

# Evaluating the Independent Auditor: Questions to Consider

**PURPOSE OF THIS TOOL.** Under the Sarbanes-Oxley Act of 2002, the audit committee has the responsibility to hire, fire, and evaluate the independent auditor. In discharging this responsibility, the audit committee should answer a series of questions about its relationship with the independent auditor, and should ask key executives in the organization for their comments as well.

In considering information gathered through the process of evaluating the independent auditor, it is important that the audit committee give consideration to the source of the information. For example, if the CFO/controller comments that they believe the auditor went too far in certain areas that would probably carry less weight in your deliberations than if the CFO/controller comments that certain areas were not tested adequately. As with all deliberative processes, the audit committee should consider the different perspectives and motivations of those having input into the deliberations.

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**INSTRUCTIONS FOR USING THIS TOOL.** The sample questions included in this tool are only a starting point to evaluating the performance and effectiveness of the independent auditor. Audit committee members should ask follow-up questions as appropriate and required.

Evaluation of the Independent Auditor	Yes	No	Not sure	Comments
<i>Questions for Audit Committee Members</i>				
1. Did the auditor meet with the audit committee when requested?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Did the auditor address issues of “tone at the top” and antifraud programs and controls in place in the organization?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. Did the auditor inform the audit committee of any risks, of which the committee was not previously aware?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4. Did the auditor adequately discuss issues of the quality of financial reporting, including the applicability of new and significant accounting principles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5. Did the auditor communicate issues freely with the audit committee, or did the auditor seem protective of management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6. Does it appear that management exercises undue influence on the independent auditor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7. Does it appear that the independent auditor is reluctant or hesitant to raise issues that would reflect negatively on management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
8. Is the audit committee satisfied with the planning and conduct of the audit, including the financial statements and internal control over financial reporting (as applicable)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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<i>Questions for Audit Committee Members (cont.)</i>				
9. Review all audit-related and nonaudit services conducted by the independent auditor in the prior year. Are you satisfied that the independent auditor remains independent and objective both in fact and appearance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10. Understand the size of the firm and its total revenues firm-wide, for the office(s) providing a substantial amount of services to the organization, and the book-of-business of the partner-in-charge of the audit. Is the firm, the office or the partner dependent on the organization for a material percentage of its fee income? If so, the audit committee should consider whether this impairs the appearance of independence with respect to the organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
11. a. How is the concurring partner (if applicable) compensated?				
<i>Notes:</i>				
b. Is the concurring partner “protected” in the event a tough call needs to be made?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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Evaluation of the Independent Auditor	Yes	No	Not sure	Comments
<i>Questions for Audit Committee Members (cont.)</i>				
<p>12. Is the audit committee satisfied with its relationship with the auditor? In making this determination, the audit committee should consider (a) whether the partner-in-charge of the audit participated in audit committee meetings, (b) whether the auditors were frank and complete in the required discussions with the audit committee, (c) whether the auditor was frank and complete during executive sessions with the audit committee, (d) whether the auditor is on-time in their delivery of services to the company.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>13. Was the audit fee fair and reasonable in relation to what audit committees know about fees charged to other companies, and in line with fee benchmarking data the audit committee might have available to it?</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>14. Did the independent auditor provide constructive observations, implications, and recommendations in areas needing improvement, particularly with respect to the organization's internal control system over financial reporting?</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**Evaluating the Independent Auditor**

Evaluation of the Independent Auditor	Yes	No	Not sure	Comments
<i>Following are some questions the audit committee should ask different individuals in the organization to assist in evaluating the performance of the independent auditors.</i>				
<b>Chief Audit Executive</b>				
1. From your perspective in working with the independent auditor, are you satisfied with the scope, nature, extent, and timing of testing performed by the independent auditor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Did the independent auditor work with you to ensure the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. a. Are you satisfied with the knowledge, skills, and abilities of the staff assigned to do the audit work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. Are you satisfied with the engagement leadership assigned, including the partner(s), manager(s) and fieldwork leaders?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4. a. Did the independent auditor work with the internal auditors according to the plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. Was cooperative work conducted in the spirit of professionalism and mutual respect?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5. Are you satisfied that the independent auditor remains independent of the company in spite of any audit-related, or nonaudit services the auditor provides to the organization?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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Evaluation of the Independent Auditors	Yes	No	Not sure	Comments
<i>Chief Audit Executive(cont.)</i>				
6. a. Are you aware of any other information that might impair the independence of the independent audit firm?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. Are you aware of any individuals on the audit team that might not be independent with respect to the company for whatever reason?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7. a. If the choice were yours, would you hire the firm to conduct next year's audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. If so, what changes would you make?				
<i>Notes:</i>				
<i>CFO/Controller</i>				
1. From your perspective in working with the independent auditor, are you satisfied with the scope, nature, extent, and timing of testing performed by the independent auditor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Are you satisfied with the knowledge, skills, and abilities of the staff assigned to the audit work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. Are you satisfied with the engagement leadership assigned, including the partner(s), manager(s), and fieldwork leaders?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**Evaluating the Independent Auditor**

Evaluation of the Independent Auditors	Yes	No	Not sure	Comments
<i>CFO/Controller(cont.)</i>				
4. a. If the choice were yours, would you hire the firm to conduct next year's audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. If so, what changes would you make?				
<i>Notes:</i>				
<i>Independent Auditor</i>				
1. Is the firm registered with the PCAOB as required if the firm audits public companies?	<input type="checkbox"/>	<input type="checkbox"/>		
2. What were the results of the firm's peer review and/or PCAOB inspection?				
<i>Notes:</i>				
<i>Other Comments, Further Questions</i>				

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