

## Funding and liquidity issues in today's capital markets

### Introduction

On February 5, 2009, members of the Audit Committee Leadership Network (ACLN) met in New York for the network's 19th stand-alone meeting. Members discussed the impact of the financial crisis on audit committee oversight and the audit committee's role in financial communication.<sup>1</sup> Members were also joined by Kathy Cassidy, Senior Vice President and Treasurer, General Electric Company; Norma Corio, Treasurer, JPMorgan Chase; and Mike Neal, President and Chairman, GE Capital, for a discussion on funding and liquidity in today's capital markets. For further information about the network, see "About this document," on page 10.

Audit Committee Leadership Network members participating in all or part of the meeting, who sit on the boards of about 40 large-, mid-, and small-cap public companies between them, included:

- Denny Beresford, Audit Committee Chair, Kimberly-Clark
- Gene Fife, Audit Committee Chair, Caterpillar
- Marie Knowles, Audit Committee Chair, McKesson
- Mike Losh, Audit Committee Chair, Cardinal Health
- Oscar Munoz, Audit Committee Chair, Continental Airlines
- Chuck Noski, Audit Committee Chair, Microsoft and Morgan Stanley
- Pam Patsley, Audit Committee Chair, Texas Instruments
- Steve West, Audit Committee Chair, Cisco Systems
- Chris Williams, Audit Committee Chair, Wal-Mart

Ernst & Young partners participating in the meeting included:

- Steve Almassy, Americas Assurance Leader
- Steve Howe, Americas Managing Partner

*ViewPoints* reflects the network's use of a modified version of the Chatham House Rule whereby names of members and guests and their company affiliations are a matter of public record, but comments made before and during meetings are not attributed to individuals or corporations.

<sup>1</sup> See Audit Committee Leadership Network, "Financial communications and the role of the audit committee," *ViewPoints*, March 5, 2009. Available at [http://www.tapestrynetworks.com/documents/Tapestry\\_EY\\_ACLN\\_Mar09\\_View25.pdf](http://www.tapestrynetworks.com/documents/Tapestry_EY_ACLN_Mar09_View25.pdf).

## Executive summary

During their discussions on the financial crisis and funding and liquidity, members and guests focused on the following topics, which are covered in more detail on the following pages:

- **Funding trends and options in a deteriorating economy** (Page 2)

Meeting participants discussed the continuing difficulties faced by the economy, expressing a good deal of uncertainty about its prospects. However, they agreed that the markets for commercial paper and corporate bonds were improving, at least for large and well-established companies, and they attributed some of the improvement to government initiatives. Participants also discussed the consolidation in the banking sector and the consequent importance of carefully managing relationships with banks.

- **Business partner risks** (Page 6)

Meeting participants discussed the impact of the crisis on important business partners, especially suppliers who could still be having difficulty with financing. They noted that suppliers, and even suppliers of suppliers, need to be monitored carefully, and that they may require assistance to remain viable.

- **What should the audit committee be doing?** (Page 7)

Meeting participants discussed what audit committees can do to ensure their companies are addressing funding and liquidity risks, including carefully considering year-end issues such as asset impairments, encouraging senior executives to build the best possible bank relationships, ensuring business partner risks are being addressed at the board level, working hand-in-hand with the treasurer to oversee liquidity risk, being sensitive to the increased fraud risk, and communicating more frequently and informally with the external auditor.

## Funding trends and options in a deteriorating economy

Last spring, as problems in the financial services industry were becoming more and more evident, network members wondered if funding conditions would deteriorate and/or spread to other industries if the downturn was prolonged. Nearly a year later, the situation has deteriorated significantly, and the downturn does indeed look to be prolonged. The issue of the broader economy surfaced repeatedly during the meeting, as members and guests discussed the recession and its impact on funding and on business in general.

Participants were pessimistic about the economy and expressed a sense of uncertainty about the future: *“People don’t know where this market will go ... people called the cycle, but not the severity.”* Many of the meeting participants who are involved with companies in financial services identified another alarming trend: *“Demand for credit has been slashed ... capex budgets have been cut by 50% as people are preparing for the worst. That doesn’t bode well for the economy.”*

### Commercial paper markets thaw

One of the more stunning developments in the wake of Lehman Brothers' bankruptcy was the dramatic collapse of the market for commercial paper. One participant noted that *"Lehman blew up, and it was the turning point to creating real, deep fear, and [it] froze the markets for everyone."* The money market funds that had been major purchasers of commercial paper became very risk averse, making it difficult to issue paper that wasn't extremely short term and encumbered by high interest rates. The size of the commercial paper market went from nearly \$2 trillion outstanding in early September to less than \$1.5 trillion in October 2008. Interest rates on highly rated 30-day paper rose to over 4% from 2.65% in September, while rates on second-tier paper rose to over 6% from less than 3%.<sup>2</sup>

This threat to the ability of companies to fund their day-to-day operations prompted a quick response by the federal government in the form of lower interest rates and several programs designed to support short-term debt markets, such as the Commercial Paper Funding Facility (CPFF). The situation improved, at least for highly rated companies. One participant commented, *"The credit markets are opening up – there are some little indicators. Commercial paper is better ... [you] can go out 90 days now, but four months ago, it was just overnight."* Rates on highly rated 30-day paper fell to about 1% by November 2008,<sup>3</sup> and the market recovered somewhat to over \$1.7 trillion in early January of 2009.<sup>4</sup>

### Bank consolidation puts premium on relationships

Companies having trouble in the commercial paper markets turned to their banks. In fact, many companies, whether struggling or not, have been trying to tap their lines of credit to cover actual or potential cash shortfalls. However, this strategy may be straining the limited supply of credit. Some companies have been dismayed to find their lines of credit either terminated, capped, or priced out of consideration despite their strong positions overall.

In a pre-meeting interview, one audit chair recounted the example of a company that had to abandon a cash acquisition when a line of credit it had counted on vanished. Meanwhile, many companies that have enjoyed "relationship pricing" from their banks are finding that they can renew their short-term credit lines only on stricter terms that "link interest payments to their creditworthiness."<sup>5</sup>

At the meeting, participants focused on the issue of bank consolidation and its implications and expressed concerns about the prospect of fewer and bigger banks: *"The bank consolidations are making us nervous ... will there be six banks with over 10% of the market each?"* Another participant responded, *"As a user of banking services, bigger is not always better. Independence and diversity of players are both important. I hope the government will intervene ... big megabanks don't make a good system."*

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<sup>2</sup> Stephen Taub, "Refinancing Debt Percolates as Big Worry," *CFO.com*, October 15, 2008. Available at <http://www.cfo.com/article.cfm/12415055?f=search>.

<sup>3</sup> Stephen Taub, "Commercial Paper Finds Steady Ground," *CFO.com*, November 14, 2008. Available at <http://www.cfo.com/article.cfm/12623318?f=search>.

<sup>4</sup> Paul Davies, "Life returns to short-term lending market," *Financial Times*, January 10, 2009. Available at <http://www.ft.com/cms/s/0/423f186c-dedc-11dd-9464-000077b07658.html>.

<sup>5</sup> Aline van Duyn, "Credit terms tied to companies' risk," *Financial Times*, November 11, 2008. Available at <http://www.ft.com/cms/s/0/b5761fd8-b01a-11dd-a795-0000779fd18c.html>.

As companies may face a shortfall in credit if two of their banks merge, alternative sources of credit must be secured. As one participant put it, *“One plus one does not equal two. You need other bank relationships.”* If a main bank is acquired, a new relationship has to be developed and nurtured. A meeting participant said, *“[I] say get out early and get it done before it has to be done – in anticipation of [lines renewing].”* Another suggested, *“Talk with your banks way before you need to and get their thoughts on what the best strategy is for insuring access to adequate capital at all times.”* Participants believe this situation in banking is likely to persist: *“Buyers face concentration – that’s the reality – and we’re in it for a while.”* Another participant added, *“I agree the trends will continue. Even the regional [banks] will see more pressure out there on real estate and with construction lending down ... there will be more consolidation.”*

Attempts by the Federal Reserve and the Treasury to recapitalize banks and encourage lending are slowly yielding results. While controversy has raged about how much of the money distributed so far under the Troubled Asset Relief Program (TARP) has actually gone into loans,<sup>6</sup> the heads of the major banks that received these funds recently testified before Congress that their lending has increased.<sup>7</sup> One meeting participant saw the first phase of TARP as laying the groundwork for the second phase now being introduced by the Obama administration: *“People have said TARP has been poorly used. I disagree ... TARP [phase] 1 adds equity to help with the write-downs associated with TARP [phase] 2 ... It is conceptually a good program.”*

### **Long-term debt markets improve**

The market for long-term debt also became very challenging as the financial crisis escalated. While stronger companies were able to continue to issue bonds, the average spreads on investment-grade bonds, as well as riskier bonds, reached record levels in October 2008, nudging up to 500 or 600 basis points over Treasuries for high-grade bonds, and as high as 14 percentage points for junk bonds.<sup>8</sup>

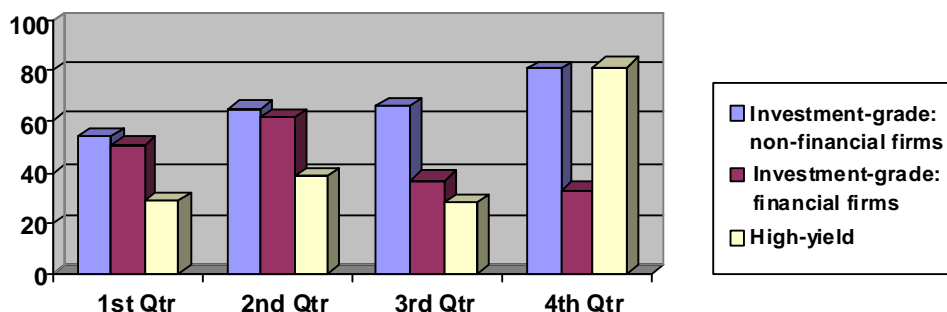
Meanwhile, a large amount of investment-grade debt is set to mature over the course of 2009. According to a report by Standard & Poor’s Global Fixed Income Research group, approximately \$450 billion will come due over the course of the year in the United States. For non-financial companies, the amount of investment-grade debt due in the fourth quarter of 2009 is predicted to be 50% greater than in the first quarter. High-yield debt has lower amounts coming due over the first three quarters, but again, Standard & Poor’s expects a spike in the fourth quarter.<sup>9</sup>

<sup>6</sup> Alan S. Blinder, “Missing the Target With \$700 Billion,” *New York Times*, December 21, 2008. Available at [http://www.nytimes.com/2008/12/21/business/economy/21view.html?\\_r=1&scp=1&sq=missing%20the%20target&st=cse](http://www.nytimes.com/2008/12/21/business/economy/21view.html?_r=1&scp=1&sq=missing%20the%20target&st=cse).

<sup>7</sup> Matthias Rieker, Marshall Eckblad, and Joe Bel Bruno, “Bank Executives to Tell Congress: ‘We’re Lending,’” *Wall Street Journal*, February 11, 2009. Available at [http://online.wsj.com/article/SB123431547024070839.html?mod=sphere\\_ts&mod=sphere\\_wd](http://online.wsj.com/article/SB123431547024070839.html?mod=sphere_ts&mod=sphere_wd).

<sup>8</sup> Liz Rappaport, “Corporate Bonds Slide Along With Stocks,” *Wall Street Journal*, October 11, 2008. Available to subscribers at <http://online.wsj.com/article/SB122368129669524867.html>.

<sup>9</sup> Stephen Taub, “Refinancing Debt Percolates as Big Worry.”



**Table 1. Debt maturities in 2009 in billions of dollars, by quarter<sup>10</sup>**

A good chunk of the maturing debt – about \$180 billion – is from financial services firms, whose ability and willingness to lend are critical to resolving the crisis. As part of the federal government’s efforts to shore up banking and get credit flowing again, the Federal Deposit Insurance Corporation announced the so-called Temporary Liquidity Guarantee Program (TLGP), which guarantees bank debt with a maturity of 30 days or more. Immediately upon the launch of the TLGP in November 2008, several large banks – Goldman Sachs, Morgan Stanley, and JPMorgan Chase – issued a total of \$17.25 billion of this government-backed debt. The spread against Treasuries was around 200 basis points for three-year issues.<sup>11</sup> One participant with knowledge of the program commented, “*The government plan is providing a relief valve to help with total debt financing needs.*”

After the start of the year, large companies outside the financial services sector also saw improved opportunities for issuing bonds, and a flurry of issuances followed. Investors were eager for corporate bonds, and yields dropped from the highs in the fall, at least for strong companies.<sup>12</sup>

**Government programs viewed with cautious approval, credit rating agencies less so**

In pre-meeting interviews, network members expressed concerns about the impact and adequacy of the programs the government has established to get credit flowing. One audit chair wondered about “the implications for the market if you have a flood of paper that’s government guaranteed – what does it mean for industrial paper that doesn’t have this?”

At the meeting, however, members and guests with experience of financial services were more positive. “*Support programs were just extended from April to October. It is very good to have this. The bond market has seen the biggest issuance since the crisis started last month ... spreads have come in; rates have come down. We aren’t in a free-fall panic situation.*” Another participant noted, “*Massive government intervention has mattered ... it has made credit available for creditworthy borrowers.*”

<sup>10</sup> Ibid.

<sup>11</sup> Kellie Geressy, “Investors Buy \$17.25 Billion in Banks’ Bonds,” *Wall Street Journal*, November 28, 2008. Available to subscribers at <http://online.wsj.com/article/SB122782428906462449.html>.

<sup>12</sup> Ben Worthen and Kellie Geressy, “Bond Market in Winter Thaw,” *Wall Street Journal*, February 10, 2009. Available to subscribers at <http://online.wsj.com/article/SB123422878893265915.html>.

Meeting participants were less approving of the credit rating agencies, but expressed some sympathy for their situation even as they highlighted the importance of not relying on ratings alone. A participant commented, *“Well, they’re under more pressure than even the media think they are [because] they missed so much ... They’ve called the credits well, but didn’t call the complicated structures well.”* Another noted, *“Now buyers of debt are doing their own credit analysis ... This is useful. Very few people [now] buy on ratings alone.”* Meeting participants agreed that the role of credit rating agencies continues to be in question.

### Business partner risks

Though partners and guests saw decent funding prospects for the largest and most reputable companies, they recognized that other companies may still encounter severe difficulties. For companies issuing lower-rated commercial paper, market conditions are less favorable, and their lines of credit are shakier: *“Tier-two companies still don’t have funding.”* Moreover, as Table 1 on page 5 highlights, the amount of maturing speculative-grade debt will spike in the fourth quarter of 2009. The implication is that even the companies that are themselves meeting their funding challenges have to worry about the effects of the crisis on their customers, supply chain, insurers, and joint-venture partners.

Audit chairs were particularly worried about threats to their supply chain: *“We’re actively looking at suppliers and vendors.”* However, assessing their situation was challenging: *“I find it hard to get behind this. With suppliers, it’s hard to get visibility into their risks with their other vendors. And what about their access to capital markets? A number of suppliers are owned by PE [private equity] firms who are taking their cash out.”*

Another participant noted that companies may be *“asked by key suppliers to provide them with cash, or they may hit bankruptcy.”* In the event of financial distress or actual bankruptcy, suppliers may still need cash because *“they might not get DIP [debtor-in-possession] financing – it has shrunk dramatically.”* Delays in filing for bankruptcy increase the odds that suppliers will turn to their customers: *“If companies wait too long to file, they will come to you.”* According to the American Bankruptcy Institute, business bankruptcy filings were already up 61% in the third quarter of 2008, compared with the same quarter in 2007.<sup>13</sup>

Large, well-established companies that have weathered downturns in the past are adept at managing these kinds of risks. In a pre-meeting interview, one audit chair mentioned the experience of the dot-com bust, when customers to whom companies had extended credit disappeared almost overnight. In response, companies now keep closer tabs on customers who have been extended credit, monitoring defaults and the risk of insolvency. The depth of the current crisis presents new challenges, however. At the meeting, participants worried about *“extended counterparties,”* such as suppliers of suppliers: *“How do you know the supplier’s ecosystem is healthy?”*

As the downturn deepens, companies need to pay attention to several other types of business partners as well:

- **Financial counterparties.** The status of key financial counterparties such as insurers and hedging providers will need to be monitored closely to identify dangerous exposures.

<sup>13</sup> American Bankruptcy Institute, “Total Bankruptcy Filings up 34 Percent, Business Filings up 61 Percent in Third Quarter,” press release, December 15, 2008. Available at <http://www.abiworld.org/AM/Template.cfm?Section=Home&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=55930>.

- **Customers.** Companies will need to manage receivables carefully. In pre-meeting interviews, some audit chairs whose companies provide financing to customers mentioned that even though they have always had these programs, they are spending much more time now discussing them.
- **Joint ventures.** Companies may need to be extra careful in evaluating the financial condition and creditworthiness of joint ventures – particularly those of strategic importance – and of their joint venture partners, to the extent that additional capital may be required to weather the crisis.

### What should the audit committee be doing?

Given market conditions, audit committee members are naturally intensifying their analyses of financial risks, and in some cases expanding their oversight to ensure other key risks are addressed. Meeting participants suggested several ways audit chairs can address financial risks brought on by the crisis, including funding and liquidity issues:

- **Consider year-end issues carefully**

Asset impairments, such as goodwill impairments, were a key year-end issue discussed at the meeting. Participants discussed the significant effort that is required to develop estimates in this market and the role of the external auditor in ensuring the estimates are *“not too aggressive.”* One meeting participant advised, *“If you’re going to take an impairment, take it. My view is, don’t take three-quarters now and one-quarter later; take it all now.”*

In addition to ensuring the estimates are accurate and that the timing is appropriate, audit chairs need to be sure the impairments meet Securities and Exchange Commission (SEC) disclosure requirements. At a conference of the American Institute of Certified Public Accountants last fall, SEC staffers explained their approach to a variety of accounting matters, including goodwill impairment.<sup>14</sup>

Another year-end issue discussed was the inclusion of an *“emphasis paragraph”* in audit reports. Auditors can use this paragraph to highlight particular risk factors. One meeting participant said, *“I had a negative reaction to this ... The market might not be able to discern the difference between a qualified opinion and emphasis.”* In response, another meeting participant said, *“It wouldn’t bother me ... but it would bother me if the auditor drew a going-concern [conclusion] due to the inability to renegotiate [debt covenant] contracts.”*

- **Ensure business partner risks are being addressed**

Many audit chairs are asking management, credit ratings agencies, and external auditors for more information on business partner risks, and several meeting participants said their audit committees meet regularly with non-financial business leaders in order to gain deeper insight into counterparty risks.

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<sup>14</sup> Speeches are available at the SEC website. See, for example, the speech by SEC professional accounting fellow Robert Fox at <http://www.sec.gov/news/speech/2008/spch120808rgf.htm>, in which goodwill impairment is discussed.

- **Work hand in hand with the treasurer to oversee liquidity risk**

Meeting participants agreed ensuring liquidity has now become a full board issue, and that more frequent presentations by the treasurer are essential. One suggested, *“Talk to your treasury staff every month to get capital markets updates.”* In a pre-meeting conversation, a bankruptcy expert at Ernst & Young recommended creating a cross-functional team to address liquidity issues. The team should include people at the highest levels of management as well as operational staff, including those who manage sales, inventory, and other functions in each line of business.

- **Be sensitive to increased fraud risk**

Meeting participants discussed how the economic pressure has raised audit chairs’ concerns about potentially fraudulent behavior deep in the organization *“on B-deck and C-deck.”* One audit chair said, *“With human behavior faced with layoffs, we have to look at revenue recognition carefully; people may fudge. They [sometimes] don’t understand the implications of tweaking the numbers.”* Meeting participants also discussed the importance of not sacrificing internal control staff as a part of cost-cutting measures: *“There were SEC letters that went to companies that said don’t cut the cost of compliance.”*<sup>15</sup> Similarly, the Public Company Accounting Oversight Board has issued an alert to audit firms, requesting that they be mindful of the risks created by the economic crisis, including the risk of fraud.<sup>16</sup>

- **Communicate more frequently and informally with the external auditor**

Meeting participants agreed the crisis has necessitated an even closer relationship between the external auditor and the audit committee. Several audit chairs reported that they are talking with their lead audit partner off-cycle more frequently since the crisis began in order to address these and other issues. One audit chair said, *“I have a private phone call – with no agenda – with my external auditor. I want an honest dialogue. He gives me heads up on issues and tells me what I should be concerned about, or that I should look at something ... I keep the conversation confidential, but I will explore the issues [afterwards].”*

Meeting participants also highlighted increased strain between their external auditor and management as issues such as impairments, write-offs, and the sensitivity to debt covenants are worked through. One participant noted, *“How audits are designed should be fluid due to the environment we’re in. There is a need to reassess and reevaluate risks, so it needs to be more fluid.”* Participants discussed the audit committee’s role in taking responsibility for the relationship with the external auditor and stressed the importance of making clear the audit committee’s authority: *“As the audit committee chair, I talk to the auditor confidentially. That reinforces who the client is. If management is hostile to the auditor, the audit committee can stand up.”* Another said, *“If you don’t act like you are the*

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<sup>15</sup> Securities and Exchange Commission, “Open Letter to CEOs of SEC-Registered Firms,” December 2, 2008. Available at <http://www.sec.gov/about/offices/ocie/ceoletter.htm>.

<sup>16</sup> Public Company Accounting Oversight Board, *Staff Audit Practice Alert No. 3: Audit considerations in the current economic environment* (Washington DC, Public Company Accounting Oversight Board, 2008). Available at [http://www.pcaobus.org/Standards/Staff\\_Questions\\_and\\_Answers/2008/12-05\\_APA\\_3.pdf](http://www.pcaobus.org/Standards/Staff_Questions_and_Answers/2008/12-05_APA_3.pdf).

*client, it will send a conflicting message that it is more important to keep management happy and will undermine the authority of the audit committee.”*

#### **Tips for audit chairs from funding and liquidity experts**

- Play safe: ensure your company is focused on being more liquid and less worried about the cost of capital.
- Ask your CFOs how you are funded globally. Do key relationship banks have government support? Get updates regularly from your finance and treasury functions.
- Be sure your finance and senior executives are talking with your banks, credit rating agencies, and investors to ensure great relationships.
- Ensure there is a process in place to assess the fair-value of your assets.
- Reassess your company's revenue recognition process.

#### **The long-term impact of the crisis on audit committee oversight is still unclear**

In addition to the actions for audit committees identified above, meeting participants discussed the heightened scrutiny corporate boards are currently operating under, given the financial crisis. A participant said, *“There is an expectations gap [about] what is expected of the board [and audit committee]. In the United States, there is an expectation of perfection.”* However, the member continued, *“You can’t expect perfection. I will look at more reports and ask more difficult questions. But I’m taking [the role] as seriously as I can take it.”* Another meeting participant said, *“There weren’t accounting or auditing errors [that led to the crisis], but did [audit committees and auditors] get at the risk appetite of management?”*

Several meeting participants suggested the scrutiny will lead to a push for corporate governance changes that will impact the audit committee. Some suggested that more risk committees may be developed, and some are seeking the advice of their external auditor on this matter. Others suggested that the need for industry expertise in the audit committee may be greater going forward. However, members questioned whether these changes would yield any direct positive impact on company performance, since *“one size does not fit all.”*

#### **Conclusion**

Meeting participants agreed that although the economy continues to struggle, large, well-established companies are now more able to secure both short-term and long-term funding than they were in fall 2008. Nevertheless, banking relationships need to be managed carefully, as consolidation in banking continues. Moreover, other types of business partners may be facing difficulties that could threaten supply chains and other business relationships. Audit committees need to monitor business partner risks carefully and should implement strategies to stay on top of other issues related to the economic downturn, such as asset impairments and fraud risk. Working even more closely with company treasurers and external auditors will be essential going forward.



## About this document

The Audit Committee Leadership Network is a select group of audit committee chairs from leading North American companies committed to improving the performance of audit committees and enhancing trust in financial markets. The network is 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 advisers 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 advisers 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 Audit Committee Leadership Network. 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 all members of the global Ernst & Young organization, including the US member firm of Ernst & Young LLP.*

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### **Appendix: Questions on funding and liquidity for audit committees to consider**

- ?** Are you satisfied with your company's liquidity management and funding efforts? How do you see the situation evolving over the next year?
- ?** Is the current board committee structure and process adequate for dealing with the funding challenges posed by the financial crisis? What is the division of labor between the audit committee and other committees, in particular the finance committee? What changes might be helpful?
- ?** Which extra initiatives to assist with and oversee management's handling of funding issues have proven useful? Which have been less useful? What sources of expertise are available to support the audit committee?
- ?** Is the severity of the current crisis requiring new measures for monitoring partners and planning for disruptions? Have the thresholds for board or audit committee monitoring of customers or suppliers changed? Have more aspects of business partner risk been pushed up to board level?
- ?** How can the audit committee ensure that management has adequately addressed business partner risks? What kinds of questions should the committee be asking?
- ?** What types of compliance and control issues stemming from financial pressures are coming to the fore in your companies? How is the internal control environment faring in the face of these challenges? What measures might bolster it? What can the audit committee do to safeguard the internal control environment?
- ?** How are you working with your audit partner in order to address funding and liquidity concerns? What kinds of pressure is management exerting on external auditors that could impact audit scope or quality? How should audit committees respond?
- ?** What particular concerns do you have about your financial statements and related disclosures given the financial crisis? How is the audit committee dealing with these concerns?
- ?** What do you think the long-term impact of the crisis will be on audit committee oversight? How are you ensuring your audit committee agenda keeps pace with the needs of your company in these financial markets?