

# 2024 FTSE350 audit committee survey

KPMG Audit Committee Institute

# Foreword



**To gain a better understanding of the impact of technology on the audit, audit insights delivered and desired, and whether improvements can be made to how auditors report to audit committees, we surveyed FTSE350 Audit Committee Chairs in late September / early October 2024. The responses gathered were in respect of the audit committee of the largest FTSE350 company each individual chaired. We received 65 responses.**

In the forthcoming pages we can see how technology has, for many, changed the statutory audit over the past two years – bringing greater efficiencies, accuracy and insights. But we can also see that many audit committee chairs are looking to their auditors to explain how the efficiencies brought by technology have impacted the audit fee. We can also see that there is scope to improve the way auditors present their findings to the audit committee through greater focus on the key issues, better use of graphics etc, and perhaps surprisingly, through the use of technology itself.

We also probed the degree to which companies were prepared for both CSRD and the 'new' Code declaration on material controls. While many companies are relatively advanced in their journey towards reporting on material controls, preparations for CSRD are not as evolved.

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

**While many companies are relatively advanced in their journey towards reporting on material controls, preparations for CSRD are not as evolved.**

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## What's inside

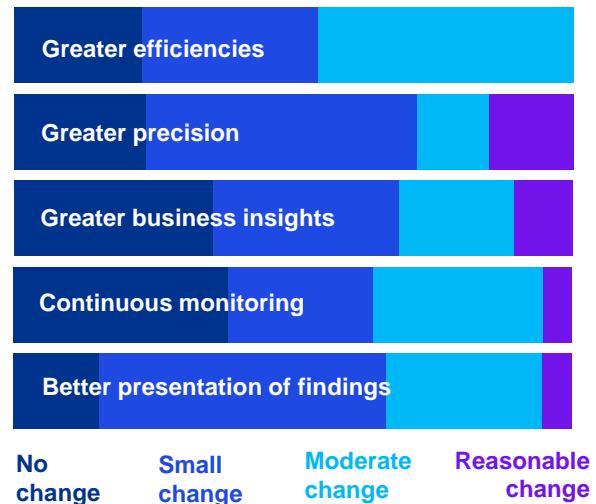
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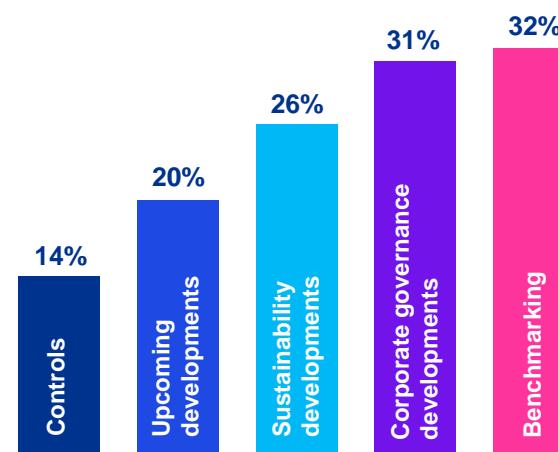
## Impact of technology



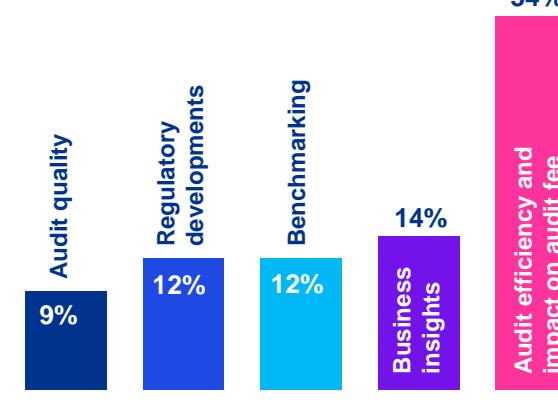
### ... and the extent of change



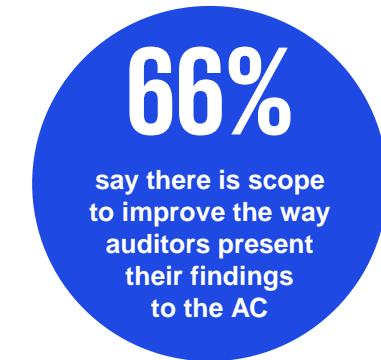
## Greater insights received ...



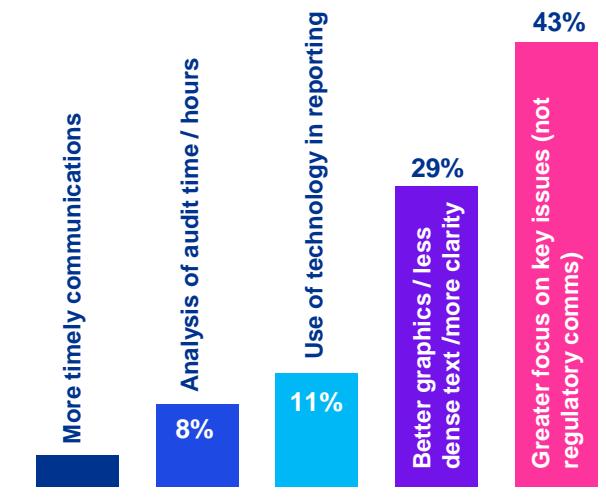
### ... and wished for



## Reporting



### ... could be improved by



## CSRD

**29%**

are 'prepared' or 'almost there' with respect to CSRD reporting (including the need to obtain assurance)

Of those companies falling outside the scope of the CSRD Regulations, 40 percent reported that their assurance plans included some form of voluntary external ESG assurance

## Key areas of discussion on audit quality

Inspection results	63%
Audit team talent and skill sets	63%
Quality of communications	58%
Internal quality control systems	57%
Use of audit technology	49%

## Investor influence

Investor influence on the decision to obtain assurance over sustainability information



- To a great extent
- Somewhat
- Very little
- Not at all

Investor influence on the decision to obtain assurance over the declaration on the effectiveness of material controls



- To a great extent
- Somewhat
- Very little
- Not at all

## Material controls

**57%**

are 'prepared' or 'almost there' with respect to the 'new' declaration on the effectiveness of material controls

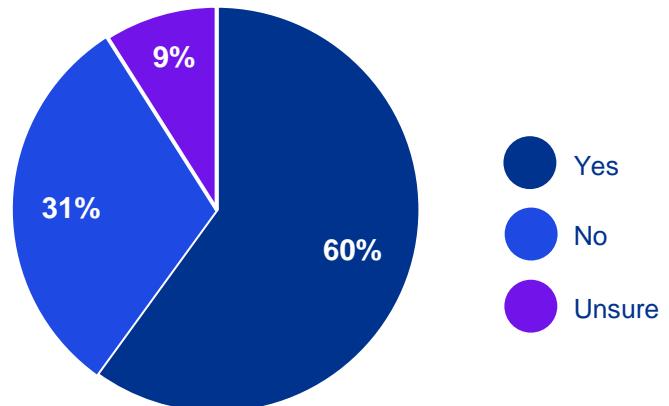
... and anticipated assurance providers  
(not mutually exclusive)

External auditor	49%
Other independent assurance providers	32%
Internal audit (and other internal assurance providers)	66%
No assurance	5%

## The impact of technological change on the audit

Nearly two-thirds (60 percent) of FTSE350 audit committee chairs responding to the survey reported seeing a difference in the statutory audits they received as a result of technological change.

**Over the last two years, have you seen a difference in the statutory audits you receive as a result of technological change?**



Change can be seen across five different categories with the greatest degree of change being around efficiencies, accuracy and precision, and better presentation of audit findings

**To what extent are you seeing the statutory audits you receive change as a result of technological change? (Select all that apply)**

Greater efficiencies



Greater accuracy / precision



More business insights



Continuous monitoring



Better presentation of audit findings



No change

Small change

Moderate change

Reasonable change

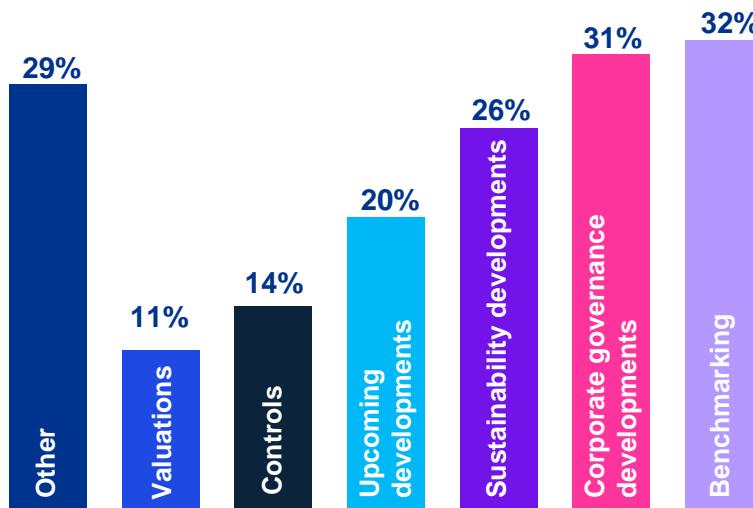
Significant change

## Insights: Delivered and desired

Insights into benchmarking, corporate governance developments and sustainability developments are highly recognised.

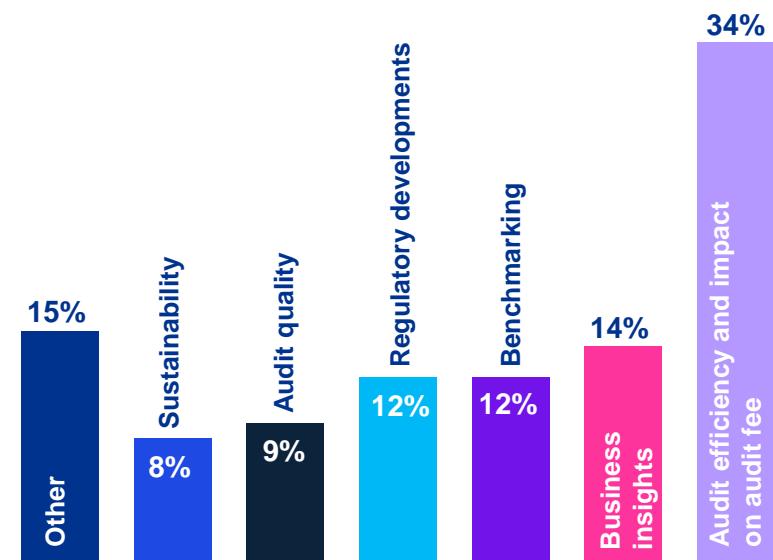
The 'other' category includes a broad array of matters including the effectiveness / efficiency of the finance function, better analysis of large populations, and the completeness of revenue

**In what areas (if any) are you receiving greater insights from your external auditor?**



The most frequently cited area where audit committee chairs would like to hear more from their external auditor is around the correlation between the use of audit technology (leading to greater efficiencies) and the audit fee. Business insights, benchmarking against others and regulatory developments were also frequently noted.

**In what areas would you like to see / hear more of from your external auditor?**



## Improving how auditors report to the audit committee

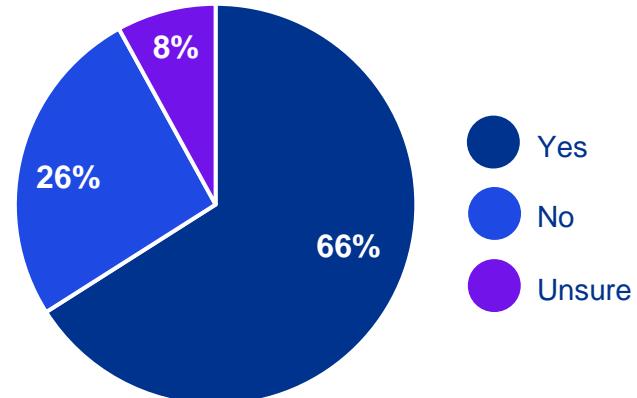
Two-thirds (66 percent) of those responding considered there was scope to improve the way auditors present their findings to the audit committee.

The most frequently cited areas for improvement were:

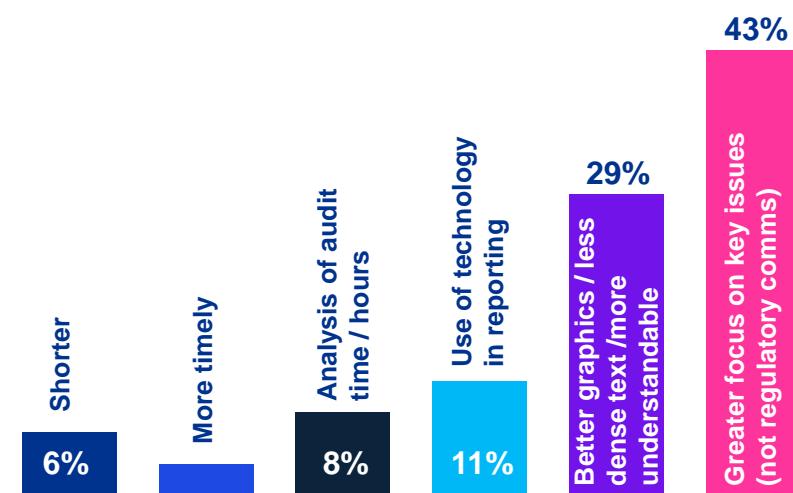
- Greater focus and prominence on key issues rather than all the routine matters that regulations require auditors to report

- Better presentation through the use of graphics, less dense text and 'plain English' language. Don't assume all readers are financial reporting experts
- Better use of technology rather than 'old fashioned' PowerPoint slide decks

Do you think there is scope to improve the way auditors present their findings to the audit committee?



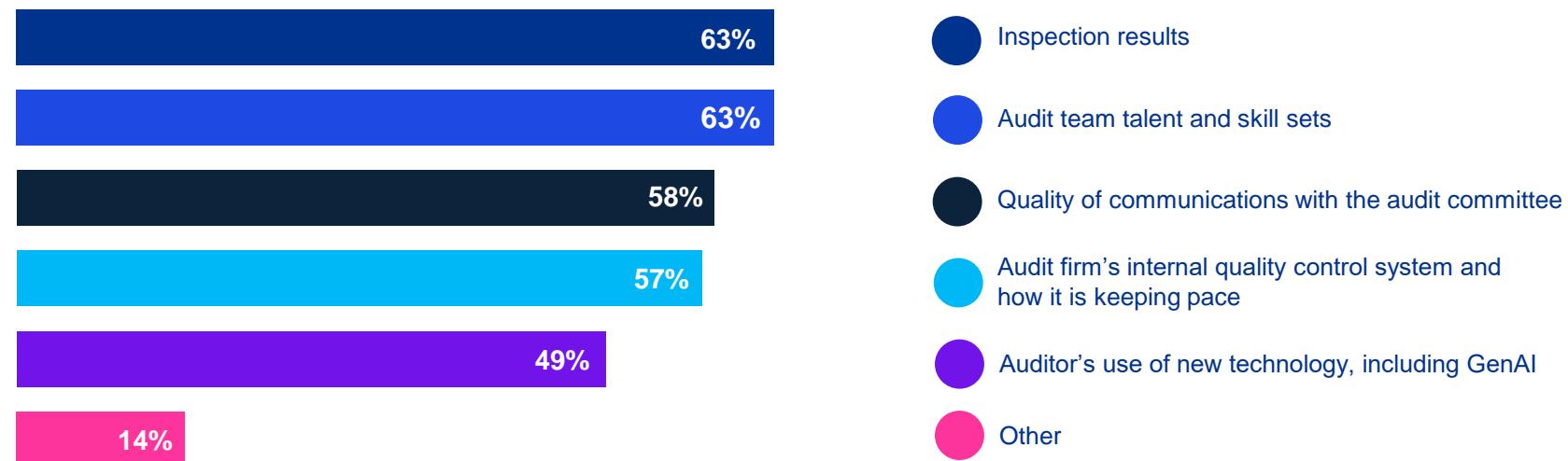
How can auditors improve the way they present their findings to the audit committee?



## Audit quality

Audit quality discussions with the external auditor were spread reasonably evenly across a number of areas. Given the recent focus on audit technology, it is perhaps surprising that some of these issues (for example, inspection findings) were not cited as a common feature of all auditor/audit committee discussions.

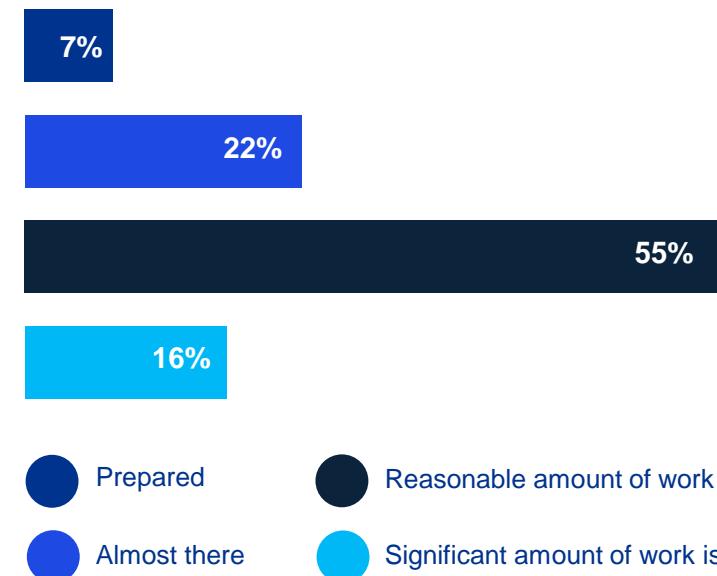
**What have been the key areas of discussion with the auditor regarding audit quality? (Select all that apply)**



## CSRD

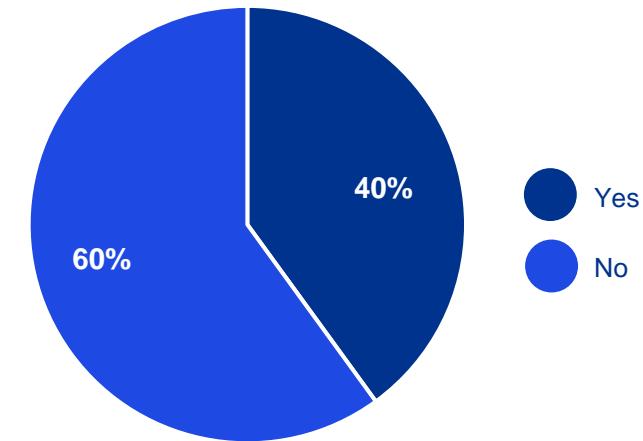
Of those in scope, 71 percent (39 of the 55 in scope) acknowledge that a reasonable or significant amount of work is still needed to prepare for CSRD reporting / assurance. Only 7 percent would consider their companies to be 'prepared'.

**How would you describe the company's preparedness for CSRD reporting (including the need to obtain limited assurance over aspects of your sustainability information from a third-party assurance provider)? (Select one answer)**



Of those companies falling outside the scope of the CSRD Regulations, 40 percent reported that their assurance plans included some form of voluntary external ESG assurance

**If not in scope for CSRD, do your assurance plans include some form of voluntary external ESG assurance? (Select one answer)**



## Declarations on material controls

Over half (57%) of the FTSE350 audit committee chairs surveyed report that they are either 'prepared' or 'almost there' with their preparations for making the 'new' Code declaration on the effectiveness of material controls.

**How would you describe the company's preparedness for making a declaration on the effectiveness of their material controls? (Select one answer)**

8%

49%

38%

5%

- Prepared/already report on the effectiveness of material controls
- Almost there – some fine tuning necessary
- Reasonable amount of work is needed
- Significant amount of work is needed

Internal audit (66 percent) will play an important role in providing audit committees (and boards) with the assurance they need to support the company's declaration on the effectiveness of material controls – either 'on their own' or in combination with either the external auditor and/or other independent assurance providers.

**From who do you anticipate getting assurance to support the company's declaration on the effectiveness of material controls? (Select all that are applicable)**

49%

32%

66%

5%

- From the external auditor
- From other independent assurance providers
- From the internal audit function (and other internal assurance providers)
- No assurance

## Responding to investor needs / pressure

Investor needs and/or pressure from investors appears to have more influence on an audit committee's decision to obtain assurance over sustainability information than the company's statement on the effectiveness of material controls. Perhaps this follows the relative maturity / profile of these issues and the increasing trend for investors to see companies that perform well on ESG as less risky, better positioned for the long-term, and better prepared for uncertainty.

**How much do investor needs and/or pressure from investors influence your decision to obtain assurance over sustainability information and the company's declaration on the effectiveness of material controls?**

Sustainability information



Declaration on material controls



 Not at all

 Somewhat

 Very little

 To a great extent

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