



## Tax issues and the audit committee

### Introduction

On 29-30 June 2010, members of the European and North American Audit Committee Leadership Networks met in Amsterdam for their fifth annual summit to discuss several topics<sup>1</sup>, including tax issues and the audit committee.<sup>2</sup> *ViewPoints*<sup>3</sup> contains a summary of the key points raised during the discussion, along with background information and selected perspectives that members shared before and after the meeting. For further information on the networks, see “About this document,” on page 10. For a full list of participants, see Appendix 1, on page 11.

### Executive summary

Taxes are generally a significant item in a company’s financial statements, a critical aspect of any company’s performance. At present taxation is evolving in ways that are challenging companies and their boards and audit committees. The following issues were discussed at the summit and are described in more detail on the following pages:

- **The context: tax authorities are ramping up enforcement** (*Page 2*)

Mounting government deficits are driving a number of initiatives by tax authorities to improve tax enforcement. Tax authorities are seeking more disclosures regarding tax planning and uncertain tax positions. They are conducting faster and more focused audits, and they are stepping up transfer pricing audits. In response to the ever increasing globalization of business, tax authorities are also cooperating more across national borders by sharing information about specific companies.

- **Boards and audit committees seek more involvement in oversight of tax strategy** (*Page 3*)

While the involvement of boards and audit committees in tax oversight varies by country and company, many are overseeing high-level tax strategies and/or contemplating more oversight. They may also be reviewing how the company balances tax minimization against tax certainty: companies want to reduce taxes while remaining reasonably assured that their tax positions will not be challenged by tax authorities, as the latter has potentially costly consequences and reputational risks. In the UK, a few boards have started to communicate directly with the tax authority, but most summit participants believe that trend is unlikely to spread internationally.

- **Audit committees tackle a range of specific tax risks** (*Page 5*)

<sup>1</sup> Other summit discussions included “The convergence of accounting standards,” and “Shareholder engagement: the influence of proxy advisory firms and the role of the board.” *ViewPoints* for these discussions can be found at [http://www.tapestrynetworks.com/networks/net\\_audit\\_summit5.html](http://www.tapestrynetworks.com/networks/net_audit_summit5.html).

<sup>2</sup> The members are audit committee chairs on the boards of leading global public companies, typically with over \$10 billion in revenue.

<sup>3</sup> *ViewPoints* reflects the networks’ use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments made before, during and after meetings are not attributed to individuals or corporations. Comments by the network members before, during or after the meeting are shown in italics.



Whether or not they are involved in reviewing overall tax strategy, many audit committees focus on specific tax risks as circumstances demand. These include such issues as the red flags that might trigger audits, specific litigation and disputes, and tax reserves and their impact on financial reporting. Audit committees may also monitor legislative changes and risks stemming from expanded disclosures.

- **Audit committees monitor the tax function and the use of outside experts** (Page 7)

Audit committees may monitor various aspects of the tax function, including the quality and compensation of the staff and organizational structures and processes. Such issues as the concentration of institutional memory in the person of the tax director and the incentives built into pay packages of key tax staff are important areas of concern, as are the strength of internal controls around tax and the overall quality of the tax staff. Audit chairs may rely on outside advisors, including their external auditor, for help in these and other tax areas.

Appendix 2, on page 12, includes a list of discussion questions for audit committees.

## The context: tax authorities are ramping up enforcement

Like many aspects of global business, corporate taxation is undergoing significant changes due to the economic downturn and the attempts by governments to address it.<sup>4</sup> With budget deficits mounting, governments are beginning to focus more closely on tax enforcement. Several trends in governmental tax policy are apparent:<sup>5</sup>

- **Greater transparency of tax risks.** Standards setters and tax authorities have been using disclosure as a means to aid both investors and enforcement officials. In the United States, for example, the Financial Accounting Standards Board (FASB) published an interpretation (FIN 48, Accounting for Uncertainty in Income Taxes) of its statement on accounting for income taxes that forces companies to be more open about uncertain tax positions.<sup>6</sup> Recently, the US Internal Revenue Service (IRS) has proposed extending these disclosures to include on the tax return, for example, positions where a reserve has not been recorded because the company expects to litigate.<sup>7</sup> A European audit chair commented, “*The pressure is increasing for expanded disclosures of tax policy, especially from banks.*” Authorities are also encouraging investment banks and other tax intermediaries to be more clear and forthcoming regarding tax planning matters.<sup>8</sup>
- **Faster, more focused tax audits.** Experts note that authorities in many jurisdictions are speeding up audit cycles, and they are going deeper in certain areas and reserving the right to return to a given year. As a member noted, “*Authorities are reopening past assessments.*” Tax authorities across the globe have also

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<sup>4</sup> Rob Mitchell, “Taxing times in a post-crisis world,” *T Magazine*, Issue 01, 2010.

<sup>5</sup> Ernst & Young and Tapestry Networks, “Regulatory change is driving audit committee agendas,” *InSights*, April 2010, page 6.

<sup>6</sup> Financial Accounting Standards Board, *FASB Interpretation No. 48: Accounting for Uncertainty in Income Taxes* (Norwalk, CT: Financial Accounting Standards Board, 2006).

<sup>7</sup> See Rob Hanson, “US releases draft schedule for disclosure of uncertain tax positions on tax return,” *Tax policy and controversy briefing*, June 2010, pp 34–38.

<sup>8</sup> See, for example, Organisation for Economic Co-operation and Development, *Study into the Role of Tax Intermediaries* (Paris: Organisation for Economic Co-operation and Development, 2008).



focused significant attention on the complex area of transfer pricing, and experts expect greater numbers of transfer pricing audits and penalties in the coming years.<sup>9</sup>

- **More international cooperation.** In its December 2009 report titled *Tax administration without borders*,<sup>10</sup> Ernst & Young identified several trends, including more information sharing among tax authorities (about specific companies as well as tax administration best practices) and more cooperation among authorities on joint audits (although this development may still be in the early stages). In pre-meeting discussions, one member expressed concern: “I don’t think companies are aware of how much is shared between authorities, and tax is an example.”

## Boards and audit committees seek more involvement in oversight of tax strategy

Douglas Shulman, the commissioner of the IRS, argued in a speech to board directors in late 2009 that directors have an important role to play in overseeing tax strategies and tax risks.<sup>11</sup> Tax officials in other nations are making similar statements; for example, Theo Poolen, the deputy director-general of the Dutch Tax and Customs Administration, has said that “most of the material weaknesses and the business processes have to do with taxes ... [the] result of this development is that tax is becoming increasingly important in the boardroom.”<sup>12</sup>

Five years ago, European Audit Committee Leadership Network (EACLN) members reported varying degrees of audit committee involvement in tax issues.<sup>13</sup> Today, EACLN and North American Audit Committee Leadership Network (ACLN) members also report a range of practices, but the overall engagement in tax issues is increasing. For some members, the new pressures in the area of tax are clearly spurring increased activity on the part of the board and the audit committee. As one member noted in a pre-meeting discussion, “We are spending more time [on tax] at each audit committee meeting.” Other members said that while their involvement has not increased significantly yet, they are contemplating more engagement: “Maybe we should spend more time, especially with globalization. International tax rules are very complicated.”

Most members indicated that tax issues are discussed in the audit committee, with the audit chair providing a report to the full board. Certain issues may be taken up by the full board. One member said, “For us, it’s discussed mainly in the audit committee, but of course it’s discussed in the full board if it will impact a major decision like where to move your headquarters.”

In a few cases, tax may not be the responsibility of the audit committee because of company and/or board structure, particularly if the company has a dual board structure (a management board and an independent, supervisory board). One member noted that in one company, most tax issues were addressed at the level of the business units, with little main board involvement. A few other members mentioned that if a board has a

<sup>9</sup> John Hobster, “Transfer pricing enforcement takes center stage in the post-crisis environment,” *Tax policy and controversy briefing*, November 2009, page 18.

<sup>10</sup> Ernst & Young, *Tax administration without borders: Navigating the changing global tax controversy and risk management landscape* (Ernst & Young Global Limited, 2009).

<sup>11</sup> Douglas Shulman, *address to the National Association of Corporate Directors Governance Conference*, 19 October 2009.

<sup>12</sup> Ernst & Young, *Tax administration without borders*, page 23.

<sup>13</sup> European Audit Committee Leadership Network, “The future of internal audit in Europe/Tax governance,” *ViewPoints*, 31 October 2005, pp 9–10.

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finance committee or a risk committee, those committees are likely to tackle tax issues, though the audit committee could be involved as well. One member observed, *“Our tax strategy and planning is discussed in the finance committee; the audit committee looks at the risks.”*

## **Balancing tax minimization and certainty**

A key strategic priority for companies is to strike the proper balance between tax minimization and tax certainty. Tax minimization is especially important today, when companies must control costs to produce better earnings, and tax is a significant line item on the income statement. However, with tax authorities clamping down and tax laws and policies in flux, experts believe it is unwise to push the boundaries of tax planning. One *InSights* research participant noted that CFOs used to worry only about paying the lowest amount of tax, but are now increasingly focused on gaining more certainty about future tax obligations.<sup>14</sup>

The audit committee’s review of tax strategy typically considers the company’s global tax positions and their associated risks, with the audit committee providing high-level oversight regarding where on the risk spectrum the company should situate itself. Several members noted that the challenge was to help the company steer a sensible course between overly conservative and overly aggressive tax positions. One US audit chair emphasized the importance of reducing the effective tax rate: *“I’m against taxes. I don’t want to work for the tax authorities – I work for the shareholder. I want to reduce the taxes we pay.”*

On the other hand, the same member noted that the goal of tax minimization has to be balanced against the risk of reputational damage: *“If we are paying a ridiculously low amount, I’m going to want that explained to me. I want to know what is clearly out of bounds. It’s a reputational risk.”* Another member also mentioned concerns about extremes: *“We have a fairly deep discussion of the effective tax rate, especially if it’s very different from the national average.”*

One member was very explicit about the audit committee’s role as a check on management: *“As the audit committee, we have to ensure the management team pays the right tax. It’s important for the audit committee to look at this as a risk. Also, is management delivering against tax guidelines?”*

In the international context, the issue of tax minimization and certainty is complicated by differences in tax regimes across various jurisdictions. Such differences can influence supply chain management, and especially in areas such as transfer pricing, they require careful attention, especially now that increased coordination among tax authorities is making adequate transfer pricing documentation a necessity.<sup>15</sup>

## **Reaching out to tax authorities**

Experts also identified forging better relationships with tax authorities as an important issue. Good working relationships create more certainty about taxes by facilitating advance resolution arrangements between companies and tax authorities, with tax liabilities agreed up front. Better relationships also make possible the use of alternative dispute resolution processes such as fast track settlements, and they help companies understand the red flags that trigger audits.

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<sup>14</sup> Ernst & Young and Tapestry Networks, *“Regulatory change is driving audit committee agendas,”* page 7.

<sup>15</sup> Ernst & Young, *Tax administration without borders,* page 21.



Members in the UK described some of the approaches their companies use with Her Majesty's Revenue and Customs (HMRC), whose creation in 2005 through the merger of Her Majesty's Customs and Excise and the Inland Revenue presaged a shift in the government's corporate taxation strategy.<sup>16</sup> One audit chair said, "We share our projections of revenue with the tax authorities – a three year projection of sales. It helps to build trust."

Another audit chair elaborated on a broader program of information sharing that involved the board: "We [send] a three-page letter from the board to HMRC describing our principles. It describes the nature of our tax planning. For example, is it consistent with what our competitors are doing? We say that in every instance, we will explain any changes to our tax planning in advance of implementing them, and that we are open for discussion." One member mentioned that the audit committee was considering inviting the HMRC in to meet with the committee.

However, other audit chairs said that although they want their company to have good relations with tax authorities, they see little value in having board directors interacting with them directly. A member remarked, "I feel it's the audit committees role to be sure there is the appropriate relationship ... but it's inconceivable as an audit committee chair to see how I'd add value to this relationship." An American audit chair noted, "In the US context, there are so many levels within the IRS, it's unclear who we could meet with. I'm not sure the IRS is an entity we can have a conversation with." A European audit chair concurred: "I opposed this when I was [in management], and I oppose it now as a board member."

## Audit committees tackle a range of specific tax risks

Even when audit committees are not involved in the overall tax strategy, they may take an interest in a range of more specific tax risks and issues. Before and during the meeting, members and experts mentioned several types of issues that audit committees address, as circumstances demand:

- **Red flags that trigger audits.** A low effective tax rate is an important red flag, especially relative to subsidiaries and competitors in the same industry. Other red flags include variations between economic performance and tax performance, or variations in patterns of payments compared with past payments.<sup>17</sup> A history of aggressive tax planning and the use of tax havens may draw attention as well. Dave Hartnett, permanent secretary for tax for HMRC, recently said, "[We] monitor the flows of capital. It's probably something that 10 years ago we didn't do very well; today we do it much better and we monitor very carefully. It gets you very close, very quickly, to some issues of tax planning and tax avoidance, shifting intellectual property out of the UK and out of other countries into low tax centers."<sup>18</sup>
- **Tax litigation that may cause significant damage.** Members mentioned using audit committee meetings to discuss specific disputes and their potential ramifications, including the risk of serious penalties and reputational damage. For example, when Google dropped its profit forecast because of a tax issue, it lost \$20 billion in stock value.<sup>19</sup> One member said, "We look at a list of tax litigation every year. We discuss the evolution of these cases with lawyers."

<sup>16</sup> Vanessa Houlder, "Revenue take soars from tax crackdown," *Financial Times*, 25 April 2010; James Thompson, "Get-tough HMRC raises billions," *Independent*, 26 April 2010.

<sup>17</sup> Australian Taxation Office, *2006 Large business and tax compliance*, (Canberra: Australian Taxation Office, August 2006), page 17.

<sup>18</sup> Aiden O'Carroll, "An Interview with Dave Hartnett," *Tax policy and controversy briefing*, February 2010, page 2.

<sup>19</sup> Jeff Owens, *keynote speech at the Tax Executives Institute Conference*, Washington, DC, 9 March 2007.

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- **Status of tax audits.** Audit chairs monitor the status of audits for signs of trouble: “Looking at what years are still open is interesting – for example, if tax audits are years behind, that’s an indicator.”
- **Tax reserves.** Several members noted the importance of reviewing reserves on a regular basis, particularly in the current environment. Of course, disclosure of this information may trigger more tax scrutiny, given that an increase in tax reserves could suggest the company is taking a more aggressive view of its uncertain positions or faces more legitimate uncertainty as a result of changes in tax rules.<sup>20</sup>
- **Legislative changes.** The recent enactment in the United States of the Foreign Account Tax Compliance Act (FATCA) is an example of a legislative development that could have significant impact relatively quickly. FATCA is designed to compel foreign financial institutions to share more information about US account holders.<sup>21</sup> Given the fast pace of legislative change, it is now considered best practice for tax directors in the United States to provide quarterly briefings to the audit committee on new legislative developments.<sup>22</sup>
- **Expanded disclosures about tax positions.** New policies increasingly require companies to disclose uncertain tax positions to tax authorities, potentially prompting audits. Rob Hanson of Ernst & Young recently commented on the new proposal from the IRS: “As new tax risk areas arise as a consequence of the new Schedule UTP [Uncertain Tax Positions] and any other initiatives that might be on the horizon – particularly as other countries consider similar initiatives – proper communication between the corporate tax director and the audit committee has never been so important.”<sup>23</sup>
- **The impact of tax planning on cash flows.** Only one in four executives responding to a recent Ernst & Young study reported that their firms considered taxes when reviewing cash management practices.<sup>24</sup> Boards should push management to make full use of available tax credits, locally and internationally. A key area to explore for potential tax credit is in existing or planned investments in clean technology.<sup>25</sup>

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<sup>20</sup> Tammy Whitehouse, “Auditor Turnover Slows; Tax Reserve Study,” *Compliance Week*, 30 May 2007.

<sup>21</sup> Signed into law by President Obama in March of 2010, FATCA contains provisions that will come into effect as early as September. For further information, see Ernst & Young, *Foreign Account Tax Compliance Act (FATCA): Mastering the challenges of the new US regulation* (Ernst & Young Global Limited, 2010).

<sup>22</sup> Kate Barton, “Five Corporate Tax Issues Every Board Member Should Understand,” *Directorship*, 21 October 2009.

<sup>23</sup> Rob Hanson, “US releases draft schedule for disclosure of uncertain tax positions on tax return,” page 38.

<sup>24</sup> Kate Barton, “Five Corporate Tax Issues Every Board Member Should Understand.”

<sup>25</sup> *Ibid.*



## Audit committees monitor the tax function and the use of outside experts

In addition to reviewing the substance of tax issues, many audit committees oversee the processes through which strategies are developed and issues resolved. In this role, the audit committee focuses on the operations of the tax department and related functions, engaging in three types of activity:

- Monitoring critical processes involving the tax function
- Overseeing tax staff and their compensation
- Seeking outside advice

### Monitoring critical processes involving the tax function

Members and experts mentioned several important, interrelated aspects of the operations the tax function performs, noting that companies often have deficiencies in one or more areas:

- **Is tax strategy integrated with company strategy?** In the current environment, the tax function should be more involved with the business planning process: *“Tax planning should be in line with the overall company strategy.”*
- **How is the management of tax risk integrated with overall risk management?** Risk management is weaker if it lacks a holistic view and an adequate appreciation of the links between different risk areas. A member noted, *“I see audit committees having more involvement with tax as a risk management area.”*
- **How well do the tax and financial staff communicate?** A member noted that staff members outside the tax function, such as the controller, need to work closely with tax personnel: *“The audit committee chair has to triangulate those relationships and ensure communication is happening.”*
- **Are the internal controls around tax-related financial reporting sufficient?** Tax issues have been a leading cause of reported material weaknesses under the Sarbanes-Oxley Act.<sup>26</sup> A member remarked that it can be hard *“to get past the auditing standards on tax.”*

### Overseeing tax staff and their compensation

Because audit committees often do not delve into the details of tax strategy, trust in the tax staff is critical. As a member put it, *“It’s extremely important to have a good tax organization and that you know about it.”* Just as the audit committee is often concerned with the quality of the staff in the finance organization more generally, the committee should be concerned about the quality of the staff available to the tax function.

In a pre-meeting discussion, a member noted, *“I take a real interest [in the tax organization] ... It’s an issue that’s important, and we take special care to understand the backups, compensation, ambitions and skills of the tax people.”* Some members and experts warn that the tax director is often the only person who fully understands the details of the company’s tax positions, a dangerous concentration of institutional memory. As one member

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<sup>26</sup> Jaclyn Jaeger, *“2007 Material Weaknesses Plummet,” Compliance Week*, 5 August 2008.

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put it, *“We think about the risk of losing the tax director – you lose the knowledge [he or she] has. You have to have a proper succession plan.”*

A few members remarked on the importance of paying tax directors in large, global companies well, as tax strategy in those companies is exceedingly complex. One member said, *“I specifically spoke to [the CEO] about this. Tax people are extremely important and a little undervalued.”* Another member noted that retention is particularly important because tax issues often take years to resolve, raising the risk *“that the tax director may leave the organization and not see these issues resolved.”*

At the same time, the incentive structure of pay packages may entail other risks as well. One member flagged the dangers: *“I can’t imagine paying an incentive to your tax director to minimize tax. That’s a reputation risk. It makes them an investment banker.”*

Large companies with multiple operating units present challenges for audit committees trying to gauge the capability of the tax staff. While it may be relatively easy to assess the tax director, it is more difficult to gain an understanding of the staff more broadly. As one member put it, *“I worry about execution: does the field have its act together? Can the operating companies keep up with the quality of the head office?”* In tackling these challenges, independent directors must always be careful to maintain separation from management activity – which in itself can be a challenge. One member said, *“It is helpful for the external auditor to give a calibration of the tax staff.”*

## Seeking outside advice

During pre-meeting discussions, several members noted that the audit committee (and the board) limits its involvement in the technical details of tax matters. In fact, if an assessment of such details is necessary, the committee may call on outside expertise. One member described his audit committee’s approach: *“As a general matter, the audit committee is not competent to do deep dives into tax issues. We would rely on outside counsel almost exclusively. We rely on outside counsel to tell us if what we say we owe is accurate.”*

Outside advice on tax is critical for company tax strategy in general. A member noted that every large company will probably use multiple advisors, including one or two law firms and a Big Four accounting firm: *“You need help in confirming that what you’re doing is not on the bleeding edge.”*

Members say a company’s audit firm is in a unique position to understand the details of tax issues. One member recounted, *“We had the external auditor in to talk about tax policy in different jurisdictions, and at a separate time to present on tax provisions.”* A tax partner may accompany the lead audit partner to the audit committee meeting. From the auditor’s perspective, providing certain tax services may give them a better view of tax risks, enhancing the quality of the audit.

Experts note that companies have considerable leeway under such laws as the Sarbanes-Oxley Act or the 8th Directive to purchase tax services from their auditors. Many companies and boards take advantage of their auditor’s expertise, and the audit committee ensures that auditor independence is not compromised. In fact,

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a recent study by Audit Analytics found that even though non-audit fees paid to external auditors are declining overall, the fees paid for tax services are holding steady.<sup>27</sup>

However, the use of a firm that is not the external auditor may be prompted by the policies of proxy advisory services, such as MSCI's ISS (formerly RiskMetrics), which prescribe limits on the non-audit fees paid to a company's external auditor.<sup>28</sup> Country-specific regulations or customary practices regarding auditor independence may also limit the use of the auditor and/or require the audit committee to evaluate whether services provided by the auditor affect independence.

One European member noted that it was “*not really acceptable*” in his country to use the auditor for tax services, and in the United States, regulators expect the audit committee to apply certain principles in evaluating these types of engagements.<sup>29</sup> At the meeting, an audit chair remarked, “*There is more room on advice from the external auditor than many think, but you need to be careful. So far, it is acceptable to use the audit firm for tax audits. But they shouldn't advise on tax strategy.*”

## Conclusion

Tax issues are likely to become an increasing concern for boards and audit committees. As tax authorities demand enhanced disclosures from companies and cooperate internationally on information sharing and even audits, boards will step up their scrutiny of company tax rates and relations with tax authorities. They will also delve more closely into specific tax risks, such as ongoing tax disputes, tax provisioning and red flags that trigger audits. Meanwhile the tax function itself will become an important concern, including the compensation of key staff and the use of outside experts, especially the external auditor. Many audit committees in Europe and the US are already taking the lead on these issues, even as others struggle to determine an optimal role.

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<sup>27</sup> Tammy Whitehouse, “[Study says non-audit fees on the decline.](#)” *Compliance Week*, 25 May 2010.

<sup>28</sup> RiskMetrics Group, [2010 U.S. Proxy Voting Guidelines Summary](#) (New York: RiskMetrics Group, 2010), page 8; RiskMetrics Group, [2010 European Proxy Voting Guidelines Summary](#) (New York: RiskMetrics Group, 2009), page 4.

<sup>29</sup> Catherine Allen, “[An Update for Audit Committees: New Rules on Auditor Provided Tax Services.](#)” *Directors Monthly*, May 2007.

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## About this document

The European Audit Committee Leadership Network (EACLN) and Audit Committee Leadership Network (ACLN) are groups of audit committee chairs drawn from leading European and North American companies committed to improving the performance of audit committees and enhancing trust in financial markets. The networks are convened by Ernst & Young and orchestrated by Tapestry Networks to access emerging best practices and share insights into issues that dominate the new audit committee environment.

*ViewPoints* is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management and their advisors as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Anyone who receives *ViewPoints* may share it with those in their own network. The more board members, members of management and advisors who become systematically engaged in this dialogue, the more value will be created for all.

*The views expressed in this document represent those of the European or North American Audit Committee Leadership Networks. They do not reflect the views nor constitute the advice of network members, their companies, Ernst & Young or Tapestry Networks. Please consult your counselors for specific advice. "Ernst & Young" refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited does not provide professional services to clients.*

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## Appendix 1: Participants at the Audit Committee Leadership Summit

European and North American Audit Committee Leadership Network members participating in the summit, who sit on the boards of approximately 50 large-, mid- and small-cap public companies between them, included:

- Mr Aldo Cardoso, Audit Committee Chair, GDF SUEZ
- Mr Leslie Brun, Audit Committee Chair, Merck
- Mr John Dillon, Audit Committee Chair, Caterpillar and DuPont
- Mr Douglas Flint, Audit Committee Chair, BP
- Mr Phil Hodgkinson, Audit Committee Chair, BT Group
- Ms Judy Richards Hope, Audit Committee Chair, General Mills and Union Pacific
- Mr Labe Jackson, Audit Committee Chair, JPMorgan Chase
- Ms Marie Knowles, Audit Committee Chair, McKesson
- Mr Daniel Lebègue, Audit Committee Chair, SCOR
- Mr Mike Losh, Audit Committee Chair, Aon and TRW Automotive
- Mr Oscar Munoz, Audit Committee Chair, Continental Airlines
- Sir Ian Prosser, Alumnus, former Audit Committee Chair, BP
- Mr Hans-Joerg Rudloff, Audit Committee Chair, Rosneft
- Ms Guylaine Saucier, Audit Committee Chair, Areva and Danone
- Mr Kees Storm, Audit Committee Chair, Anheuser-Busch InBev and Unilever
- Mr Tom de Swaan, Audit Committee Chair, GlaxoSmithKline and Royal Ahold
- Mr Jack Tai, Audit Committee Chair, ING
- Dr Bernd Voss, Audit Committee Chair, ABB
- Mr Mario Zibetti, Audit Committee Chair, Fiat Group

Ernst & Young leaders participating in the meeting included:

- Mr Tom Hough, Americas Vice Chair of Assurance Services
- Mr Steve Howe, Americas Managing Partner
- Mr Tom McGrath, Managing Partner, EMEIA Financial Services
- Mr Christian Mouillon, Global Vice Chair Assurance
- Mr Mark Otty, Managing Partner, EMEIA

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## Appendix 2: Questions for the audit committee

- ? On what aspects of the company's tax strategy does your audit committee provide oversight? What kind of decisions does the audit committee influence? Are you comfortable with this level of oversight?
- ? What tax risks are most prominent for your company today? How does the audit committee address these tax risks? Is there an opportunity to use tax reporting to enhance the company's reputation?
- ? How often do you meet with the tax director? Do you discuss tax issues with the CFO and/or members of management? Is the amount of time spent on tax increasing?
- ? What kind of internal controls or other aspects of tax operations does your audit committee attempt to monitor?
- ? How involved should the audit committee be in ensuring management is effective in retaining the tax director and structuring incentives properly? How can the audit committee get comfortable with the quality of the global tax staff? How can the external auditor help with this assessment?
- ? What types of outside advisors do you employ? How much do you rely on your external auditor for advice?