KPMG

Telecom Sector Auditors' Reports Benchmark 2026



October 2026

What do auditors consider to be key or critical matters?

Following our 2020 publication analyzing auditors' reports of listed telecommunications companies for the 2019 reporting cycle, we revisited the topic after more than five years. The objective remains unchanged: to understand which matters external auditors consider most significant in their audits and how those priorities evolve over time.

Both under International Standards on Auditing and PCAOB auditing standards[1] , auditor reporting has evolved to provide stakeholders with greater insight into the areas that require the most significant auditor attention during the audit. The underlying objective is simple: to move beyond a binary pass-or-fail opinion and provide meaningful information about the judgments, risks and complexities that matter most to investors, regulators and management.

We performed a benchmark of **48 auditors'** reports issued by telecommunications companies across multiple jurisdictions. The review focused on the nature and frequency of Key Audit Matters (KAMs) and Critical Audit Matters (CAMs). The objective was not to compare companies, but to identify the matters that external auditors considered most significant in their audits and to assess how these priorities have changed in a sector undergoing rapid technological transformation.

[1] *The relevant requirements are included in ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report, and PCAOB AS 3101, The Auditor's Report on an Audit of Financial Statements when the auditor expresses an Unqualified Opinion.*



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KAMs versus CAMs (1/2)

Although similar in objective, KAMs and CAMs originate from different auditing standards.

Key Audit Matters (KAMs) are required under the IAASB auditing standards and are commonly reported by companies listed in Europe and many other international markets. KAMs represent matters that, in the auditor's professional judgment, are of most significance in the audit of the current period.



Critical Audit Matters (CAMs) are required under PCAOB standards for most SEC registrants in the United States. CAMs are matters arising from the audit that are communicated to those charged with governance; they relate to material accounts or disclosures and involve especially challenging, subjective or complex auditor judgment.

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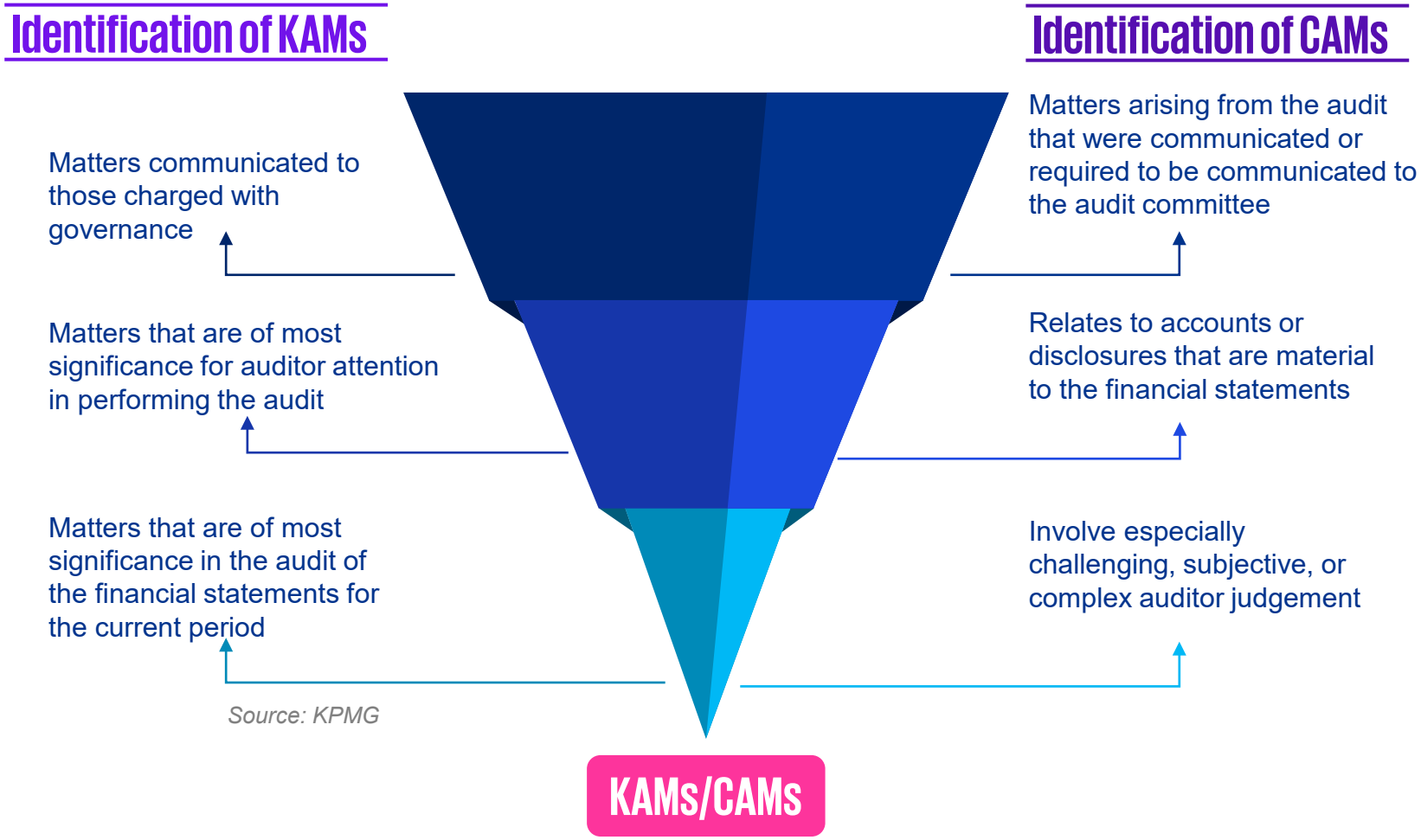
KAMs versus CAMs (2/2)

While the definitions differ slightly, both concepts serve the same purpose: providing transparency regarding the areas that demanded the greatest audit effort and professional judgment.

For the purpose of this research, both KAMs and CAMs have been analyzed.



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Telecom sector auditors' reports benchmark

KPMG investigated 2025 auditors' reports from:

48 telcos, including:

- **35** international telcos for audits that were performed in accordance with ISA standards and in which KAMs were reported.
- **13** US telcos (SEC registrants) for audits that were performed in accordance with PCAOB standards and in which CAMs were reported.

Multiple jurisdictions and regulatory environments.

Large incumbent operators, mobile network operators, infrastructure companies and providers.



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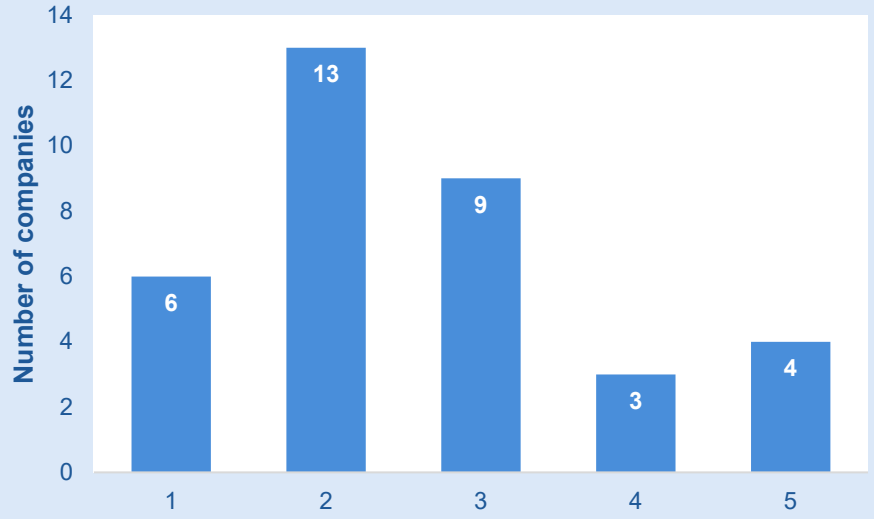
KAMs

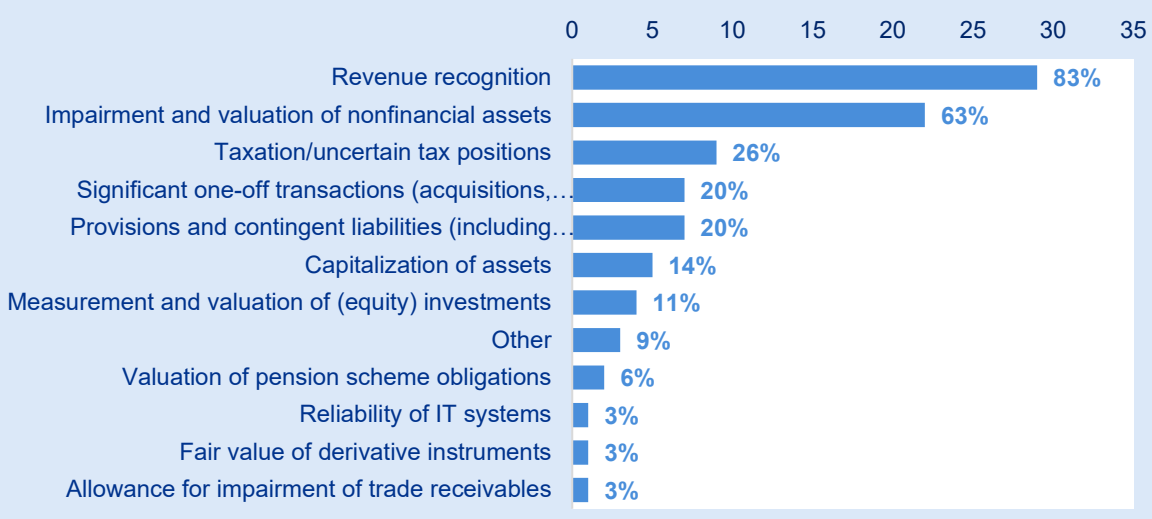
Number of KAMs reported

The number of KAMs communicated in auditors' reports ranged from one to five, with the most common number of KAMs communicated by auditors being two. The largest number of KAMs tends to be reported in auditors' reports of telcos operating in Southern Europe.

Nature of KAMs

Based on the analysis of the auditors' reports investigated, the two most frequently reported KAMs were revenue recognition (**83%** of reports) and the impairment and valuation of nonfinancial assets (**63%** of reports). Both matters were communicated in more than **50%** of the auditors' reports reviewed, indicating that these are key areas of audit focus across the sector. Other commonly reported KAMs included taxation and uncertain tax positions (**26%**) and significant one-off transactions as well as provisions and contingent liabilities (both **20%**).





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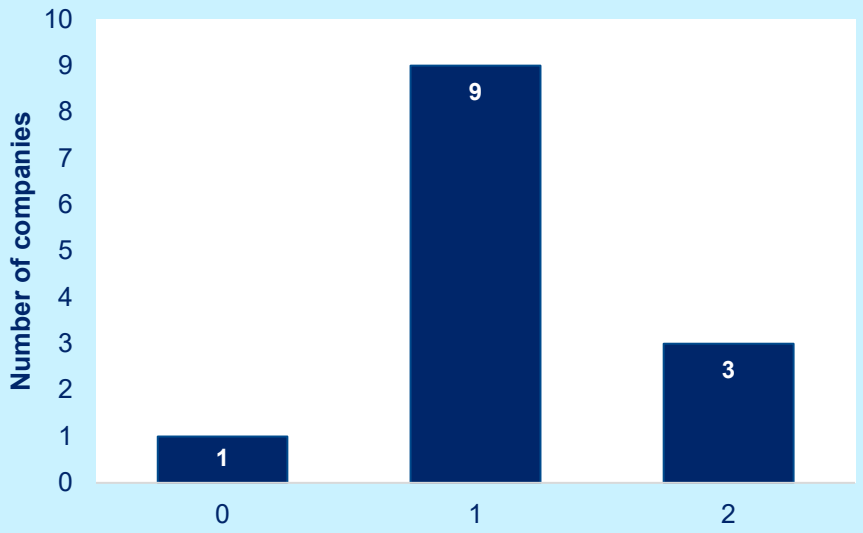
CAMs

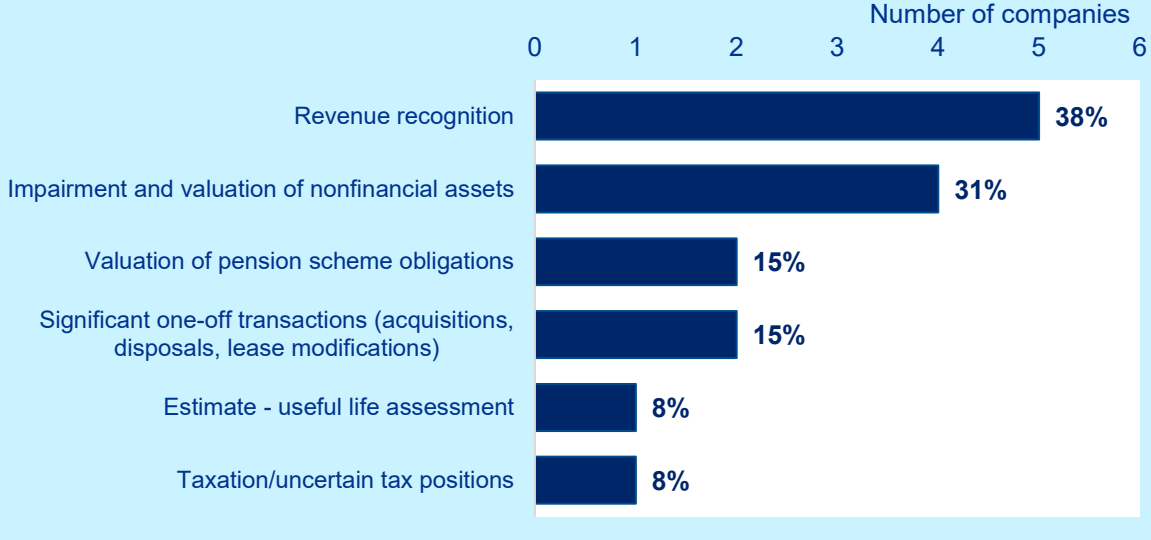
Number of CAMs reported

The number of CAMs communicated in auditors' reports ranged from zero to two, with the most common number of CAMs communicated by auditors being one.

Nature of CAMs

Based on the analysis of auditors' reports surveyed, the two most frequently reported CAMs were revenue recognition (**38%** of reports) and the impairment and valuation of nonfinancial assets (**31%** of reports). These matters were the most common areas of audit focus across the population reviewed. Unlike the KAM analysis, however, no single CAM category was reported in more than **50%** of the auditors' reports surveyed, indicating greater diversity in the nature of CAMs communicated.





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Key observations (1/2)

Auditor reporting has become more focused



In 2019, KAM reporting was relatively extensive. A quarter of the surveyed auditors' reports included six KAMs, and the most common outcome was four KAMs. By contrast, no auditor's report in 2025 included six KAMs and the majority contained between one and three KAMs. The average number of KAMs was 2.6 per report, suggesting that auditors are increasingly focusing on a smaller number of matters deemed most significant to the audit.

This trend may indicate a move away from recurring or boilerplate KAMs towards topics that are more specific to the reporting period.

One-off transactions are increasingly featured



Significant transactions, including acquisitions, disposals and other transformational events, appeared in 20% of KAMs and 15% of CAMs.

Compared to 2019, these topics appear to have gained prominence. The observation may indicate that auditors are increasingly tailoring KAMs and CAMs towards events specific to a reporting period rather than carrying forward the same matters year after year.

Technology and AI are almost absent from auditor reporting



Perhaps the most striking observation from the benchmark is the limited attention given to technology-related risks.

Only one auditor's report (3%) identified reliability of IT systems as a KAM, despite telecom operators being among the world's most technology-dependent organizations.

Even more noteworthy is the complete absence of references to artificial intelligence, despite an increasing adoption of AI-related technologies across customer service operations, network optimization, fraud monitoring, predictive maintenance and financial reporting processes.

Compared to the 2020 publication, which anticipated growing auditor attention towards cybersecurity, data privacy and technology-related risks, the current benchmark suggests that these topics have not yet translated into recurring KAM or CAM disclosures.

This raises an interesting observation for both auditors and management:

Are auditors' reports adequately reflecting the risks and judgments associated with increasingly AI-enabled and technology-driven telecom businesses, or is the implementation of AI within processes affecting financial reporting still relatively limited?

Significant differences remain between KAMs and CAMs



The benchmark confirms that the gap observed in 2019 between KAM and CAM reporting still exists. While the average ISA auditor's report contains **2.6 KAMs,** the average PCAOB auditor's report contains only **1.15 CAMs.** Additionally, one US auditor's report disclosed no CAMs at all.

This outcome reflects the narrower PCAOB definition and is consistent with the direction observed in a prior study, where CAM disclosures have generally remained less frequent than KAM disclosures.

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Key observations (2/2)

Revenue recognition remains dominant under KAMs but not under CAMs

Revenue recognition continues to be the single most frequently reported KAM, appearing in **83%** of ISA auditors' reports. However, the same topic appears in only **38%** of CAM disclosures.

The finding is noteworthy because telecom companies continue to face complex revenue recognition challenges arising from bundled products, multiple performance obligations, customer incentives, wholesale arrangements and evolving pricing models.

Asset impairment continues to be a global common denominator

Impairment and valuation of non-financial assets remains one of the most prominent audit topics globally, appearing in **63% of KAMs** and **31% of CAMs.**

Considering the substantial carrying values associated with spectrum licenses, network infrastructure, customer relationships, goodwill and other intangible assets, the continued focus on impairment testing is not a surprise and consistent with observations from the 2019 study.

Capital expenditure remains fundamental to the sector, but receives limited attention

Telecommunications companies are among the most capital-intensive businesses globally. Network rollouts, fibre deployments, spectrum investments, software development and technology transformation programs require significant judgment around capitalization and useful lives.

Despite this, capitalization of assets was identified as a KAM in only 14% of auditors' reports and was absent from nearly nine out of ten KAM disclosures.

This raises an interesting question:

Has auditor scrutiny decreased, or have capitalization processes matured to such an extent that they no longer require significant auditor attention?

Lease accounting has disappeared, as expected

One of the clearest shifts compared to 2019 is the disappearance of lease accounting as a significant audit matter.

In the 2020 benchmark, the adoption of IFRS 16 and ASC 842 drove significant auditor attention and was frequently reported as a KAM or CAM. Six years later, lease accounting no longer appears as a notable audit matter.

This evolution aligns with our expectations. What was once a major accounting change has largely become business as usual, allowing auditors to focus on recent areas involving more significant auditor judgment.

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Final thought

The benchmark demonstrates that auditor reporting within the telecom sector continues to evolve. KAMs and CAMs have become more focused, lease accounting has largely disappeared, and transaction-specific matters have become more prominent. At the same time, traditional areas such as revenue recognition and impairment remain dominant.

However, perhaps the most thought-provoking finding is what is not being reported. In a sector increasingly shaped by digital transformation, cybersecurity threats and artificial intelligence, technology-related KAMs and CAMs remain surprisingly rare. With only one IT-related KAM identified across 48 auditors' reports and no explicit references to AI, the question for auditors, audit committees and financial controllers is clear:

> **"Do today's auditors' reports fully reflect the risks and judgments that will shape tomorrow's telecom industry?"**

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