



[BOOKS]

Examining the "New" Audit Committee

The high-profile corporate scandals and independent accounting and audit failures that continue to dominate the business news brought about a flurry of legislative changes, accounting pronouncements, and other guidance focused on ensuring the reliability and visibility of corporate reporting and protecting investors and the general public from further harm. Included in these changes are new expectations and responsibilities for a company's Audit Committee. In *The Audit Committee Handbook, 4th edition*, Louis Braiotta, Jr., updates his tome with all the new duties, obligations, accountabilities, and operations expected of and from an Audit Committee and its members.

Braiotta begins by encapsulating the events and factors that have impacted the Audit Committee. Particularly insightful is the section addressing the recent developments in corporate accountability, where Braiotta highlights the various developments from 1998 to 2003. To give you an idea of the breadth of the changes, take a look at some of the organizations that have had an impact on the Audit Committee: the Securities & Exchange Commission (SEC), Committee of Sponsoring Organizations of the Treadway Commission (COSO), American Institute of Certified Public Accountants (AICPA), National Association of Corporate Directors, Public Oversight Board, U.S. Congress, Public Company Accounting Oversight Board, and the New York Stock Exchange.

Braiotta continues with a great refresher (due to the numerous changes) and introduction for Audit Committee members. For Committee members who aren't an Audit Committee Financial Expert, the information is extremely helpful in understanding the purpose of Audit Committees as well as who uses the information resulting from its oversight.

One of the more difficult concepts that an Audit Committee regularly oversees is internal control. As Braiotta states, "The board of directors will rely increasingly on the Audit Committee for assurance that management is complying

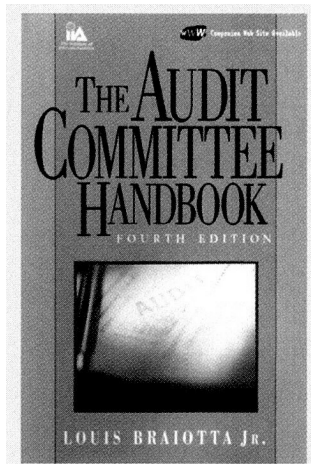
with the internal accounting control provisions." This includes the various regulations, legislation, and pronouncements under which an organization operates.

Braiotta defines internal control as a group of processes designed to provide reasonable assurance that an organization is achieving its objectives with respect to:

- ◆ The control environment (tone at the top and appropriate control policies and procedures);
- ◆ Operations effectiveness and efficiency;
- ◆ Reliability of the accounting and financial reporting systems; and
- ◆ Compliance with laws and regulations.

Braiotta explores the meaning and sources of internal control in depth, fully developing the concepts and reasoning so an Audit Committee member may better understand this critical topic.

Another helpful facet of the book is the online appendices, which add valuable resources to augment the text. They include a glossary; an historical perspective on Audit Committees; the Foreign Corrupt Practices Act Amendments, the Federal Deposit Insurance Corporation Improvement Act, and the Model Business Corporation Act; an



excerpt from The Committee on Corporate Governance's The Code of Best Practice; the executive summary for COSO's Internal Control-Integrated Framework—Volume 1; and broad guidelines for an example of a code of business conduct.

Also, at the end of each chapter, Braiotta lists sources and suggested readings that will provide additional avenues for research on any topics of interest.

The Audit Committee Handbook, 4th edition, is timely, relevant, and provides a one-stop resource on Audit Committees. I highly recommend this book for boards of directors, Audit Committee members, financial executives, and anyone else interested in the Audit Committee's role and responsibilities in the corporate environment—both profit and nonprofit.—Paul Shillam, CMA, CPA