Audit committees and auditors

Letters: 2002, 1998 · Difficulty: Intermediate

> *"Audit committees can't audit. ... The key job of the audit committee is simply to get the auditors to divulge what they know." (2002)*

1. Under the Sarbanes-Oxley Act, who appoints and oversees a public company's external auditor?

   A. The CFO

   B. The SEC

   C. The audit committee of the board

   D. The CEO

2. Buffett suggests the audit committee ask the auditor whether the financial statements would differ if the auditor had prepared them alone. What is the main purpose of such questions?

   A. To lower the audit fee

   B. To replace the internal audit function

   C. To prepare the tax return

   D. To make auditors share their concerns about management's accounting choices

Source: Warren E. Buffett, Letters to Berkshire Hathaway Shareholders: 2002, 1998 (berkshirehathaway.com/letters). Quotation © Berkshire Hathaway Inc., all rights reserved; quoted for non-commercial teaching. Numbers in the questions are made up unless stated.