

Advising and Defending

CORPORATE DIRECTORS and OFFICERS

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§5A.1 I. INTRODUCTION

This chapter covers public and private company audit committee functions and responsibilities. Audit committees are regulated or impacted by numerous statutes, cases, rules, regulations, and pronouncements. Some audit committee responsibilities are mandatory, and other committee functions and responsibilities are discretionary depending on the circumstances. Although an increasing number of the functions and responsibilities are specified by statute, rule, or regulation, satisfaction of an audit committee's standard of care remains significantly dependent on due diligence and prudent judgment.

The discussions in this chapter apply to all public company audit committees. With a few exceptions, the securities, stock exchange, and Sarbanes-Oxley Act discussions do not apply to private company audit committees. However, audit committee functions and responsibilities continue to evolve. For example, in 2007, a number of recently enacted auditing pronouncements began to apply audit procedures that are similar to certain Sarbanes-Oxley Act provisions for audits of all companies, public and private. See §§5A.38, 5A.42-5A.43. Additionally, it is not uncommon for a private company, such as one that has plans to go public, to voluntarily or out of necessity consider implementing some of the required public company audit committee functions.

NOTE► This chapter is arranged by major topic areas. A statute, rule, or regulation may be discussed in multiple areas where it applies to more than one topic.