



2023 Audit committee insights



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Confidence and concerns

The audit committee's perspective continues to be a bellwether for the business and the board.

As highlighted by our survey, the expanding scope and complexity of the audit committee's workload and oversight responsibilities are an important indicator of the challenges facing corporate America. Uncertainty and disruption across the global business landscape are intensifying pressures on the risk and control environment in new and unexpected ways. From economic and geopolitical volatility, growing cyber threats, and artificial intelligence to climate, talent, and other environmental, social, and governance (ESG) issues, the range and interconnectedness of risks and macro forces are putting corporate governance to the test.

Encouragingly, our survey results show that most audit committees view their company's risk management processes as sophisticated or keeping pace. But their confidence is muted by sobering concerns—particularly risks posed by the company's digital activities, potential gaps in the oversight of emerging risks, and talent needs in the finance and internal audit organizations.

The top ways to improve the audit committee's effectiveness? Better information quality and flow from management and spending more in-person time with management and other directors between committee meetings.

To that end, we hope this survey report helps spark robust conversations with your audit committee, board, and management as you navigate the challenges ahead.

—KPMG Audit Committee Institute
and Board Leadership Center

Key takeaways¹

The audit committee's focus and agenda are being impacted by macrorends and related risk and complexity.

Among the macrorends driving the audit committee's priorities are the increasing complexity of the business and risk environment posed by cybersecurity, AI developments, supply chain disruptions, and workforce challenges; geopolitical and economic risks, including inflation and risk of recession; and regulatory and stakeholder demands for disclosure and transparency, including ESG reporting. All of those factors will put pressure on the company's risk and internal control environment, as well as the finance and internal audit functions.

Which macrorends will have the greatest impact on your audit committee's focus and agenda in the months ahead?

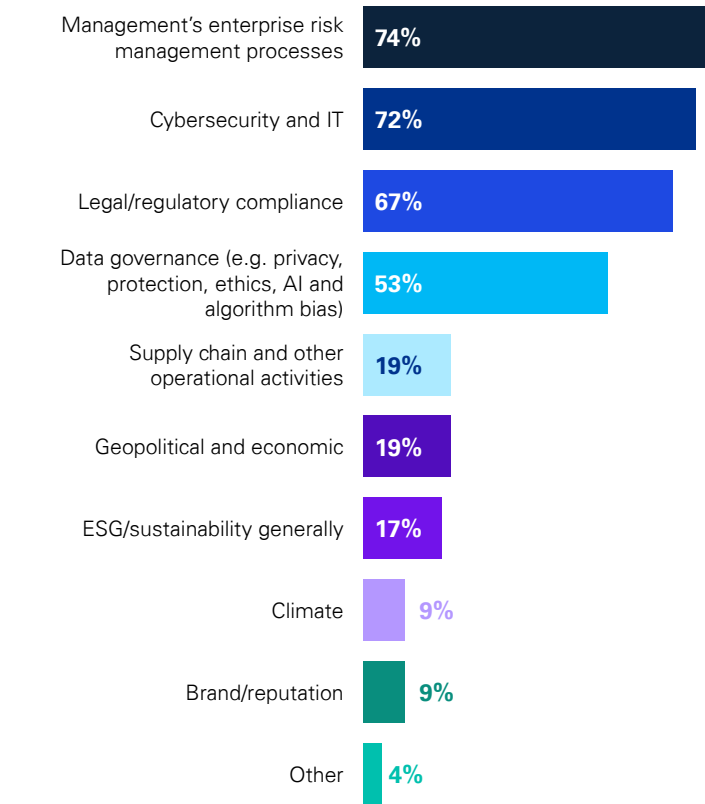


¹ Highlights and data reflect US responses to our survey. For survey responses from other countries, see Appendix, page 14.

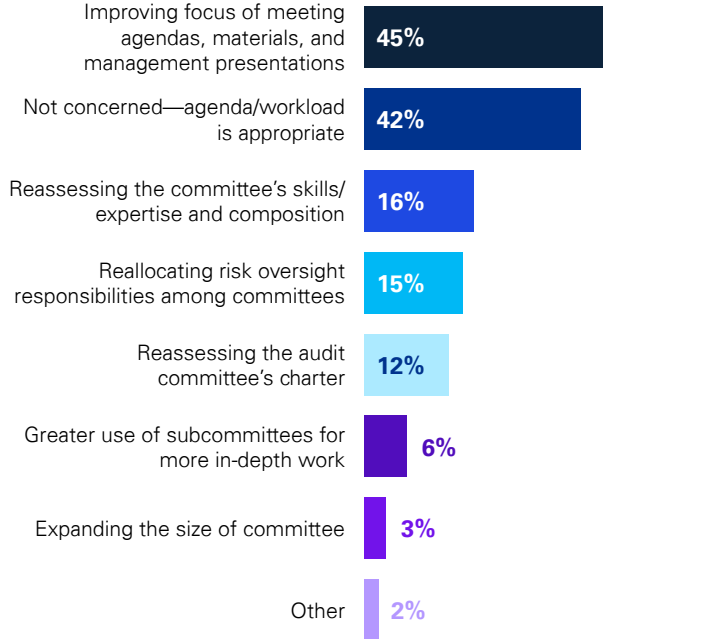
While the full board oversees mission-critical risks, the audit committee's risk oversight responsibilities continue to expand.

Although 80% of survey respondents reported that their full board has oversight responsibility for the company's mission-critical risks, most say the audit committee continues to shoulder heavy risk agendas and oversight responsibilities beyond its core responsibilities. Respondents reported their audit committees having substantial oversight responsibility for management's enterprise risk management (ERM) system and processes; cybersecurity and IT; legal/regulatory compliance; and data governance. Many audit committees also have significant oversight responsibilities for other risks, including ESG, climate geopolitical and economic risks, as well as supply chain and other operational risks. And while many survey respondents expressed concern about their audit committee's workload, only 15% said their boards were reallocating risk oversight responsibilities among committees.

In addition to financial reporting and related control risks, for which risks does your audit committee have significant oversight responsibilities? (Select all that apply.)

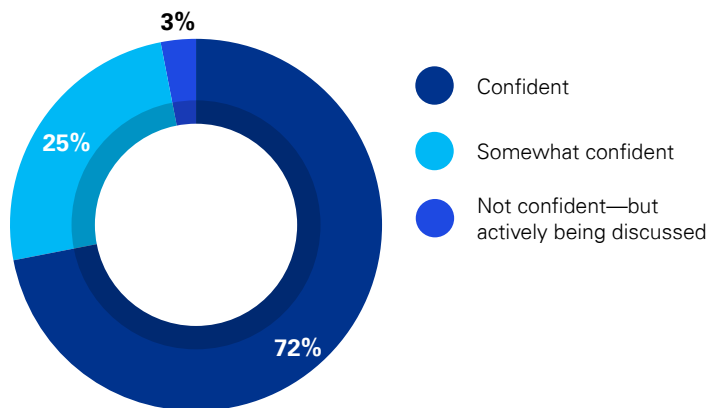
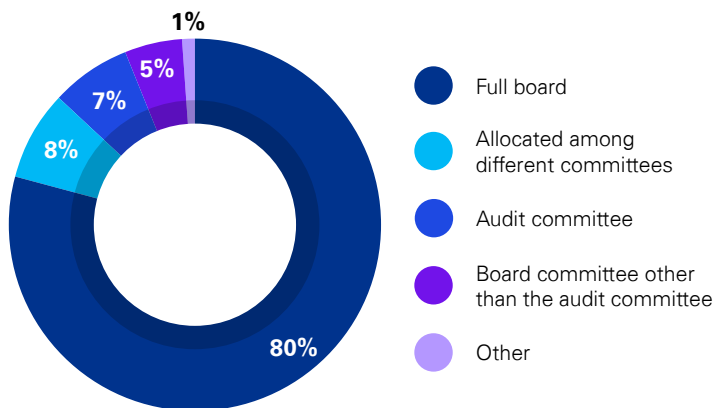


How is your audit committee addressing concerns about the committee's workload? (Select all that apply.)



Where does responsibility for oversight of the company's key/mission-critical risks reside?

How confident are you that there is a clear, common understanding—across the board and management—of what the company's key/mission-critical risks are?



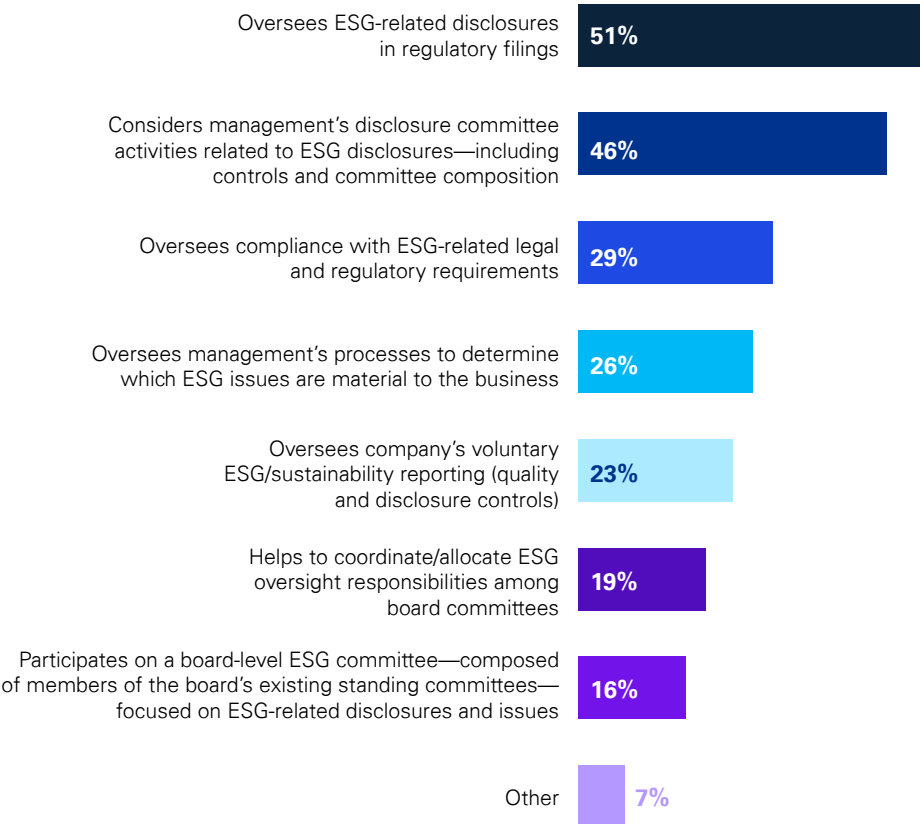
Does not total 100% due to rounding.



Audit committees are heavily involved in overseeing ESG and sustainability disclosures, and many should anticipate even deeper involvement.

Most survey respondents said that their audit committee oversees ESG-related disclosures in regulatory filings, 46% consider management’s disclosure committee’s activities in connection with these disclosures, and 23% reported that their committee oversees voluntary ESG and sustainability reporting. Audit committee members of large companies (those with revenue of \$10 billion or more) reported significantly more involvement in oversight of ESG and sustainability reporting—including disclosures in regulatory filings, overseeing management’s disclosure committee’s activities in connection with these disclosures, and helping to coordinate ESG oversight responsibilities among the board’s standing committees. The SEC’s disclosure proposals—particularly its climate proposal, as well as recent foreign sustainability reporting requirements such as the EU’s Corporate Sustainability Reporting Directive, which has an extraterritorial reach that may apply to many US multinationals—will greatly expand the audit committee’s workload and oversight responsibilities and require greater coordination with other standing committees.

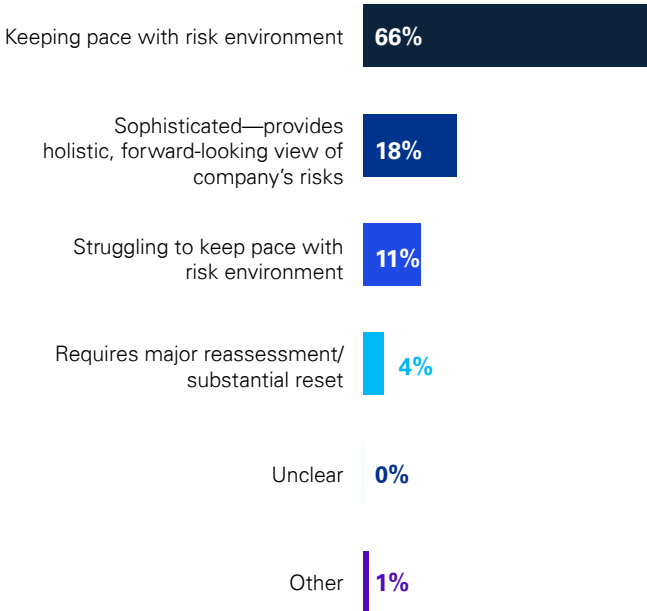
What is your audit committee’s role in the oversight of ESG-related issues? (Select all that apply.)



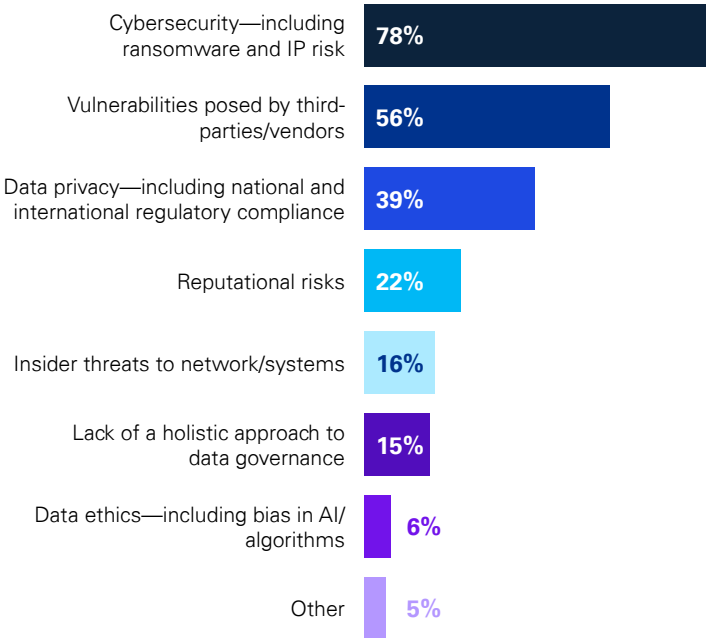
Risk management and reporting are generally viewed as strong, but with key areas of concern related to digital activities, potential gaps in oversight, and talent.

While 84% of all survey respondents—and 93% of respondents from large companies—said their company’s risk management and reporting capability was “sophisticated” or “keeping pace with the risk environment,” they identified three critical challenges ahead: the risks posed by the company’s data/digital activities—cybersecurity (including ransomware and IP), vulnerabilities posed by third parties/vendors, and data privacy; potential oversight gaps when multiple standing committees have oversight responsibilities for a category of risk such as cybersecurity, data privacy, compliance, and supply chain issues; and whether talent and skill sets in the finance and internal audit organizations are keeping pace.

How would you describe the company’s risk management and reporting capability?

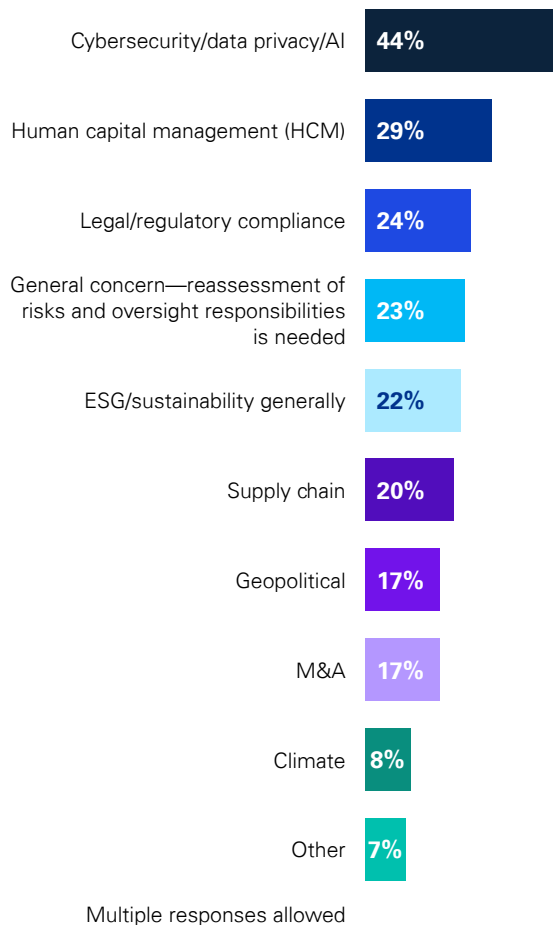


Of the risks posed by the company’s data/digital activities, which elements are particularly concerning or challenging from the audit committee’s oversight perspective?

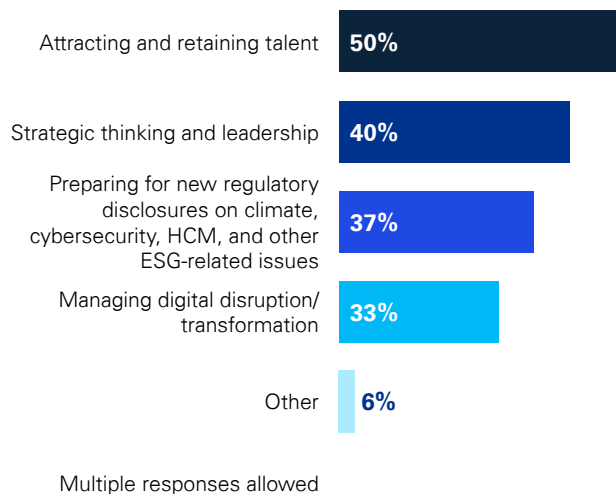


Multiple responses allowed

Of the various enterprise risks under the purview of multiple board committees, which ones are you most concerned about in terms of potential oversight gaps?



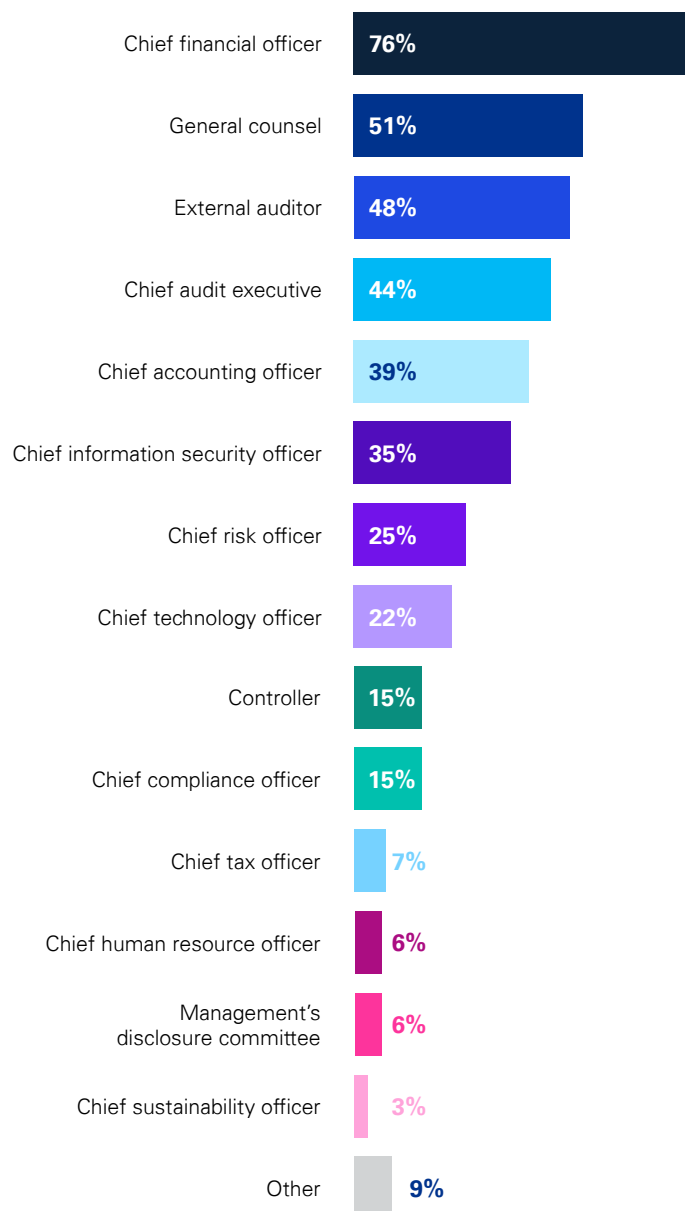
In your view, what are the top challenges facing the finance organization?



In what ways can the internal audit function increase its value to the audit committee? (Select all that apply.)



In addition to regular interactions/reporting to the board, with whom is the audit committee spending significantly more time in light of the evolving risk & disclosure environment? (Select all that apply.)



The audit committee's skills and expertise are getting a closer look.

While 44% of respondents said they had “no concerns” about their committee’s composition and skill sets, 29% had concerns about lack of expertise in cybersecurity, 22% were concerned about lack of expertise in climate and other ESG issues, and 17% were concerned about the audit committee’s size—and the potential need to add members to spread the workload or add expertise. In addition, 24% of respondents expressed concern that their audit committee was overrelying on the chair or a single member who has the background and expertise to oversee complex financial reporting, disclosure, and control issues.

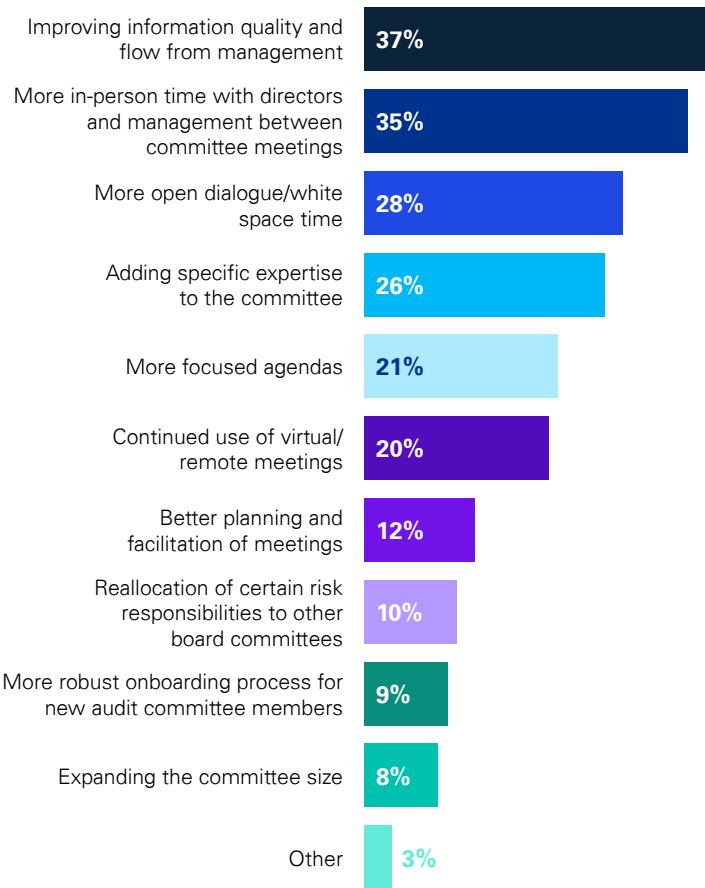
What concerns, if any, do you have about your audit committee’s composition and skill sets?
(Select all that apply.)



Key adjustments would improve the audit committee’s effectiveness—starting with the quality and flow of information.

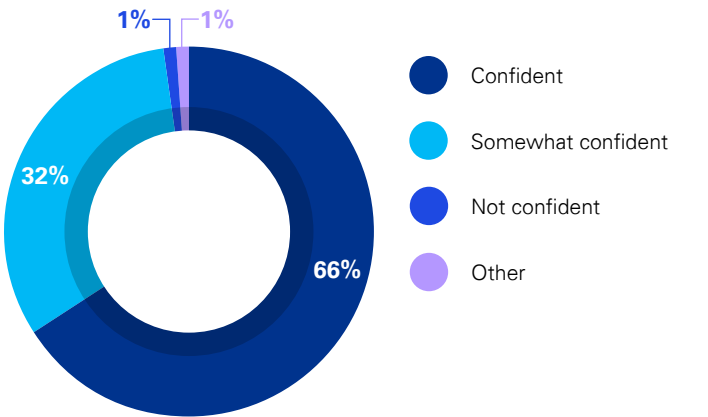
When asked about the most important opportunities to maximize their audit committee’s effectiveness, respondents cited improving information quality and flow from management, more in-person time with directors and management between committee meetings, more open dialogue/white space time, adding specific expertise to the audit committee, and more focused agendas.

Going forward, what will be most important to maximizing the audit committee’s effectiveness and time?



Multiple responses allowed

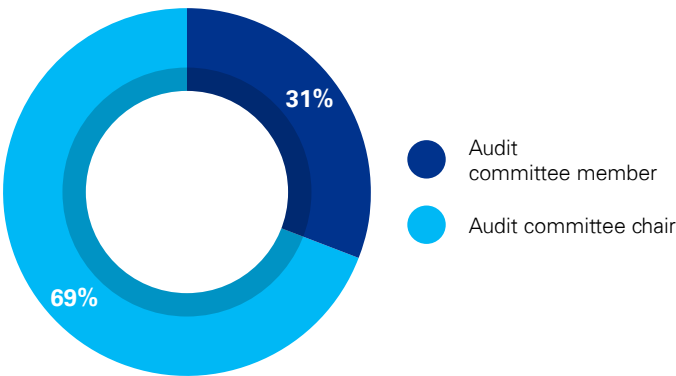
How confident are you that the audit committee currently provides investors, regulators, and other external stakeholders with a robust description of the committee’s oversight work?



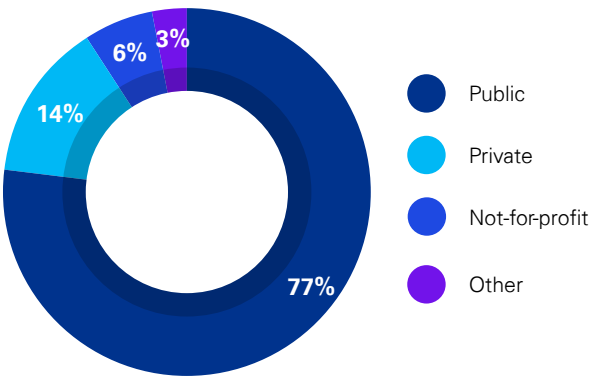
US survey respondents

Results are based on a survey of 144 US audit committee members and chairs conducted February–March 2023.

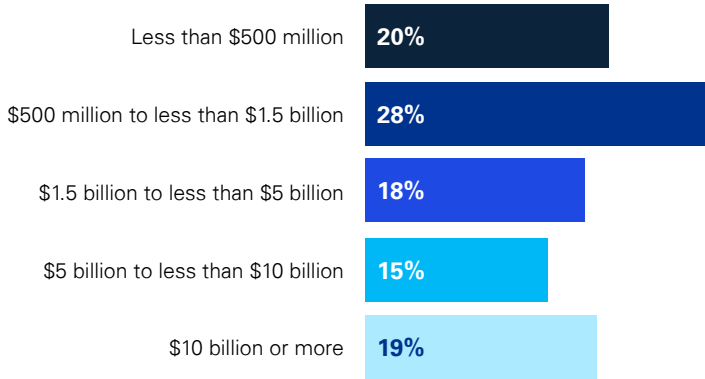
Role



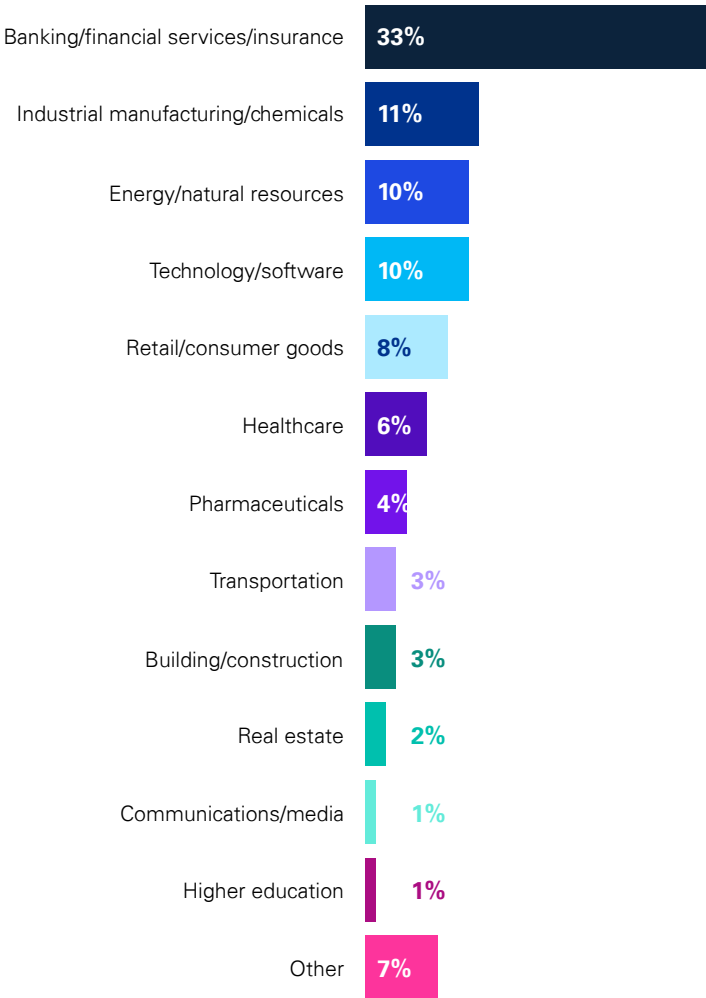
Company type



Annual revenue (USD)



Industry/sector



Appendix

Country results

This appendix contains detailed data from eight countries that received at least 30 responses. Survey data from all 19 participating countries are included in the global column. Some columns may not total 100% due to rounding.

	Global	Argentina	Brazil	India	Ireland	Japan	Mexico	USA	United Kingdom
Number of responses	768	31	90	53	31	111	30	144	66

Which macrotrends will have the greatest impact on your audit committee's focus and agenda in the months ahead? (Select up to 3.)

	%	%	%	%	%	%	%	%	%
Geopolitical and economic risks, including inflation and possible recession	47	42	29	38	61	50	50	50	58
Increased complexity of business and risk environment—e.g., cybersecurity, AI, supply chains, workforce challenges	78	90	83	87	77	83	90	74	65
New disclosure requirements/demands for greater transparency	27	29	22	53	6	33	20	22	29
Company's environmental, social, governance (ESG) reporting	40	48	33	36	48	59	47	22	41
Rigor of the control environment in light of business disruption and/or pressures from economic slowdown	38	23	54	43	19	18	27	40	48
Talent issues in finance and/or internal audit functions	23	16	20	15	35	22	33	34	17
Other	4	13	4	4	3	1	3	5	6

In addition to financial reporting and related control risks, for which risks does your audit committee have significant oversight responsibilities? (Select all that apply.)

	%	%	%	%	%	%	%	%	%
Cybersecurity and IT	68	77	82	77	61	52	80	72	62
Climate	10	6	11	13	3	16	0	9	9
ESG/sustainability generally	41	39	39	43	52	63	33	17	30
Supply chain and other operational activities	27	29	19	40	23	48	20	19	30
Geopolitical and economic	20	10	14	21	32	26	20	19	15
Legal/regulatory compliance	77	84	74	91	74	93	90	67	80
Data governance (e.g. privacy, protection, ethics, AI and algorithm bias)	51	42	51	68	42	46	53	53	70
Brand/reputation	26	45	27	36	26	43	33	9	23
Management's enterprise risk management processes	75	84	77	64	58	89	67	74	61
Other	4	3	3	2	3	2	3	4	8

	Global	Argentina	Brazil	India	Ireland	Japan	Mexico	USA	United Kingdom
Number of responses	768	31	90	53	31	111	30	144	66

What is your audit committee's role in the oversight of ESG-related issues? (Select all that apply.)

	%	%	%	%	%	%	%	%	%
Oversees company's voluntary ESG/sustainability reporting (quality and disclosure controls)	41	32	37	42	29	62	43	23	50
Oversees ESG-related disclosures in regulatory filings	49	48	56	55	35	48	43	51	47
Considers management's disclosure committee activities related to ESG disclosures—including controls and committee composition	32	35	20	43	23	30	23	46	20
Participates on a board-level ESG committee—composed of members of the board's existing standing committees—focused on ESG-related disclosures and issues	19	3	11	40	23	28	20	16	12
Oversees compliance with ESG-related legal and regulatory requirements	57	71	67	74	32	75	60	29	58
Oversees management's processes to determine which ESG issues are material to the business	39	26	31	53	42	65	43	26	35
Helps to coordinate/allocate ESG oversight responsibilities among board committees	15	19	7	25	3	12	33	19	12
Other	6	0	6	4	13	0	7	7	9

How is your audit committee addressing concerns about the committee's workload? (Select all that apply.)

	%	%	%	%	%	%	%	%	%
Not concerned—agenda/workload is appropriate	39	61	29	11	48	51	23	42	35
Reallocating risk oversight responsibilities among committees	14	13	22	34	3	5	27	15	11
Greater use of subcommittees for more in-depth work	9	13	3	25	19	4	23	6	11
Expanding the size of committee	5	0	8	8	13	1	17	3	5
Reassessing the audit committee's charter	13	13	14	21	13	5	13	12	15
Reassessing the committee's skills/expertise and composition	22	3	28	30	26	22	30	16	36
Improving focus of meeting agendas, materials, and management presentations	49	19	62	79	45	42	67	45	52
Other	4	0	3	0	0	5	0	2	3

	Global	Argentina	Brazil	India	Ireland	Japan	Mexico	USA	United Kingdom
Number of responses	768	31	90	53	31	111	30	144	66

How confident are you that there is a clear, common understanding—across the board and management—of what the company’s key/mission-critical risks are?

	%	%	%	%	%	%	%	%	%
Confident	59	84	42	60	68	45	80	72	52
Somewhat confident	35	13	49	34	26	41	7	25	45
Not confident	2	0	6	0	3	2	3	0	3
Not confident—but actively being discussed	4	3	3	6	3	12	10	3	0

Where does responsibility for oversight of the company’s key/mission-critical risks reside?

	%	%	%	%	%	%	%	%	%
Full board	65	48	40	64	58	85	43	80	82
Board committee other than the audit committee	9	3	13	13	23	5	10	5	8
Audit committee	14	19	34	9	19	0	33	7	8
Allocated among different committees	8	19	10	8	0	5	10	8	3
Unclear	2	3	0	0	0	5	3	0	0
Other	2	6	2	6	0	0	0	1	0

Of the risks posed by the company’s data/digital activities, which elements are particularly concerning or challenging from the audit committee’s oversight perspective? (Select up to 3.)

	%	%	%	%	%	%	%	%	%
Cybersecurity—including ransomware and IP risk	80	90	76	68	97	89	90	78	83
Insider threats to network/systems	27	45	33	26	10	30	47	16	27
Data privacy—including national and international regulatory compliance	42	45	53	42	45	38	37	39	42
Data ethics—including bias in AI/algorithms	8	0	6	21	3	5	13	6	9
Reputational risks	27	32	34	28	29	23	20	22	32
Vulnerabilities posed by third parties/vendors	46	52	44	64	61	28	60	56	44
Lack of a holistic approach to data governance	23	6	18	38	16	38	20	15	24
Other	2	0	2	0	0	2	0	5	6

	Global	Argentina	Brazil	India	Ireland	Japan	Mexico	USA	United Kingdom
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Of the various enterprise risks under the purview of multiple board committees, which ones are you most concerned about in terms of potential oversight gaps? (Select up to 3.)

	%	%	%	%	%	%	%	%	%
Cybersecurity/data privacy/AI	55	55	70	79	52	39	60	44	55
Climate	10	19	1	9	29	11	10	8	9
Human capital management (HCM)	32	29	26	30	23	49	33	29	39
ESG/sustainability generally	29	52	24	43	45	13	37	22	24
Legal/regulatory compliance	33	42	66	45	23	16	33	24	30
Supply chain	22	23	21	21	16	35	27	20	23
Geopolitical	17	13	3	11	16	26	20	17	15
M&A	11	6	14	6	0	20	7	17	9
General concern—reassessment of risks and oversight responsibilities is needed	22	19	30	28	26	14	20	23	23
Other	3	0	2	0	3	2	0	7	5

How would you describe the company's risk management and reporting capability?

	%	%	%	%	%	%	%	%	%
Sophisticated—provides holistic, forward-looking view of company's risks	14	19	17	11	13	5	17	18	9
Keeping pace with risk environment	59	45	59	60	68	42	50	66	65
Struggling to keep pace with risk environment	21	23	14	23	13	47	27	11	17
Requires major reassessment/substantial reset	5	13	9	2	6	1	3	4	6
Unclear	1	0	0	2	0	5	3	0	2
Other	1	0	1	2	0	0	0	1	2

	Global	Argentina	Brazil	India	Ireland	Japan	Mexico	USA	United Kingdom
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In addition to regular interactions/reporting to the board, with whom is the audit committee spending significantly more time in light of the evolving risk & disclosure environment? (Select all that apply.)

	%	%	%	%	%	%	%	%	%
Chief accounting officer	34	52	67	34	19	23	30	39	26
Chief audit executive (CAE)	52	29	84	45	32	81	33	44	27
Chief risk officer	45	58	73	57	32	42	47	25	35
Chief sustainability officer	10	13	9	13	0	16	7	3	9
Chief financial officer	72	65	78	91	77	53	93	76	61
Chief information security officer	30	58	32	36	16	23	47	35	24
Chief technology officer	25	35	43	47	35	5	57	22	26
Chief human resource officer	15	35	17	26	10	23	37	6	8
General counsel	36	55	42	32	19	45	63	51	12
Chief tax officer	10	13	20	17	3	7	30	7	5
Chief compliance officer	35	55	51	49	16	49	50	15	17
Controller	21	16	46	21	3	29	13	15	3
Management's disclosure committee	5	3	2	8	0	5	3	6	2
External auditor	54	71	70	62	39	51	70	48	48
Other	7	3	3	8	10	5	13	9	11

In your view, what are the top challenges facing the finance organization? (Select up to 2.)

	%	%	%	%	%	%	%	%	%
Attracting and retaining talent	48	29	28	42	55	77	30	50	50
Preparing for new regulatory disclosures on climate, cybersecurity, HCM, and other ESG-related issues	39	45	40	43	42	28	53	37	36
Managing digital disruption/transformation	39	35	50	47	23	25	47	33	42
Strategic thinking and leadership	41	61	42	58	35	35	43	40	42
Other	3	3	3	0	3	3	0	6	2

	Global	Argentina	Brazil	India	Ireland	Japan	Mexico	USA	United Kingdom
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In what ways can the internal audit function increase its value to the audit committee? (Select all that apply.)

	%	%	%	%	%	%	%	%	%
Greater focus on critical enterprise risks	62	74	76	83	61	58	73	55	50
Helping to connect dots and seeing the big picture	47	45	44	60	48	37	33	46	62
Gauging the culture/tone throughout the organization	36	39	20	60	29	42	33	31	50
Evolving its data/technology-related skills and capabilities	51	58	69	75	45	30	67	47	47
Better CAE reporting/communication with the audit committee	31	42	37	30	16	49	53	15	21
Ensuring CAE has stature/visibility at the board and C-suite level	33	42	49	40	26	46	47	19	14
Other	4	6	2	2	10	1	0	8	8

What concerns, if any, do you have about your audit committee's composition and skill sets? (Select all that apply.)

	%	%	%	%	%	%	%	%	%
No concerns	35	39	34	25	29	39	20	44	24
Overreliance on the chair or a single member who has deep background /experience to oversee complex financial reporting, disclosures, and control issues	23	19	22	36	23	6	30	24	50
Lack of expertise in cybersecurity, technology	39	32	32	53	42	44	47	29	42
Lack of expertise in climate and other ESG issues	28	19	19	45	19	30	27	22	30
Lack of expertise in risk management	15	10	14	15	26	15	17	10	14
Committee size—potential need to add members to spread the workload and/or add expertise	14	19	19	13	16	6	17	17	14
Need for turnover to bring in fresh perspectives	9	6	12	9	10	12	10	4	15
Lack of diverse views	11	16	9	15	10	11	17	6	17
Other	3	6	7	2	3	5	0	2	0

	Global	Argentina	Brazil	India	Ireland	Japan	Mexico	USA	United Kingdom
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**Going forward, what will be most important to maximizing the audit committee's effectiveness and time?
(Select up to 3.)**

	%	%	%	%	%	%	%	%	%
More robust onboarding process for new audit committee members	10	3	12	9	11	8	13	9	14
Continued use of virtual/remote meetings	17	23	16	17	16	20	23	20	14
More focused agendas	25	48	33	36	29	14	30	21	24
Better planning and facilitation of meetings	18	29	22	15	39	19	23	12	12
Reallocation of certain risk responsibilities to other board committees	12	13	20	19	6	2	23	0	5
Improving information quality and flow from management	42	26	48	49	39	46	33	37	56
Expanding the committee size	6	10	8	2	10	2	13	8	2
Adding specific expertise to the committee	30	35	34	32	32	16	43	26	39
More open dialogue/white space time	27	26	22	42	19	50	10	28	26
Other	4	3	1	2	3	1	0	3	3

How confident are you that the audit committee currently provides investors, regulators, and other external stakeholders with a robust description of the committee's oversight work?

	%	%	%	%	%	%	%	%	%
Confident	53	84	43	64	52	26	83	66	47
Somewhat confident	41	16	53	34	39	53	13	32	52
Not confident	5	0	3	2	3	17	0	1	2
Not confident and currently considering expanding the audit committee report	1	0	0	0	0	3	3	0	0
Other	1	0	0	0	6	1	0	1	0