

Conversations with US audit committee chairs

KPMG Board Leadership Centre

Each year, the US Public Company Accounting Oversight Board (PCAOB) carry out a number of informal conversations with the audit committee chairs of the US public companies whose audits they inspect, on a range of topics related to the oversight of external auditors. In 2022, more than 200 audit committee chairs accepted the PCAOB's invitation to discuss topics related to the 2021 audit of their company's financial statements. The recurring themes are presented in the PCAOB publication '[Spotlight: 2022 Conversations with Audit Committee Chairs](#)' and summarised below.

Finance and audit staff

Key takeaway: Most audit committee chairs remain alert to the impact that staff turnover can have on a public company's financial reporting process and on the conduct of audits.

One of the most frequently mentioned concerns from audit committee chairs was the impact of the "great resignation." These audit committee chairs observed that turnover on the audit engagement teams and within the financial reporting roles at their respective public companies were areas of significant discussion as they both impacted efficiencies in conducting the audit.

Hybrid and remote working

Key takeaway: Audit committee chairs remain mindful that working in a remote or hybrid environment continues to require heightened supervision and review.

Most audit committee chairs noted that the global pandemic had not significantly impacted the audits of their respective companies. While many preferred that a larger portion of their audits would have been conducted in person, they were confident that in most instances auditors were able to perform high-quality audits in remote and hybrid environments. One positive noted from remote and hybrid audits was more frequent communications between auditors and audit committees.

Nevertheless, audit committee chairs remain cognisant of the elevated risks that an audit performed in a remote or hybrid environment presents, particularly, for example, regarding controls and cybersecurity associated with the audit process. From the audit committee chairs' perspectives, auditing remotely seemed more effective for lower risk areas, such as vouching cash, as opposed to procedures such as inventory observation. They also highlighted the need for heightened supervision and review when working remotely.

Communications

Key takeaway: Audit committee chairs highly value early, ongoing, and proactive communication with their auditors.

Audit committee chairs emphasised the importance of strong, consistent communication with their auditors – whether written or oral – to help them understand the status of the audit and any issues that may have arisen. Many commended their auditors for:

- proactively communicating with them on important issues that come up between regularly scheduled calls and meetings;
- presenting issues and information in easy-to-digest ways;
- keeping them abreast of auditing and industry updates and emerging trends in their industries; and

- periodically providing them with useful educational materials and resources.

Several audit committee chairs noted that inconsistent or last-minute communication with auditors was problematic and that they would like to see some improvement in this area.

Critical audit matters

Key takeaway: Audit committee chairs want to guard against critical audit matters simply becoming a perfunctory practice or compliance exercise.

Audit committee chairs were generally pleased with their auditor's level of preparation for CAMs-related discussions, and none cited significant disagreements over their auditor's determinations as to what should be included as a CAM in the opinion.

A small percentage of audit committee chairs questioned whether CAM reporting is becoming a generic compliance exercise, sometimes resulting in "boilerplate" language provided by the auditor.

Information outside of the financial statements

Key takeaway: While information contained in financial statements remains the focal point of corporate disclosures, many committee chairs are increasingly asking questions of their auditors about the inclusion of non-GAAP measures.

While the key metrics continue to be those included in financial statements, there is an increasing dialogue with auditors about the inclusion of non-GAAP measures. Of almost universal importance to audit committee chairs was the goal of ensuring that, as with all disclosures, the information provided is accurate.

In discussing information outside the financial statements, audit committee chairs also mentioned that they had general forward looking discussions with their auditors and that the discussions were typically about keeping abreast of the latest regulatory developments and the activities of their peers in areas that may impact the financial statements and related disclosures.

The KPMG Board Leadership Centre

The KPMG Board Leadership Centre offers support and guidance to non-executive directors, whether managing a portfolio non-executive career or embarking on a first appointment. Membership offers you a place within a community of board-level peers with access to topical and relevant seminars, invaluable resources and thought leadership, as well as lively and engaging networking opportunities. We equip you with the tools you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business.

Learn more at www.kpmg.com/uk/blc.

Contact us

Timothy Copnell
Board Leadership Centre
T: +44 (0)20 7694 8082
E: tim.copnell@kpmg.co.uk

www.kpmg.com/uk/blc



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2023 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.