KPMG Issues 2015 Global Audit Committee Survey

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In February, KPMG released its 2015 Global Audit Committee Survey, which reports on audit committee activities based on survey responses from 1,500 audit committee members across 35 countries.

As the Survey notes, "the issues on the audit committee's radar don't change dramatically from year to year (and they probably shouldn't)...." According to the Survey, the key challenges (aside from financial reporting risk) identified by audit committee members remain unchanged from 2014: economic and political uncertainty and volatility, regulation and the impact of public policy initiatives, operational risk, and cybersecurity. The Survey notes that for many audit committees, these risks are driving another "trend potentially impacting the audit committee's effectiveness: agenda overload." As in prior years, audit committees "continue to express concern about the information they receive (at the committee or full board level) related to cyber risk and technology change, talent management, growth and innovation, and possible disruption to the business model."

As the challenges facing companies increase in significance, so do the demands placed on audit committees. Seventy-four percent of audit committees reported at least a modest increase in the time required to perform their responsibilities since 2013. As a relatively new risk area, cybersecurity occupies a high priority on audit committee agendas. US audit committees ranked cybersecurity, operational risk, and the company's processes as "key areas of oversight that will require more agenda time in the year ahead." In light of more recent changes in the risk and regulatory environment, the Survey suggests that audit committees consider their board's risk oversight approach to make sure the allocation of risk oversight activities makes sense.

Aside from the demands facing audit committees, surveyed respondents also highlighted ongoing opportunities for improvement, which included CFO succession planning, receiving greater insight from external auditors, improving the quality of risk information, and better leveraging internal auditors.

Some boards have taken the initiative to help reduce the audit committee's workload. "More than one-third of boards have recently reallocated risk oversight duties among the full board and its committees (up from 25% [in 2014]) or may consider doing so in the near future." With respect to future considerations for improvement, audit committee members said they "would be more effective in their role by having a better understanding of the company's strategy and risks; more 'white space' time on the agenda for open dialogue, greater diversity of thinking, perspectives, and experiences; and technology expertise on the committee."

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