2012 BDO Board Survey

BDO
August and September 2012

OBJECTIVE:
This survey was conducted in order to assess how corporate directors felt about matters related to financial reporting, executive compensation, fraud risk, and management of their time.

METHODS USED:
Responses were collected from 72 corporate directors of public company boards with revenues ranging from $250 million to $750 million regarding financial reporting and corporate governance issues.

KEY FINDINGS:
• 75% of directors believe proxy advisory firms that consult to public companies suffer from a conflict of interest.
• 68% of board members are opposed to mandatory rotation of external auditors at public U.S. companies.
  o Of the 68%, 78% were not in favor of mandatory tender, or putting up for bid, the external audit relationship.
• 70% responded that they feel there are so many disclosures in financial statements today that it is difficult to decide which information is most important.
• 63% believe U.S. companies should be allowed to use the international financial reporting standards in their public accounting.
• 75% believe proxy advisory firms should be subject to regularity oversight.
• 59% believe that the peer groups used for executive compensation comparison purposes by proxy advisory firms are not an accurate reflection of their company’s peers.
• 61% believe industry is the most important criteria for determining a peer company for executive compensation purposes.
• 90% of directors reported that the Dodd-Frank “say-on-pay” disclosure rules implemented in 2011 has not helped them manage the compensation of key executives.
• 46% stated they have increased their communications to shareholders on the topic of executive compensation.
• 83% reported no change in the number of whistleblowers since the SEC’s enacted the whistleblower bounties in 2011.
• 33% stated corruption and fraud represent the greatest risk for fraud at their company.
• 63% stated that during the past few years, their liability risk as a director has increased.
• 58% believe their board compensation is not proportionate with their responsibilities.

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