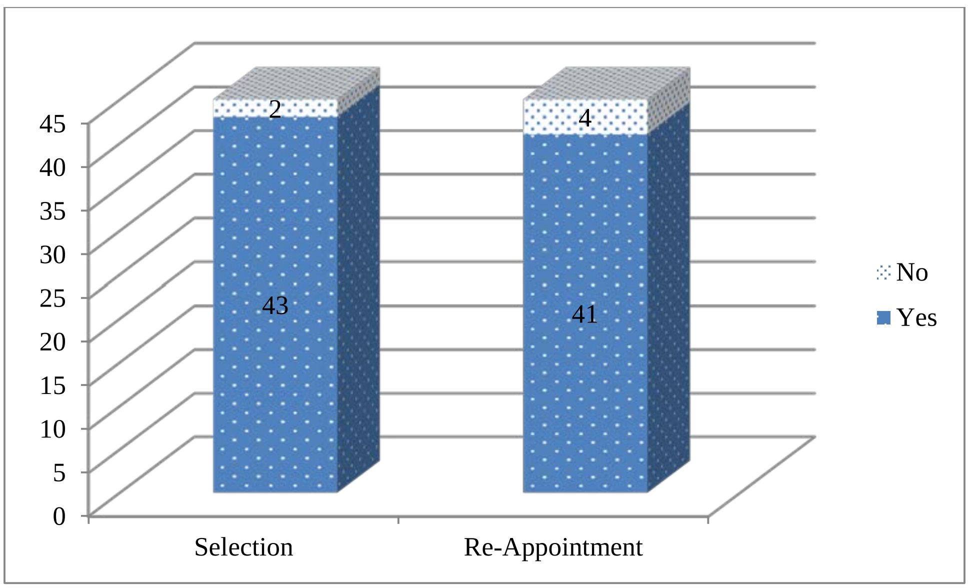
Section B.2 – Selection of the External Auditor and Fee Determination

<u>Audit Committee Involvement in Selection and Re-Appointment of the Auditor</u>

The audit committee is involved in the initial selection and the subsequent re-appointment of the external auditor in 96 per cent and 91 per cent of the responding jurisdictions with audit committee requirements, respectively. This represents a significant change from the results of the 2004 Survey which found that audit committees oversaw the selection and appointment of auditors in only about 42 per cent of the responding jurisdictions at that time. The audit committee's role in this process varies across jurisdictions, but often includes a process by which the audit committee considers factors such as independence, qualifications of the audit firm, composition of the engagement team, non-audit services provided by the firm, the appropriateness of the audit fee, and terms of the engagement.

Figure 7 provides an overview of the requirements for the audit committee to be involved in the selection and re-appointment of the auditor.

Figure 7: Audit Committee Involvement in Auditor Selection and Re-Appointment



(Source: Survey Questions Section, Question 13)

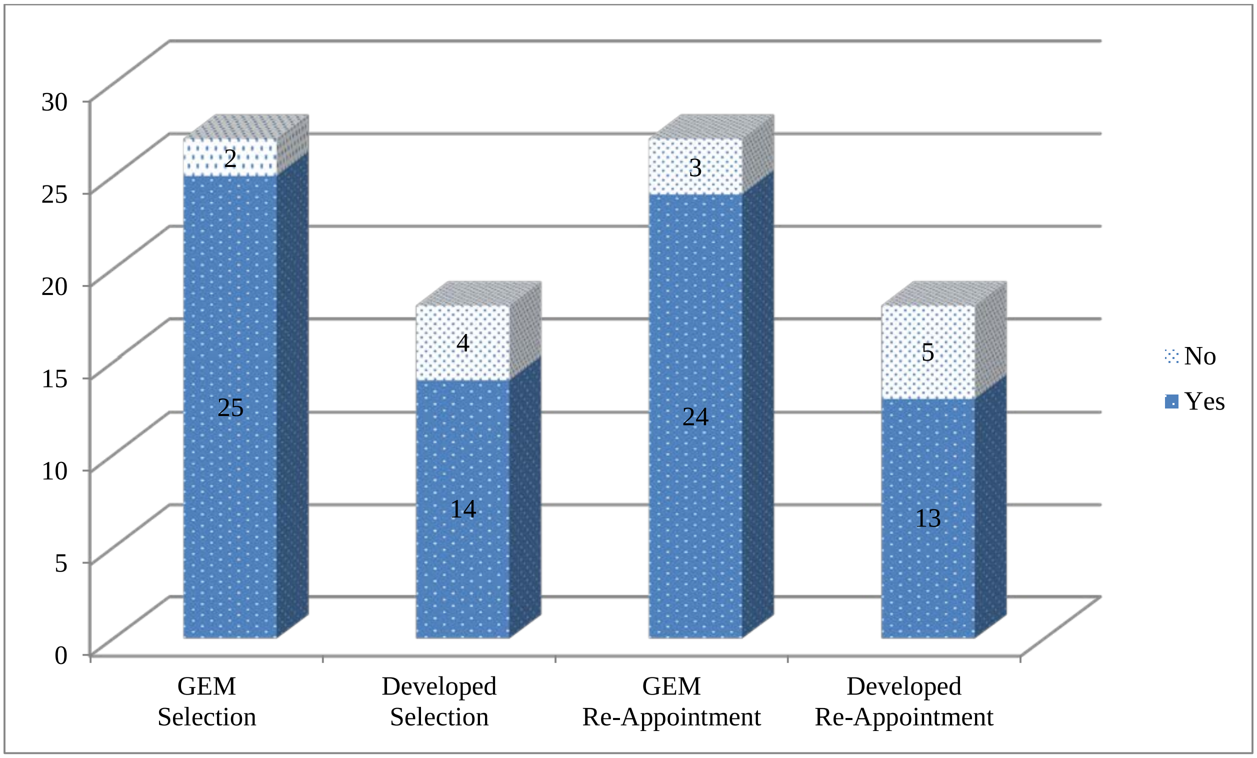
<u>Audit Committee Requirement to Recommend Selection and Re-Appointment of the Auditor to the Board of Directors</u>

The audit committee is required to *recommend* the selection and re-appointment of the auditor to the board of directors (or equivalent body) in 87 per cent and 82 per cent, respectively.

Audit committees are required to recommend auditor selection to the board of directors (or equivalent body) in 93 per cent of responding GEM jurisdictions and in 78 per cent of responding developed markets. Audit committees are required to recommend auditor re-appointment to the board of directors in 89 per cent of responding GEM jurisdictions and in 72 per cent of responding developed markets.

Figure 8 provides an overview of the requirements for the audit committee to recommend to the board of directors the selection or re-appointment of the auditor, respectively, by GEM and developed markets.

Figure 8: Requirement for Audit Committee to Recommend Auditor Selection and Re-Appointment to Board of Directors



(Source: Survey Questions Section, Question 14)

One responding jurisdiction noted supplementally that the audit committee, in its capacity as a committee of the board of directors, has the *direct* responsibility for the selection and re-appointment of the auditor. Another responding jurisdiction noted that the audit committee itself does not recommend or propose the selection of the auditor, but rather issues an opinion on the proposal to the board of directors regarding the selection of the auditor. (Source: Survey Questions Section, Question 14)

As reflected in Section A.2 of the Report, 100 per cent of responding jurisdictions require at least some audit committee members to be independent of the publicly listed entity's management and the auditor. As stated above in this Section B.2, 87 per cent of responding jurisdictions do not require the audit committee to be directly responsible for auditor selection. In these jurisdictions, this responsibility may be that of the board of directors more broadly or that of shareholders. The Survey questionnaire used to develop this Report did not include additional questions regarding the level of independence of the board of directors, beyond the members that are also a part of the audit committee. Additionally, the Survey questionnaire did not solicit information as to the protocol in the event of the board of directors' rejection of the audit committee's recommendation of the auditor to the board of directors.

Shareholder Involvement in Selection and Re-Appointment of the Auditor

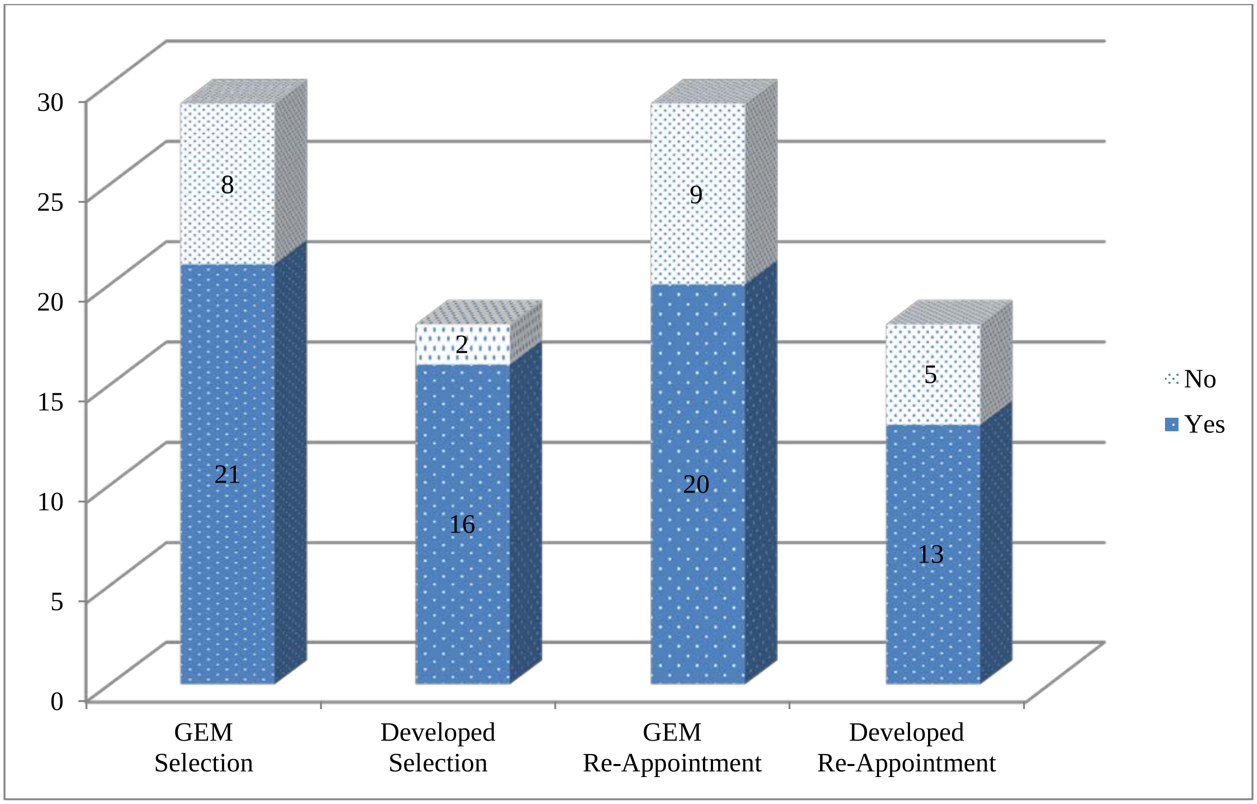
A shareholder vote is required for the selection of the auditor and the re-appointment of the auditor in 79 per cent and 70 per cent of responding jurisdictions, respectively. In one of the jurisdictions in which shareholder vote is not technically required by law for the selection or re-appointment of auditors, companies can voluntarily seek a non-binding ratification of the selected auditor. In another jurisdiction, although there is no legal requirement, a shareholder vote occurs if the by-laws of the company require it.

Two jurisdictions supplementally noted that there was a requirement for shareholders to vote on the initial selection of the auditor, but there was no similar requirement with respect to re-appointment. This is because in these jurisdictions, appointment continues until the auditor is removed or resigns (i.e., re-appointment is not done on an annual basis). Two responding jurisdictions also supplementally noted requirements for auditor remuneration being subject to shareholder vote. (Source: Survey Questions Section, Question 15)

Shareholders are required to vote on auditor selection in 72 per cent of responding GEM jurisdictions and in 89 per cent of responding developed markets. Shareholders are required to vote on auditor re-appointment in 69 per cent of responding GEM jurisdictions and in 72 per cent of responding developed markets.

Figure 9 illustrates the breakdown between shareholder voting requirements for selection and re-appointment of the auditor between GEM and developed markets.

Figure 9. Requirement for Shareholders to Vote on Auditor Selection and Re-Appointment



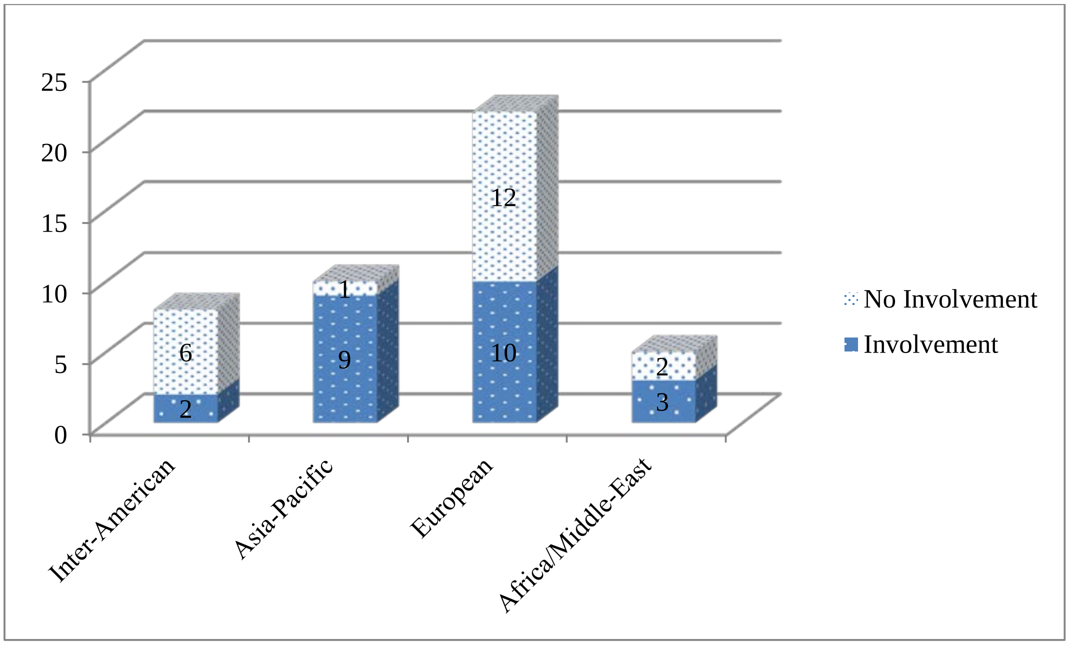
(Source: Survey Questions Section, Question 15)

Audit Committee Involvement in the Determination of the Audit Fee

The audit committee is required to be involved in the determination of the audit fee in approximately 50 per cent of the responding jurisdictions for both GEM and developed markets. This represents an increase from the 2004 Survey which found that audit committees oversaw the negotiation and/or approval of audit fees in less than a third of the responding jurisdictions. Geographically, audit committees are involved in audit fee determination in 25 per cent of the responding jurisdictions from the Inter-American region, 90 per cent from the Asia-Pacific region, 45 per cent from the European region, and 60 per cent from the Africa/Middle-East region.

Figure 10 illustrates the audit committee involvement in the determination of the audit fee geographically.

Figure 10. Audit Committee Involvement in Determination of Audit Fee



(Source: Survey Questions Section, Question 18)

In a majority of responding jurisdictions, the audit committee's involvement in audit fee determination entailed the audit committee making a recommendation or assessment of the audit fee that would be considered by the board of directors for final approval. In a smaller number of other jurisdictions, the audit committee was directly responsible for the determination or approval of the audit fee, without further consideration by the board of directors.

One responding jurisdiction stated that, beyond the involvement with the auditor's remuneration, there are requirements in law pertaining to the proportionality of total audit hours allocated to engagement team members based on their relative level of seniority.

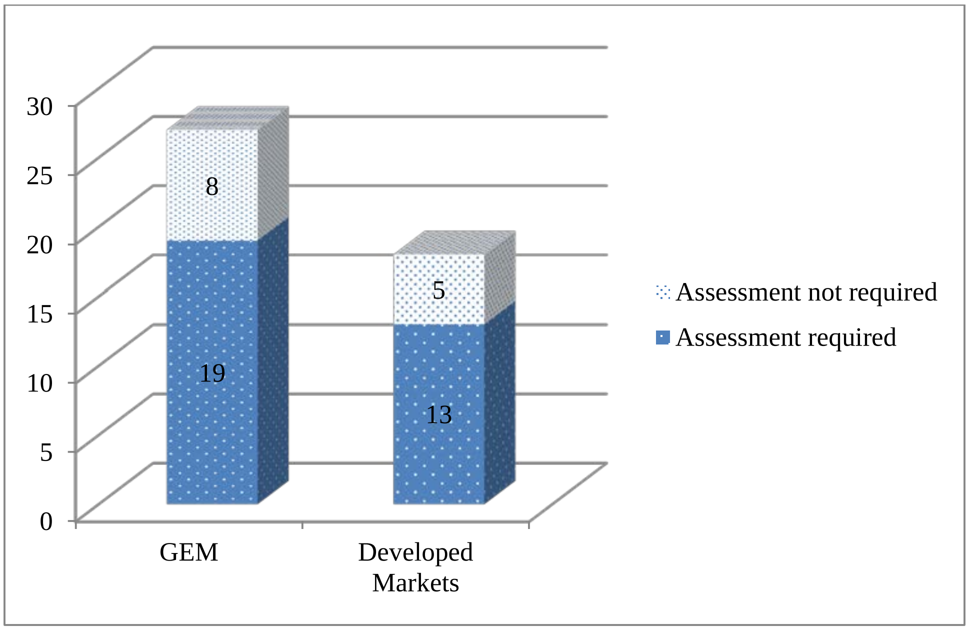
The Survey questionnaire used to develop this Report did not include additional questions regarding whose responsibility it is to determine the audit fee if not the audit committee. As noted above, approximately 50 per cent of the responding jurisdictions require that the audit committee be involved in audit fee determination. Survey responses did not address who makes this determination in the remaining jurisdictions, whether it be management, the board of directors (that in certain jurisdictions may be considered to have a lesser level of independence than the audit committee), or another party.

Section B.3 – Periodic Assessment of Auditor Performance

Audit committees are responsible for periodically assessing auditor performance in the significant majority of responding jurisdictions in both developed markets (72%) and GEMs (70%). This assessment may also be utilised to assist the audit committee in achieving its objective related to auditor re-appointment.

Figure 11 provides a breakdown of the responding jurisdictions where an assessment of auditor performance is required.

Figure 11. Requirement for Periodic Assessment of Auditor Performance



(Source: Survey Questions Section, Question 19)

In most jurisdictions in which the audit committee has a responsibility to assess auditor performance, there are no specific factors required to be considered by audit committees when evaluating auditor performance. Rather, audit committees take into account the overall effectiveness of the audit process and their experience with the auditors. In those jurisdictions that have more prescriptive requirements or written best practices for periodic assessments of auditor performance, respondents indicated that the following factors are typically considered by audit committees when making the assessment:

- perception of the overall audit quality;
- the sufficiency and appropriateness of experienced resources employed by the auditor;
- the level of professional scepticism exhibited by the auditor; and
- the results of audit firm level and engagement level file reviews by an independent oversight body.

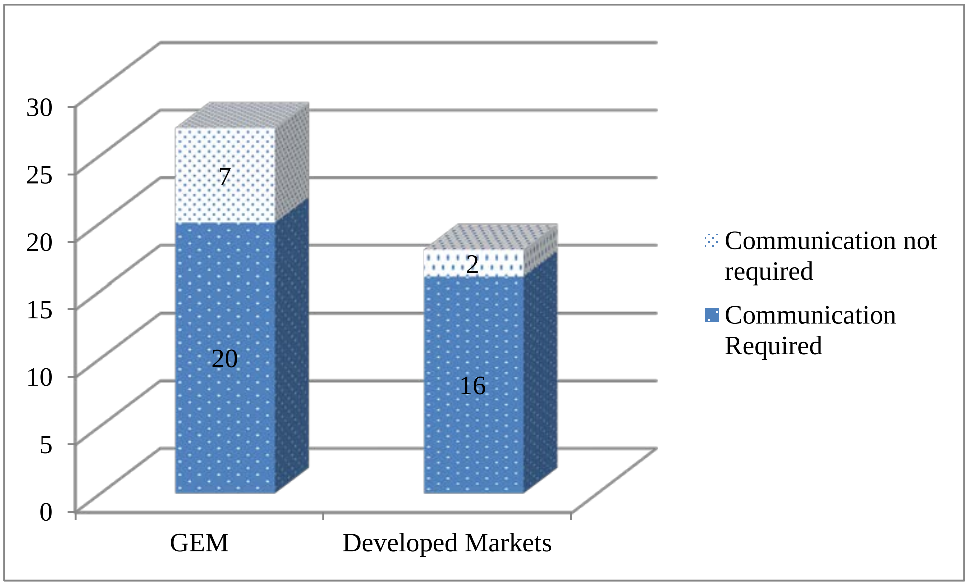
Two responding jurisdictions also noted a requirement for the audit committee to establish, and subsequently monitor, a mechanism by which the audit committee can be alerted to complaints related to accounting, internal controls or auditing matters. Such a complaint monitoring mechanism (e.g., a whistle-blower hotline) can be used to monitor auditor performance, in addition to management's performance.

Section B.4 – Auditor's Communication with the Audit Committee

An auditor's communication with the audit committee is a significant aspect of the audit process. Communications from the auditor to the audit committee can also facilitate the audit committee's periodic assessment of auditor performance. Such communications are required in 80 per cent of the responding jurisdictions.

Figure 12 provides a breakdown of the responding jurisdictions depending on whether or not they require certain communications to be made by the auditor to the audit committee.

Figure 12. Requirement for Auditor Communication to the Audit Committee



(Source: Survey Questions Section, Question 20)

Most responding jurisdictions where auditors are required to communicate to audit committees are solely required to communicate directly with the audit committee, rather than reporting their findings to the full board of directors or equivalent group.

An auditor's communications to the audit committee may address a variety of matters specific to an issuer's audit, its compliance with independence requirements, and more general information about the audit firm and the steps it undertakes to assure quality of its audits.

<u>Communications About the Audit</u>

The content and frequency of the required communications regarding an audit engagement to the audit committee are generally specified in the auditing standards adopted in a particular jurisdiction. In addition, in a number of jurisdictions, mainly within the European Union, auditor communications to audit committees are also regulated in statutes or other regulations. Both the auditing standards and the relevant country regulations generally emphasise the need for the communications between auditors and audit committees to be made on a timely basis and without delay and – in all cases – not less frequently than annually. The communications usually cover a wide variety of matters from audit planning through audit execution to key findings and conclusions made by the auditor. In most responding jurisdictions there are specific communication requirements for matters related to auditor independence, including provision by the auditor of any non-audit services. (Source: Survey Questions Section, Question 20)

In less than half of responding jurisdictions audit committees are required to communicate with the auditors without management present. In some jurisdictions, the requirement for these private discussions is limited to specific situations, for example when a conflict of interest might arise if management were to participate in the auditor's discussion with the audit committee. Several additional jurisdictions recommend – but do not require – private meetings between the auditor and the audit committee at least on an annual basis. While not an explicit requirement for the audit committee to meet with the auditor without management present, several jurisdictions supplementally noted that this private meeting is nevertheless common practice. In some jurisdictions, the auditor has to deliver an additional report to the audit committee that is more detailed and provides more insight into the audit as compared to the audit report provided to the general public. (Source: Survey Questions Section, Question 21)

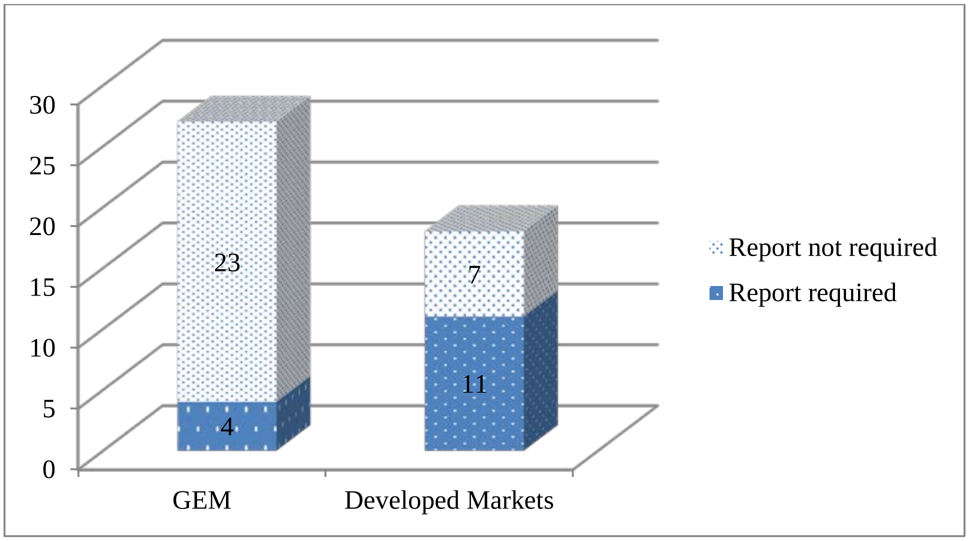
Communications About the Audit Firm

An audit committee's assessment of auditor performance can be further informed by a report provided by the audit firm regarding its governance and elements of its system of quality control for financial statement audits.[8] However, such reports are available to audit committees in only 15 (or 33%) of the responding jurisdictions. Of those 15 jurisdictions, 11 are located in the European Union.

Figure 13 provides a breakdown of the jurisdictions where a report on an audit firm's governance and system of quality control for financial statement audits is required to be communicated to the audit committee.

[8] For further information, see IOSCO's November 2015 *Final Report on Transparency of Firms that Audit Public Companies* is located at: https://www.iosco.org/library/pubdocs/pdf/IOSCOPD511.pdf

Figure 13. Requirement for a Report about the Audit Firm's Governance and Quality Control



(Source: Survey Questions Section, Question 23)

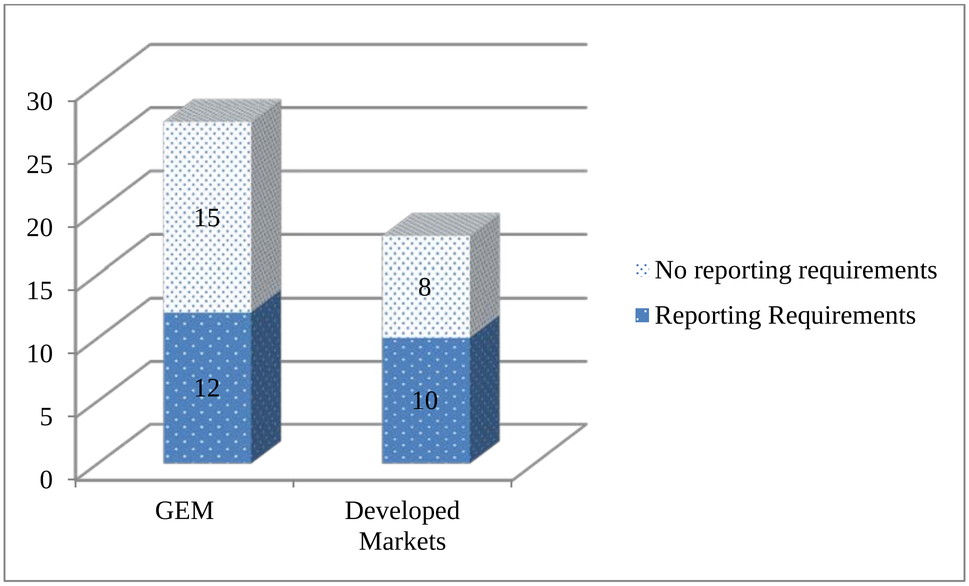
Most of the jurisdictions that responded "yes" to the question as to whether auditors are required to provide the audit committee with a report about the audit firm indicated that such a report is published on the audit firm's website and made available to the general public rather than tailored to the needs of a specific audit committee. Such reports usually have the form of a "transparency report" and include discussion of the audit firm's system of quality control over financial statement audits, results of inspections performed by the independent oversight body as well as a description of the firm's business, its services and any networks with which it is affiliated. The reports are generally published on an annual basis.

Section B.5 – Audit Committee Reporting to Shareholders

Minimum requirements for audit committees to report to shareholders on the oversight of the auditor exist in 49 per cent of responding jurisdictions. The existence of reporting requirements is slightly higher among developed markets compared to GEM jurisdictions. (Source: Survey Question 24) Although 49 per cent of responding jurisdictions require reporting to shareholders regarding this oversight, 79 per cent of jurisdictions require that shareholders vote on auditor selection.

Figure 14 provides a breakdown of responding jurisdictions that require audit committee reporting.

Figure 14. Audit Committee Reporting to Shareholders Requirements



(Source: Survey Questions Section, Question 24)

For those jurisdictions with audit committee reporting requirements, many of the respondents noted that the requirements include the following disclosures:

- approach to appointing or re-appointing the auditor;
- how the audit committee assessed threats to auditor independence;
- work performed by the audit committee in overseeing the auditor; and
- how the audit committee assessed the effectiveness of the audit process.

While not as frequent in occurrence, several jurisdictions noted reporting requirements related to when audit tender was last conducted and characteristics of the auditor (e.g., auditor tenure). Other disclosure requirements noted by respondents include the following: significant issues that the committee considered in relation to the financial statements and how these issues were addressed; opinion related to the reliability, accuracy and completeness of financial reports, including compliance with securities regulations and adequacy of related internal controls; compliance with audit committee communication requirements; information about audit fees; frequency of and participation by auditors in audit committee meetings; among others. In some instances, the audit committee reporting requirements are structured to solicit a free-form format, while other jurisdictions have more prescriptive requirements. Many respondents noted that the audit committee report may be included in a company's annual report and/or provided as part of the annual shareholders' meeting.

Expected Changes in Audit Committee Requirements

Approximately half of the responding jurisdictions indicated that there are changes expected in the near future regarding various audit committee requirements. Such changes are primarily expected in the member states of the European Union as a result of the pending implementation of the Directive 2014/56/EU of the European Parliament and of the Council (the "EU Directive")[9] in the EU member states and the direct applicability of the EU Regulation 537/2014 of the European Parliament and of the Council (the "EU Regulation 537/2014")[10], both of which shall take effect from 17 June 2016.

The EU Regulation 537/2014 is based on the EU Directive which applies to all statutory auditors in the EU. The EU Regulation 537/2014 outlines additional requirements for audit firms carrying out statutory audits of public interest entities. The new EU audit regime, among other things, strengthens the role of the audit committee in the process of appointing auditors or audit firms. The new EU audit regime also imposes additional requirements on audit committees regarding assessment and monitoring of auditor independence, in particular when it comes to the provision by auditors of non-audit services.

Further, there will be additional requirements that a majority of audit committee members be independent of the publicly listed entity, with exceptions for specific national corporate law systems. The new EU audit regime also includes additional requirements for expanded communication between the auditor and the audit committees. The new EU audit regime will increase the required communications in the publicly disseminated transparency reports regarding the audit firm's governance and quality control. The significance of the impact of incorporating the EU audit regime on individual EU jurisdictions may vary based on the existing requirements in each jurisdiction.

A small number of responding jurisdictions beyond those in the EU reported that changes are being considered, but the changes that may result from the ongoing deliberations, if any, cannot be predicted at this point. (Source: Survey Questions Section, Question 4)

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End of Survey Report

9 Full text of EU Directive 2014/56/EU of the European Parliament and of the Council available at: http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014L0056&from=EN

10 Full text of EU Regulation 537/2014 of the European Parliament and of the Council available at: http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014R0537&from=EN

Attachment A – Alphabetical List of Responding Jurisdictions

Jurisdiction		GEM	IOSCO Regional Committee
1.	Argentina	Yes	Inter-American
2.	Australia	No	Asia-Pacific
3.	The Bahamas	Yes	Inter-American
4.	Belgium	No	European
5.	Brazil	Yes	Inter-American
6.	Canada*	No	Inter-American
7.	Chile	Yes	Inter-American
8.	China	Yes	Asia-Pacific
9.	Czech Republic	Yes	European
10.	Denmark	No	European
11.	Dominican Republic	Yes	Inter-American
12.	El Salvador	Yes	Inter-American
13.	France	No	European
14.	Germany	No	European
15.	Greece	No	European
16.	Hong Kong	No	Asia-Pacific
17.	Hungary	Yes	European
18.	India	Yes	Asia-Pacific
19.	Ireland	No	European
20.	Israel	Yes	European
21.	Jamaica	Yes	Inter-American
22.	Japan	No	Asia-Pacific
23.	Lithuania	Yes	European
24.	Luxembourg	No	European
25.	Malawi	Yes	Africa / Middle-East
26.	Malaysia	Yes	Asia-Pacific
27.	Mauritius	Yes	Africa / Middle-East
28.	Mexico	Yes	Inter-American
29.	The Netherlands	No	European
30.	Oman	Yes	Africa / Middle-East
31.	Pakistan	Yes	Asia-Pacific
32.	Poland	Yes	European
33.	Portugal	No	European
34.	Russia	Yes	European
35.	Slovenia	Yes	European
36.	Spain	No	European
37.	Sri Lanka	Yes	Asia-Pacific
38.	Republic of Srpska	Yes	European
39.	Sweden	No	European
40.	Switzerland	No	European
41.	Chinese Taipei	Yes	Asia-Pacific
42.	Thailand	Yes	Asia-Pacific
43.	Tunisia	Yes	Africa / Middle-East
44.	Turkey	Yes	European
45.	United Arab Emirates	Yes	Africa / Middle-East
46.	United Kingdom	No	European
47.	United States of America	No	Inter-American

* Combined response for Ontario and Quebec

GEM: Member of IOSCO Growth & Emerging Markets Committee

Attachment B – Survey Questionnaire

IOSCO Audit Quality Task Force
Survey on audit committee oversight of auditors

I. INTRODUCTION

A. Purpose

The IOSCO Audit Quality Task Force ("AQTF") is undertaking this survey to further understand audit committee requirements related to oversight of the auditor and the audit process. The survey is designed to provide insight into the existing role of audit committees (including the extent of diversity in requirements) and may highlight the nature of changes that have occurred over the last decade.[1] The results may be used to help identify audit committee practices to improve audit quality.

A report of summarized survey results may be made available to the general public when the survey is completed. In addition, a compilation of individual jurisdiction survey responses with identification of jurisdiction will be made available to IOSCO ordinary members.

B. Applicability

The survey applies to the jurisdiction's requirements for domestic, publicly listed entities. For purposes of the survey these are entities whose shares, stock or debt are listed on an exchange (as opposed to a company whose securities are solely traded in an alternative trading structure or in the over the counter markets).

If there are differing requirements within your jurisdiction for domestic, publicly listed entities (e.g., there are different requirements for large versus small entities, for those in different industries, or for those with securities listed on one exchange versus on another exchange), please at a minimum complete and submit a survey response with respect to the requirements that apply to the most predominate group of domestic publicly listed entities in your jurisdiction, as measured by market capitalization. You are also welcome to complete and submit an additional survey response(s) with respect to the requirements that apply to another group of domestic, publicly listed entities in your jurisdiction.

C. Scope

The scope of the survey is the audit committee requirements that were in force as of 31 December 2014. The extent of the survey is all legal, regulatory and other requirements (including soft law requirements such as self-regulatory Codes).

The exact form of an entity's governance structure and the roles that any individual governance bodies perform in relation to the external auditor may vary depending on the requirements of national laws. In some jurisdictions, a single body commonly known as an "audit committee" oversees all matters relating to the external auditor. In other jurisdictions, more than one body or another body within the governance structure of a publicly listed entity may assume this responsibility. For ease of reference, the term "audit

[1] See results of 2004 IOSCO survey at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD199.pdf

committee" is used throughout the survey to refer to any governance body or bodies with responsibilities for overseeing the external auditor of a publicly listed entity regardless of whether they have that title.

II. JURISDICTION PROFILE INFORMATION

Survey Completed by

____

Organization

____

Country

____

Contact Person

____

Email Address

____

Telephone Number

____

	Yes	No
A. Is your jurisdiction a member of the IOSCO Growth and Emerging Markets (GEM) Committee? ______________________________________ ______________________________________	☐	☐

B. Is there an audit oversight body (independent of the auditing profession) for your jurisdiction? If so, please select the type of oversight provided (*select all that apply*) and provide the name: ☐ Oversight of audit standard setting ☐ Oversight of audits (*e.g.* by inspection) ☐ Other (Please explain) ____ ____ Name of audit oversight body: _____________________________________	**Yes** ☐	**No** ☐

III. SURVEY QUESTIONS

A. Existence of audit committee requirements

1. Are companies required to have an audit committee or other corporate governance structure separate from executive management, to oversee the financial reporting process and audits (see instructions for company applicability)? **If no**, complete question 5. Please explain: ____ ____ ____ **Note:** The exact form of an entity's governance structure and the roles that any individual governance bodies perform in relation to the external auditor may vary depending on the requirements of national laws. In some jurisdictions, a single body commonly known as an "audit committee" oversees all matters relating to the external auditor. In other jurisdictions, more than one body or another body within the governance structure of a publicly listed entity may assume this responsibility. For ease of reference, the term "audit committee" is used throughout the survey to refer to any governance body or bodies with responsibilities for overseeing the external auditor of a publicly listed entity regardless of whether they have that title.	**Yes** ☐	**No** ☐

2. Are the requirements for audit committees established under: (*select all that apply*) ☐ Legislation ☐ Government agency regulations ☐ Exchange rules ☐ Audit Profession Code of Conduct ☐ Other (Please explain) ____ ____ ____		
3. Are the requirements for audit committees different depending on the demographics of the publicly listed entity? If so, please select the manner of distinction and explain the nature of the differences: (*select all that apply*) ☐ Size of publicly listed entity ☐ Domestic versus foreign publicly listed entity ☐ Financial institutions versus non-financial institutions ☐ Exchange rules ☐ Other Explanatory information: ____ ____ ____ Please specify the issuer group to which this survey response applies (*e.g.*, financial institutions, particular stock exchange): ____	**Yes** ☐	**No** ☐
4. Are changes in audit committee requirements anticipated in the near future (*e.g.*, new EU Audit Regulation)? If so, please describe the reason for and areas of the expected changes: ____ ____ ____	**Yes** ☐	**No** ☐

	Yes	No	N/A
5. If there are *not* requirements for audit committees, are there plans to establish requirements? If so, please describe the nature of the expected requirements: ____ ____ ____ **Note: If there are not currently requirements for audit committees, please do not complete the remaining questions.**	☐	☐	☐

B. General requirements of audit committees

Resources available to assist in auditor oversight responsibilities

6. Do the requirements include guidance to assist audit committees in any of the following? (*select all that apply)* ☐ Selection or re-appointment of an audit firm ☐ Determination of auditor compensation ☐ Oversight of the external auditor ☐ Other (Please explain) ____ ____ ____		

Nature of prohibited services

7. Are there non-audit services that auditors are prohibited from providing? If so, please describe the nature of prohibited services: ____ ____ ____	**Yes** ☐	**No** ☐
8. If the provision of any non-audit services is allowed, are audit committees required to approve any non-audit services provided by the auditor? If so, please provide a description of the role of audit committees in relation to non-audit services provided by auditors: ____ ____ ____	**Yes** ☐	**No** ☐

The (legal) relationship, the required communications and the distinct responsibilities of the audit committee and Board

9. Please provide a summary description of the legal relationship, required communications and distinct responsibilities between the audit committee and Board of Directors (for “one-tier” Boards), Board of Supervisors (for “two-tier” Boards) or other equivalent group within the structure, as applicable. ____ ____ ____		

Requirements with regard to independence and/or qualifications of audit committee members

10. Are audit committee members required to have any special skills or experience? If so, please select the skills or experience required: (*select all that apply)* ☐ One or more member(s) with accounting or finance expertise ☐ One or more member(s) with accounting or finance experience ☐ One or more member(s) have ability to read and understand basic financial statements ☐ Other (Please explain) ____ ____ ____	**Yes** ☐	**No** ☐
11. Are there any restrictions for the former auditor on participation in audit committees of former audit clients? If so, please describe these restrictions: ____ ____ ____	**Yes** ☐	**No** ☐

		Yes	No
12.	Are audit committees required to have some, all or a majority of members to be independent non-executive directors? If so, please select the following: (*select all that apply)* ☐ All members ☐ Majority of members ☐ Some members (Please explain) ☐ Other (Please explain) ____ ____ ____ If so, please describe the definition of independence that is used for this purpose: ____ ____ ____	☐	☐

C. Requirements *vis-à-vis* the selection, reappointment, and evaluation of the auditor

The audit committee's role with regard to the selection of the external auditor(s)

13.	Are audit committees required to be involved in the following? (*select all that apply)* ☐ Selection of the auditor(s) ☐ Reappointment of the auditor(s) ☐ Other (Please explain) ____ ____ ____ If so, please describe their role in the selection or reappointment of the auditor(s): ____ ____ ____		

14. Are audit committees required to recommend any of the following to the Board of Directors, Board of Supervisors, or other equivalent group within the structure, as applicable? (*select all that apply)* ☐ Selection of the auditor(s) ☐ Reappointment of the auditor(s) ☐ Other (Please explain) ____ ____ ____		
15. Are any of the following required to be subject to a shareholder vote? (*select all that apply)* ☐ Selection of the auditor(s) ☐ Reappointment of the auditor(s) ☐ Other (Please explain) ____ ____ ____		

Independence of the auditor

	Yes	No
16. Are audit committees required to assess whether auditors are independent in accordance with applicable standards? If so, when is this assessment made? (*select all that apply)* ☐ When auditor is originally appointed ☐ Annually as part of reappointment ☐ Other (Please explain) ______________________________ ______________________________ ______________________________ If it is not the audit committee's responsibility, please state the responsible party in this regard: ______________________________ ______________________________ ______________________________	☐	☐
17. Are auditors required to confirm in writing to the audit committee that they are independent in accordance with applicable standards? If so, when is this communication made? (*select all that apply)* ☐ When auditor is originally appointed ☐ Annually as part of reappointment ☐ Other (Please explain) ______________________________ ______________________________ ______________________________	☐	☐

Audit committee's involvement in determining fees

	Yes	No
18. Are audit committees required to be involved in determining audit fees? If so, please provide a description of the role of audit committees in relation to determining audit fees: ______________________________ ______________________________ ______________________________	☐	☐

Audit committees' responsibilities with regard to the evaluation of the auditor's performance

19. Is the audit committee required to periodically assess the auditor's performance? If so, is the assessment required to include an evaluation of any of the following? (*select all that apply)* ☐ Use of sufficient and experienced resources by the auditor ☐ Level of professional skepticism exhibited by the auditor ☐ Results of *firm level* audit file reviews by independent audit oversight regulators ☐ Results of *engagement level* audit file reviews by independent audit oversight regulators ☐ Audit quality of the auditor ☐ Other (Please explain) ____ ____ ____	**Yes** ☐	**No** ☐

D. Communication Requirements for Audit Committees

Required communications and responsibilities between audit committee and auditor

20. Are there required communications that the auditor must make to the audit committee? If so, please complete the following: Describe the nature and source(s) of the requirements (*e.g.* auditing standards): ____ ____ ____ What is the required frequency of communication? ____ ____ ____ Who monitors compliance? ____ ____ ____	**Yes** ☐	**No** ☐

21. Are audit committees required to meet or communicate with auditors without management present? Optional explanatory information: ____ ____ ____	**Yes** ☐	**No** ☐
22. Is the auditor required to directly communicate and report its findings to the audit committee before reporting to the Board of Directors, Board of Supervisors, or other equivalent group within the structure, as applicable? Optional explanatory information: ____ ____ ____	**Yes** ☐	**No** ☐
23. Are auditors required to provide the audit committee with a report about the audit firm (e.g., transparency report with emphasis on audit firm governance and elements of system of quality control for financial statement audits)? If so, please describe the required contents of the report: ____ ____ ____ If so, please describe the frequency with which it is required to be provided: ____ ____ ____	**Yes** ☐	**No** ☐

Audit committee reporting to shareholders

	Yes	No
24. Are audit committees required to report to shareholders on their oversight role of the auditor? If so, does the requirement include disclosure of the following? (*select all that apply*) ☐ Approach to appointing / reappointing the auditor ☐ How the audit committee assessed possible threats to independence ☐ Work performed by the audit committee in overseeing the auditor ☐ How the audit committee assessed the effectiveness of the audit process ☐ When tender was last conducted ☐ Characteristics of the auditor (*e.g.* auditor tenure) ☐ Other (Please explain) ____ ____ ____	☐	☐