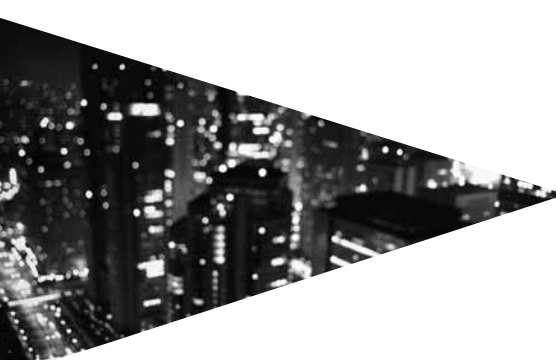


Doing more and doing it better: audit committees meet today's demands



"There is a lot of pressure on audit committees to stand up and be counted in the reform process and to take action to improve their effectiveness." - *Investor*

Executive summary

Audit committees are now expected to do more - and to do it better. They are dependent for their effectiveness on strong leadership, engaged committee members and having plenty of support from key advisors.

These are the key findings of research commissioned by Ernst & Young among audit committee chairs, board directors, investors, regulators, audit executives, academics and other subject matter experts across Europe.

The research, undertaken by Tapestry Networks, set out to determine how leading audit committees are currently improving their effectiveness against a backdrop of increasing pressure from regulators and shareholders.

More responsibility ...

An increase in regulatory responsibility and demands from external stakeholders has resulted in a sharp expansion in audit committee workload. Audit committees are now heavily involved in strengthening corporate governance, as well as overseeing risk, fraud and compliance. Making sure that financial reporting is of the highest quality is a key responsibility, as well as seeking more disclosures from the work of auditors.

... but is it getting too much?

Many contributors to our research worry that audit committees are taking on too much. In the light of this, they are acting to improve their practices in three key areas: seeking more direction and leadership from audit chairs, encouraging even more engagement from committee members and expecting more of internal and external advisors.

Striving to improve

Leading audit committees also understand that they need to evaluate themselves and their practices on a regular basis, to improve oversight processes and better protect shareholder value. Our research highlights a number of leading practices they can adopt. But a good audit committee will not stop there: it will challenge itself constantly to fulfill its mandate more effectively.

Audit committees are expected to do more, and do it better

European regulators, pushed by investors and the public, have proposed corporate governance changes to “ensure [a financial crisis like] this never happens again.”¹ The European Commission has already issued consultative papers on financial institution governance² and audit,³ and a third, on non-financial institution governance, is expected in April 2011. These and other regulatory initiatives call for four enhancements – and potentially significant changes – to the European governance model:

1. Stronger and more transparent board and committee oversight of management
2. More effective audit committee oversight of risk, fraud and compliance
3. A constant audit committee focus on high-quality financial reporting
4. Higher-quality audits and more disclosure on the work of auditors

Each presents real challenges to European audit committees. Some leading firms are already adopting new practices both to get ahead of potential regulatory changes and to strengthen their reputation.

1. Stronger and more transparent board and committee oversight of management

The Commission's Green Paper on corporate governance in financial institutions states, “Although corporate governance did not directly cause the crisis, the lack of effective control mechanisms contributed significantly to excessive risk taking on the part of financial institutions.”⁴ The paper's proposals suggest that directors' skills, board and committee structures, and the duties and obligations of directors may all need to be subject to regulation.

Major focus on strengthening corporate governance and audit committee oversight

While the Commission initially focused on financial institutions, research participants believe the proposals call into question the governance model of all listed companies. The Commission's criticism of current control and oversight mechanisms has put significant pressure on boards to re-evaluate their oversight model and determine where they can make improvements. This has led market experts and directors to question whether the new proposal will be voluntary or compulsory. As one investor put it, “The Commission – pushed by countries such as France and Germany – is reconsidering whether a comply-and-explain approach is viable any longer.” Many expect that the forthcoming Green Paper on corporate governance will include a range of proposals specifically designed to strengthen audit committees.

Calls for improved transparency on audit committee practices

Because investors perceive “a lot goes on behind closed doors,” transparency is also a key issue. One investor observed, “Disclosure in the audit committee report is weak. It's not easy for investors to be sure how effective [audit committees] are ... There should be more detail on processes they have rather than their scope.” In some countries, new practices are addressing shareholder questions on board and audit committee work. For example, in France, the Association Française de la Gestion Financière has made new corporate governance recommendations that would require the committees of the board (including the audit committee) to communicate detailed information about their work and conclusions with shareholders. A French audit chair said, “Shareholders can [then] ask questions before or during the general assembly, and the chairman of the board or the audit chair will answer. This may include questions about the functioning of the board [or audit committee.]” Another advisor said that Dutch regulatory officials have come up “with new requirements for audit communication between the audit committee and external auditors. This is in the corporate governance code, and now they are thinking of putting this requirement around dialogue into the law.”

¹ Joaquín Almunia, “Financial Stability, a Level Playing Field in Europe and a Healthier Financial Sector: The Role of Competition Policy,” speech to the European Banking Federation, 4 November 2010.

² European Commission, Corporate Governance in Financial Institutions and Remuneration Policies (Brussels: European Commission, 2010).

³ European Commission, Audit Policy: Lessons from the Crisis (Brussels: European Commission, 2010).

⁴ European Commission, Corporate Governance in Financial Institutions and Remuneration Policies, page 2.

⁵ For other proposed disclosures, see Enhanced Disclosure Working Group, Guidelines for Enhanced Disclosure to Assist Directors, Audit Committees, Shareowners and Investors (Enhanced Disclosure Working Group, 2009).

“Disclosure in the audit committee report is weak. It’s not easy for investors to be sure how effective [audit committees] are ... There should be more detail on the processes they have rather than their scope.” - *Investor*

In 2009, the Enhanced Disclosure Working Group published guidelines that call for more disclosure and transparency on a number of the audit committee’s responsibilities⁵:

- ▶ Ensuring a robust risk management and internal controls environment.
- ▶ Assessing executive compensation risk.
- ▶ Evaluating accounting approaches, notably on the valuation of assets and liabilities, write-downs and impairments, and off-balance sheet and contingent liabilities.

Research participants report that few companies have made much progress in providing this level of disclosure as yet, but they feel the pressure is increasing.

2. More effective audit committee oversight of risk, fraud and compliance

Regulators are focused on improving board-level oversight of risk, fraud and compliance. The Commission proposed mandated “risk committees [for financial institutions] at board level tasked with setting policy on risk appetite to be disclosed publicly through a risk statement.”⁶ While many contributors to this research believe that a separate risk committee is only appropriate for financial institutions, they point out that “the financial crisis exposed flawed risk management practices. This sobered the audit committee to its role in providing oversight of the risk management program.”

Audit committees are taking on more active risk oversight roles

Audit committee chairs say their role has evolved from oversight of the risk management program to a more active role in the oversight of risk policy and its integration into the company strategy. Many have chosen to expand their oversight of risk. They have adopted several new approaches to do this effectively:

- ▶ Designating specific time on each audit committee agenda to discuss risks.
- ▶ Inviting the full board to risk discussions to use their wider experience.
- ▶ Prioritizing risks by “bottom-line impact if the risk materializes.”
- ▶ Understanding the full magnitude of risks by reviewing scenarios where mitigation efforts fail.
- ▶ Devoting time each year to “deep dives” on key risk areas of the business to deepen their understanding of the risks and controls in that division.

⁶ European Commission, “European Commission Green Paper on Corporate Governance in Financial Institutions and Report on Remunerations - Frequently Asked Questions,” news release, 2 June 2010.



Audit committees are expected to do more, and do it better *continued*



Fraud and compliance oversight is garnering more attention

Audit chairs note that their compliance and fraud oversight role is expanding in response to regulatory and legal changes such as the UK Bribery Act. One executive observed, “[The UK Bribery Act] is driving compliance risk ... It is FCPA [the US Foreign Corrupt Practices Act] on steroids in terms of the fines and penalties. Once bribery is identified, you are guilty until proven innocent ... [Audit committees are asking themselves] how they can ensure [the company] has an effective program.”

This increase in focus extends across Europe: one audit advisor reported, “Compliance has become a subject that is discussed more now [in Germany] ... and there is now a stronger view on the subject of risk management and compliance, and the audit committee has to involve itself in these more.”

To ensure they are updated on compliance and fraud risks, audit committees are taking several steps:

- ▶ Asking executives in finance and internal audit to provide specific examples of regulatory and compliance changes, how they affect the business and what the associated issues may be.
- ▶ Monitoring the risk management and compliance culture in the lower levels of the company, rather than just monitoring the tone at the top.
- ▶ Signaling to the organization that they are keeping a watchful eye on these risks by regularly asking internal audit teams to do spot-checks in unsuspecting areas of the business.
- ▶ Paying closer attention to areas of the business where there is “intrinsic hunger for risk,” such as business development or trading, to ensure individuals or departments are not taking on levels of risk that exceed the company’s risk appetite.
- ▶ Where there is a compliance function, establishing a reporting line for the compliance officer to the supervisory board or audit committee.

“The audit committee has to focus on accounting and financial risks, but in practice, different categories of risk are more and more interconnected, and we have to oversee all kinds of risks, including some that could seem very immaterial.” - *Audit committee chair*

“Audit committees are as focused on non financial issues now as they are on financial issues ... They are fixated on corporate governance, compliance, regulatory changes, event management, risk management and others.”
- *Audit advisor*

3. A constant audit committee focus on robust financial reporting

Experts emphasized that the pressure to expand the audit committee’s agenda must not derail the committee’s attention to its core role: ensuring high-quality financial reporting. An audit advisor explained, “Issues such as revenue recognition are core to the business ... how it operates, how it is organized, what it does. Audit committees need to review these issues carefully.” Audit committee chairs agree; one said, “The audit committee has to focus on the accounting and financial risk and the financial figures ... There has been an enlargement of issues [we need to address], but [financial reporting oversight] is essential.”

Participants pointed out that financial reporting responsibility extends to the internal controls that guide the creation of the financial information. Several noted that this role will be more challenging over the next few years, as the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) complete their convergence projects (scheduled for the end of 2011) and oversee their implementation.

Leading audit committees are ensuring robust financial reporting oversight through the following measures:

- ▶ Benchmarking the company’s accounting practices relative to peers to understand how aggressive the practices are and what competitive advantage or disadvantage they might provide.
- ▶ Investigating recent financial reporting issues, such as errors or misstatements, to understand why they occurred and what has been done to avoid a reoccurrence.
- ▶ Examining valuation assumptions that were highlighted by the financial crisis, including fair value measurements, goodwill impairments, indefinite-lived intangible assets, allowances for loan losses, off-balance-sheet structures and revenue recognition.
- ▶ Asking finance executives to make sure updates on regulatory accounting changes are written in an easy-to-understand style and distributed broadly to the finance organization.

4. Higher-quality audits and more disclosures on the work of auditors

The Commission would like to see “both the role of the audit as well as the scope of audit ... further discussed and scrutinized.”⁷ Participants pointed out that the Commission’s consultative paper “barely mentions the audit committee.” However, one policy advisor commented that the paper calls the role of the audit committee into question implicitly, since the proposals raise questions about audit quality, auditor rotation and the provisions of non-audit services. On February 11, 2011 at the 9th Annual European Financial Services Conference Michel Barnier suggested that some of the proposals in the consultative paper on audit policy will likely be developed into rules this year that will clarify the auditor’s role and provide a greater role for companies’ audit committees in selecting audit firms.⁸

The Commission is also considering the “extent to which information of public interest that is available to auditors should be communicated to the public. Examples of such information may be the company’s exposure to future risks or events, the risks to intellectual property, the extent to which intangible assets would be adversely affected, etc.”⁹ The Enhanced Disclosure Working Group extends this list and calls for more audit committee disclosure on:

- ▶ The information flows to the audit committee, from management and the external auditor
- ▶ The evaluation of the external auditor, and the rationale for retaining or changing the auditor

There are distinct geographical differences of opinion: UK audit chairs said they prefer these disclosures to be made by the audit committee with an auditor opinion on the report. French audit chairs, however, would prefer any new accounting or auditing disclosures to be made by the auditor in its report to shareholders. Many participants’ disclosure practices are still in very early stages of development.

⁷ European Commission, Audit Policy: Lessons from the Crisis, page 3

⁸ Nikki Tait and Adam Jones, “Auditors Face Rule Changes in Europe,” Financial Times, 10 February 2011.

⁹ European Commission, Audit Policy: Lessons from the Crisis, page 18.

Effectiveness depends heavily on leadership, engaged members and more support from key advisors

Increased expectations from external stakeholders inevitably translate into more work and responsibilities for audit committees. One executive noted, "More things are being put on boards ... and most of these things ... have been delegated to the audit committee." Boards are becoming more reliant on audit committees, in part because many of the new or elevated board responsibilities do not fit the remit of other committees. This is even true in countries in which the supervisory board effectively serves as the audit committee. One advisor, who is active in the investment community commented, "[Dutch companies] have a two-tier structure ... However we are, in practice, moving toward one-and-a-half tiers ... Previously, the supervisory board only had a marginal role to play ... Now they are experiencing that they should be [more] hands-on in terms of audit and remuneration responsibilities."

Many contributors worry that the audit committee is taking on too much. They agree with one policy advisor who warned, "[The audit committee] shouldn't be a repository for things that don't matter, but they should be taking better hold of the things that do matter."

In their efforts to enhance their overall performance in a sensible manner, audit committees are making several changes:

- ▶ Seeking more direction and leadership from strong audit chairs
- ▶ Encouraging full committee participation in all committee work
- ▶ Expecting more of internal and external advisors

1. Seeking more direction and leadership from strong audit chairs

Participants universally agree that, as audit committees continue to face new pressures, audit chairs play a critical role in ensuring the committee is sufficiently connected to the organization, focused on the key issues that require active committee oversight and operating effectively. Research participants said that the "CEO of the audit committee" should be particularly good at developing high-quality relationships and be willing to invest time to do so. In fact, audit committee chairs state they are spending more and more time in the role - in some cases, twice as much time as their audit committee colleagues.¹⁰

What leading audit chairs do	How they do it	What it accomplishes
Develop relationships with key executives and advisors	<ul style="list-style-type: none"> ▶ Initiate informal conversations with key executives (e.g., CFO, general counsel, head of internal audit and external audit) over lunch or dinner before committee meetings ▶ Organize private sessions with key executives for detailed discussions 	<ul style="list-style-type: none"> ▶ Builds trust and rapport ▶ Provides a setting in which to ask off-the-record questions and garner unfiltered insight into current issues ▶ Reveals alternative views on management
Deepen engagement with management on key topics	<ul style="list-style-type: none"> ▶ Attend select meetings in the business, such as risk management, major operational changes or international growth 	<ul style="list-style-type: none"> ▶ Deepens understanding of business issues and operations ▶ Provides context for discussions at the committee level
Ensure rich discussions in every committee meeting	<ul style="list-style-type: none"> ▶ Distribute materials well in advance of meetings; expect everyone to read it ▶ Work with meeting attendees to design presentations and envision what questions may be asked; hold practice meetings ▶ Invite guests who are relevant to each discussion 	<ul style="list-style-type: none"> ▶ Ensures all questions are surfaced and that real-time answers are provided by the responsible parties
Continually evaluate committee performance	<ul style="list-style-type: none"> ▶ Hold one-on-one sessions with each committee member ▶ Initiate periodic third-party reviews of committee performance 	<ul style="list-style-type: none"> ▶ Identifies improvement opportunities for committee operations, information flows and agenda setting ▶ Provides unfiltered feedback on performance of members and the chair ▶ Identifies skill gaps

¹⁰ Ernst & Young and Tapestry Networks, "The Audit Committee's Journey Continues to a Higher-functioning Committee," *InSights*, January 2011, page 8.

“The audit committee shouldn’t be a repository for things that don’t matter, but they should be taking better hold of the things that do matter.” - *Advisor*

2. Encouraging full committee participation in all committee work

While the audit chair is a critical player in every company’s governance framework, the committee as a whole carries the burden of increased expectations and workload. Leading audit committees have found ways to ensure committee members actively participate in ongoing work and in committee meetings so all committee members have time to consider and prepare for discussion.

Boards are paying more attention to the composition of the audit committee. Many participants noted that assembling the perfect

combination of skills may not be possible, but a diversity of skills, experience and background is essential. The 8th Directive requires at least one member of the committee have “competence in accounting and/or auditing.”¹¹ Participants agree that retaining a sufficiently qualified financial expert on the committee is critical. One audit advisor said, “You need to make sure you still have people that understand the complexity of modern accounting. It is not getting any simpler.”

Audit chairs stressed the importance of having relevant information presented in a timely and efficient manner.

What leading audit chairs do	How they do it	What it accomplishes
Actively engage committee members	<ul style="list-style-type: none"> ▶ Delegate topics to committee member(s) charged with “owning the issue” ▶ Brief committee members on agenda and areas where they should seek clarification and press for answers ▶ Identify one member to lead questioning of relevant guests or executives ▶ During the meeting, call on audit committee members to share their perspective 	<ul style="list-style-type: none"> ▶ Encourages a greater sense of responsibility to understand and probe key issues ▶ Stimulates better meeting participation among the members and less reliance on the committee chair
Recognize learning needs of the committee and design an enrichment curriculum	<ul style="list-style-type: none"> ▶ Identify topics on which the committee should be informed (such as emerging market risks), as well as where members need more knowledge ▶ Bring in experts to lead education sessions for the committee 	<ul style="list-style-type: none"> ▶ Establishes a more informed audit committee ▶ Makes possible improved audit committee discussions
Manage audit committee composition	<ul style="list-style-type: none"> ▶ Seek out more in-depth business experience in sectors and industries that are comparable to the company’s sector and industry, add specific expertise, as demanded by the company’s business model and risk profile ▶ Broaden pool of candidates (e.g., business unit heads, retired executives, high-level academic experts) ▶ Adopt a succession plan for the chair and committee members 	<ul style="list-style-type: none"> ▶ Creates an audit committee that is capable of evaluating the company’s specialized risk areas ▶ Establishes committee composition that reflects the company’s complexity and a committee that can challenge management vigorously, if needed ▶ Ensures better movement of directors onto and off the committee
Improve information flows	<ul style="list-style-type: none"> ▶ Ask for thematic reports that provide a high-level view of the company (e.g., risk heat map, hiring trends) ▶ Ensure reports include trend and peer data and external perspectives and are in a reader-friendly, consistent format ▶ Adopt a journalistic approach to highlight and contextualize key data ▶ Publish more routine updates between meetings ▶ Use new technology to distribute materials (e.g., iPad) 	<ul style="list-style-type: none"> ▶ Ensures members are fully briefed on key issues between and before each meeting ▶ Enables richer discussion on key issues with management and key advisors ▶ Provides context for management’s information and perspectives ▶ Ensures timely and efficient distribution of materials

¹¹ Financial Services Authority, Implementation of the 8th Company Law Directive (London: Financial Services Authority, 2008), page 3.

Effectiveness depends heavily on leadership, engaged members and more support from key advisors *continued*

3. Expecting more of internal and external advisors

Audit committees depend on a variety of advisors and are continuously seeking more information and advice from them. Committees have started deepening their relationships with these advisors to encourage candor around emerging issues and concerns. They are also looking to gain more visibility into the quality of departments and ensure they have a holistic view of their organization. To fill skill gaps, they are increasingly depending on internal and external advisors, such as legal or tax experts, to round out their knowledge base. Audit chairs are fostering deeper relationships with internal audit and finance teams, so they can

rely on them to be the eyes and ears of the audit committee. They are asking the external auditor to provide a perspective the audit committee cannot get elsewhere.

Participants caution that audit committees have to be careful when building stronger connections with key internal and external advisors. One audit advisor said that the audit committee needs to be both “a coach to financial management” and a skeptical overseer of the function. Others noted the committee’s relationship with external audit is a balancing act: they need to challenge the quality of the audit continually, yet provide support when the auditor challenges management, for example, on key accounting judgments or assumptions.

What leading audit chairs do	How they do it	What it accomplishes
Focus internal audit on the most value-added activities	<ul style="list-style-type: none"> ▶ Ensure the internal audit plan is comprehensive, addresses a broad set of risks and is directly linked to the business objectives ▶ Develop key internal audit performance indicators (e.g., percentage of audit plans completed and on time, colleagues’ views on group’s performance) 	<ul style="list-style-type: none"> ▶ Better aligns internal audit’s resources and tackles key forward-looking risks ▶ Enables better stewardship of internal audit
Broaden their exposure to the finance function	<ul style="list-style-type: none"> ▶ Ensure key finance professionals, notably tax and treasury, attend and report at more meetings ▶ Involve committee members, particularly the chair, more in hiring (and, in some cases, on-boarding) senior finance personnel ▶ Have committee members periodically attend finance meetings and work with finance on specific projects 	<ul style="list-style-type: none"> ▶ Builds rapport and shows committee’s support ▶ Allows committee members to get to know teams below senior management ▶ Supplies a middle-management view on the firm’s culture and risks ▶ Enables better oversight of staffing, quality and succession planning
Draw on external audit for wider insights	<ul style="list-style-type: none"> ▶ Ask for perspective on company’s performance and standing compared with peers and on quality and depth of management, particularly in finance and audit ▶ Push auditors to be open about areas of friction with management and about the quality of the information received from management 	<ul style="list-style-type: none"> ▶ Provides informed external perspective on the company’s standing ▶ Enriches committee understanding of company’s risks, culture and depth of management ▶ Increases insight into the quality of the auditor’s relationship with management
Seek out broader external perspectives	<ul style="list-style-type: none"> ▶ Call on external expertise for specific business areas or risks ▶ Meet with top investors to get their views on the company and management 	<ul style="list-style-type: none"> ▶ Informs the committee of where they should challenge management more ▶ Complements other sources of information

“Audit committees should have a feeling for the strengths and weaknesses of an organization. They should know the issues that employees at the non-executive level are dealing with.”- *Advisor*

“The financial crisis highlighted the important role of the audit committee ... and everyone around the [audit committee] table.” -*Investor*

Conclusion

Many agree that throughout Europe the “behavior of audit committees is changing in the right direction.” Audit committees have recognized that they cannot afford to be complacent about their oversight duties. They have redoubled their efforts to improve controls and establish more robust risk management. They have enhanced oversight of fraud and compliance and are continuing their diligence in financial reporting oversight. From the actions many audit committees have already taken, effectiveness is a key concern and there is still room for improvement on transparency.

To sustain effectiveness, leading audit committees understand they need to evaluate themselves and their practices on a regular basis, with the goal of improving oversight processes and better protecting shareholder value.

This research highlights a number of leading practices audit committees can adopt, but a good audit committee will not stop here: it will constantly be thinking of ways in which it might improve its oversight performance.

Appendix:

Research participants

From December 2010 through January 2011, Tapestry Networks interviewed a broad range of Senior business executives, board members and subject matter experts. All discussions were held under a modified version of the Chatham House Rule whereby views expressed during private discussions are not attributed to individuals or their organizations. A number of audit committee members were interviewed, including members of the European Audit Committee Leadership Network (EACLN).

To complement the discussions, the following subject matter experts were also interviewed:

- ▶ **Rients Abma**, *Executive Director, Eumedion*
- ▶ **Ruth Bender**, *Reader in Corporate Financial Strategy, Cranfield School of Management*
- ▶ **Jeanne Boillet-Mongodin**, *Consumer Products, Ernst & Young*
- ▶ **James Brady**, *Head of Internal Audit, AstraZeneca*
- ▶ **Frank Curtiss**, *Head of Corporate Governance, Railpen Investments*
- ▶ **Jonathan Day**, *Partner, Heidrick & Struggles*
- ▶ **Marshall Franklin**, *Internal Audit Leader, Ernst & Young*
- ▶ **Dominik Geller**, *Audit Director R&D, Roche*
- ▶ **Nick Hirons**, *VP, Head of Audit and Assurance, GlaxoSmithKline*
- ▶ **Andrew Hobbs**, *Director of Regulatory and Public Policy, Ernst & Young*
- ▶ **Alan Johnson**, *Chief Auditor, Unilever*
- ▶ **Daniel Lebègue**, *President, Institut Français des Administrateurs (IFA)*
- ▶ **Michael Marchesani**, *Head of Group Audit, Zurich Financial Services*
- ▶ **Roel Meers**, *Partner, Baker & McKenzie*
- ▶ **Elizabeth Murrall**, *Director of Corporate Governance and Reporting, Investment Management Association (IMA), and Co-Chair of the Accounting and Auditing Practices Committee, International Corporate Governance Network (ICGN)*
- ▶ **Marco Onado**, *Senior Professor, University of Bocconi*
- ▶ **Felice Persico**, *EMEIA Assurance Leader, Ernst & Young*
- ▶ **Isabelle Santenac**, *Global Assurance Chief Operating Officer, Ernst & Young, and member of the Enhanced Disclosure Working Group*
- ▶ **Patricia Sucher**, *Manager of Accounting and Audit Policy and Sector Team, FSA*
- ▶ **Daniel Summerfield**, *Co-Head of Responsible Investment, Universities Superannuation Scheme (USS)*
- ▶ **Richard Wilson**, *Assurance Services, Ernst & Young*



About Tapestry Networks

Tapestry Networks is a privately held professional services firm that brings leaders together to solve complex problems. Since 2002, networks convened by Tapestry Networks have tackled some of the most significant strategic challenges facing institutions and society, including raising standards in corporate governance in the United States, Canada and Europe, developing strategies for a more sustainable health care environment in Europe, and enhancing national security in the United States through public-private collaboration. Tapestry Networks convenes eight audit committee networks, sponsored by Ernst & Young, that collectively consist of chairs of more than 200 audit committees who sit on over 320 boards at some of the world's most admired companies. For more information, please visit www.tapestrynetworks.com

About this document

InSights is produced by Tapestry Networks to provide assessments of key issues of interest to audit committee members. It will be distributed by Ernst & Young and Tapestry Networks. Anyone who receives *InSights* may share it with those in their own network. The ultimate value of *InSights* lies in its power to help all constituencies develop their own informed points of view.

The views expressed in this document represent those of the individuals who participated in the research. They do not reflect the views nor constitute the advice of network members, their companies, Ernst & Young or Tapestry Networks.



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