



# Audit committee survey 2023

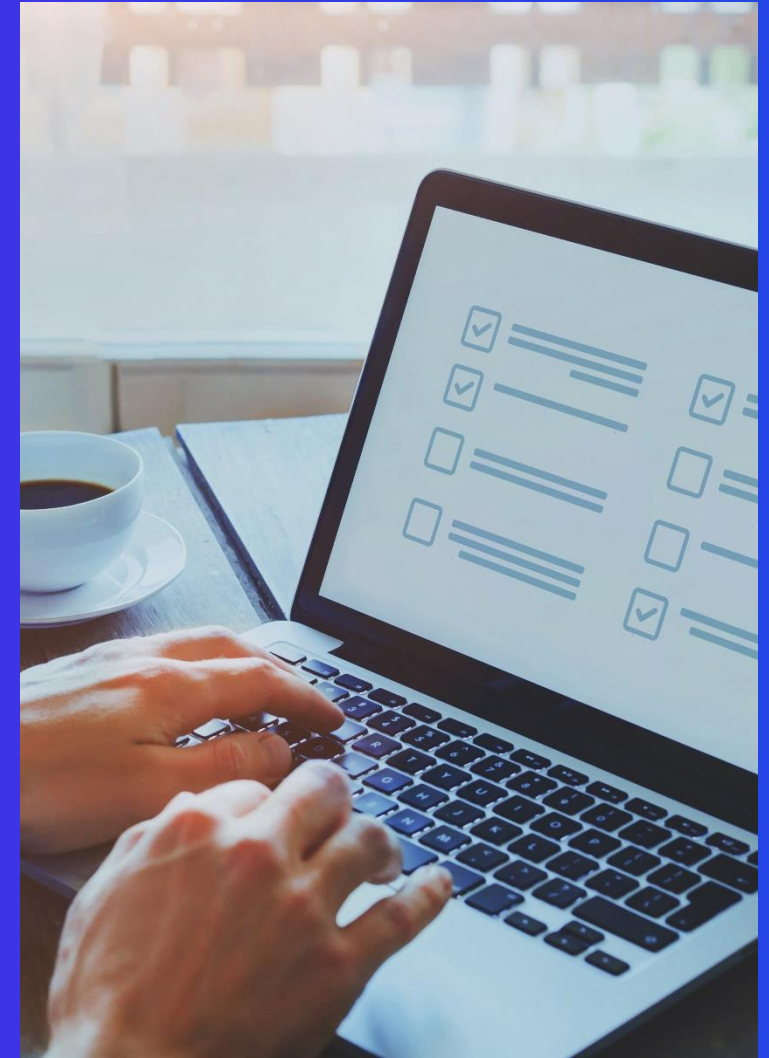
**Audit committee's focus and challenges  
in the evolving business landscape**

**Board Leadership Center (India)**

August 2023

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# Introduction

The role of an audit committee (AC) is of paramount importance, considering the need for robust corporate governance. It acts as a vigilant ombudsman, tirelessly monitoring the financial reporting process, internal controls, and risk management practices of companies.

## Audit committee

01

### Safeguards from:

- Financial irregularities,
- Fraudulent activities,
- Non-compliance with regulations

02

### Ensures:

- Transparency,
- Accountability,
- Integrity in financial reporting

03

### Helps:

- Building trust among investors
- Protecting shareholder interest
- Bolstering capability of corporate sector

04

### Fosters commitment:

- Environment of responsible business conduct
- Paving the way for sustainable growth
- Long-term economic success

**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.**

# About KPMG's Survey

## Survey objective

As uncertainty and disruption across the global business landscape are intensifying pressures on the risk and control environment in new and unexpected ways, the audit committee's perspective can serve as a bellwether for the business and the board.

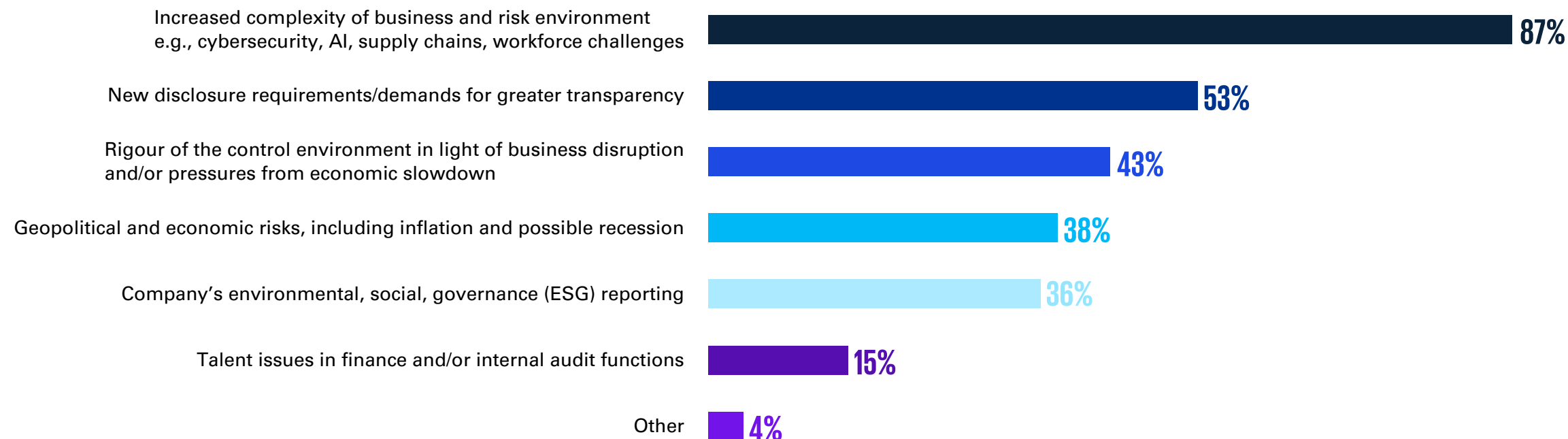
- To gain a better understanding of how audit committee members are managing their expanding workload and oversight responsibilities amid this uncertainty and disruption, we surveyed 53 Indian audit committee members and chairs. (The India views were collected as part of a global survey conducted by the KPMG Board Leadership Center and Audit Committee Institute in February and March 2023.)
- Encouragingly, the survey results show that most audit committees view their companies' risk management processes as sophisticated or keeping pace. But their confidence is muted by sobering concerns—particularly risks posed by a company's digital activities, potential gaps in the oversight of emerging risks, and talent needs in the finance and internal audit organisations.
- Few audit committees are looking to reallocate risk oversight responsibilities to ease their own workload, although some expressed concerns about skill sets and expertise on the audit committee.
- Subsequent slides are some of the key India survey findings.

# Macro-economic trends shaping audit committee's focus and agenda



# The audit committee's focus and agenda are being impacted by macro-trends and related risk and complexity

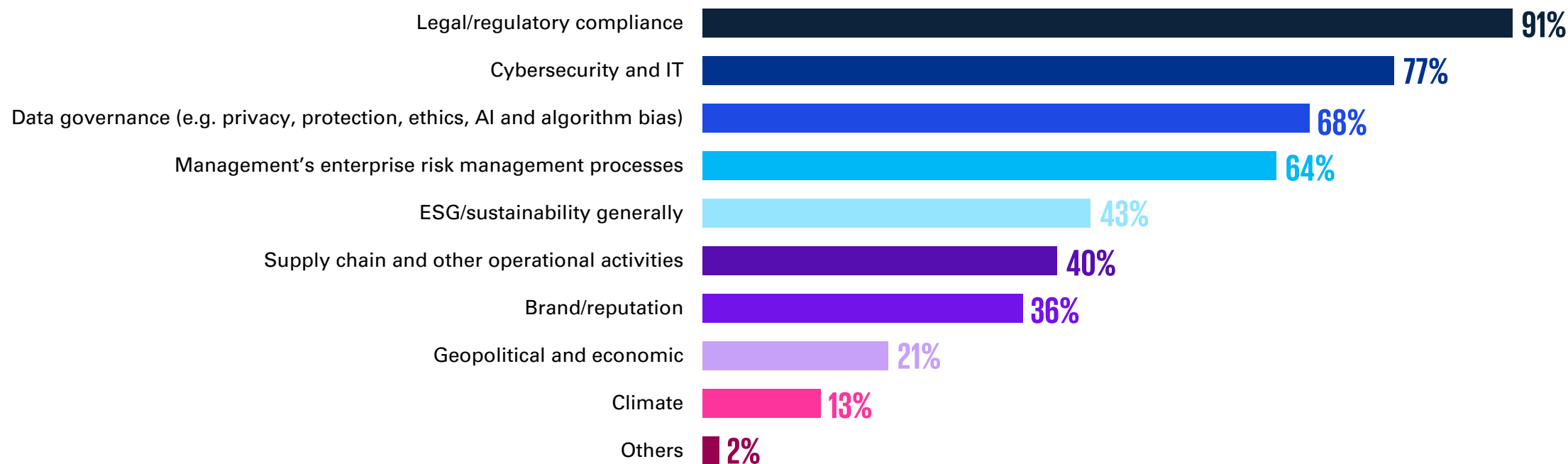
## Key macro-trends that will have the greatest impact on audit committee's focus and agenda in the months ahead




**Our survey findings suggest that organisations are grappling with a rapidly changing landscape that requires heightened attention to navigate potential risks effectively.**

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

## Key risks for which AC's have oversight responsibilities



**Overall, the poll revealed that the audit committee's oversight responsibilities encompass a wide range of areas beyond financial matters, such as Regulatory Compliance, Cyber, ESG, Data Governance, etc.**

An aerial photograph of a dense, lush green forest. The trees are tightly packed, creating a vibrant green canopy. A solid blue rectangular box is overlaid on the left side of the image, containing white text.

**ESG and cyber  
continue to be  
priority agenda  
items for audit  
committees  
and boards**

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

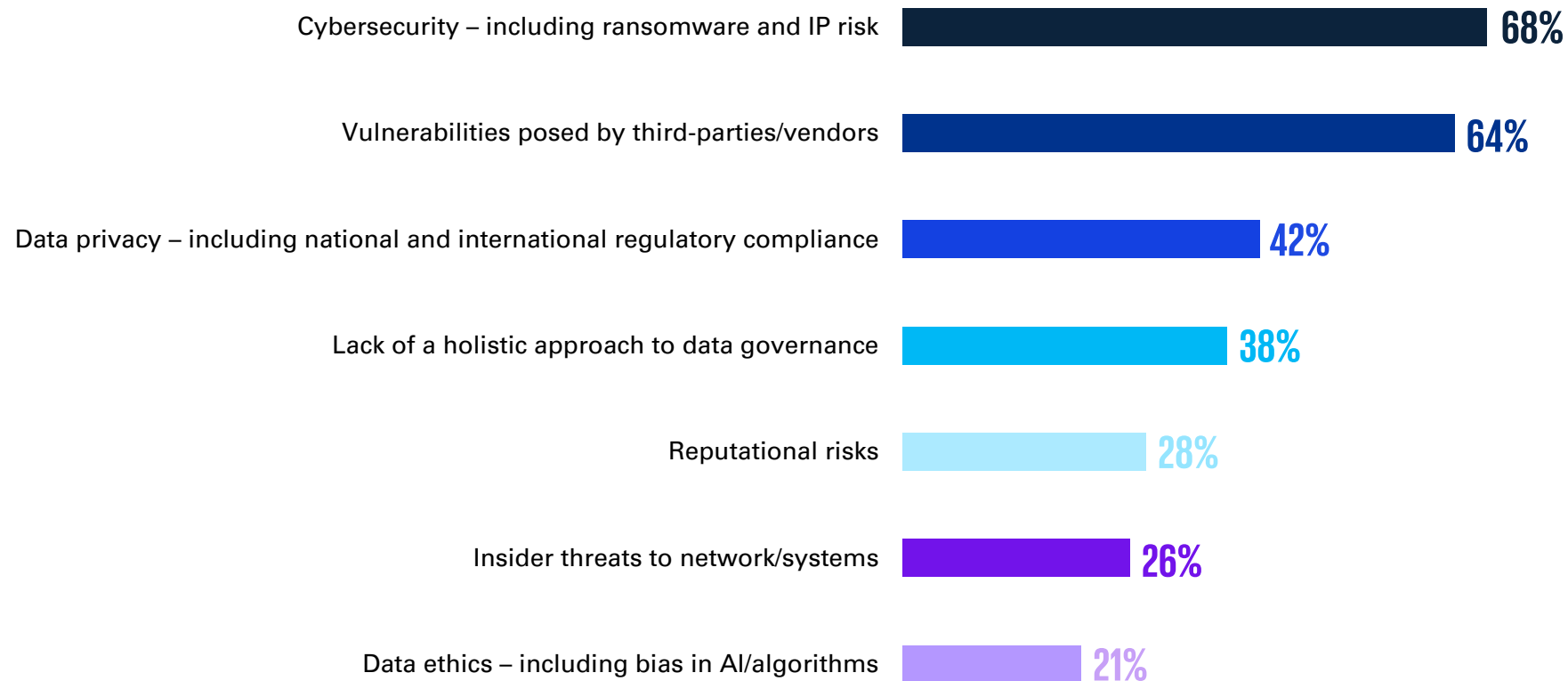
## Audit committee's role in the oversight of ESG-related issues





# Cyber and digital risks also continue to be matters of deep concern for audit committees

## Digital risk elements which are particularly concerning from the audit committee's oversight perspective

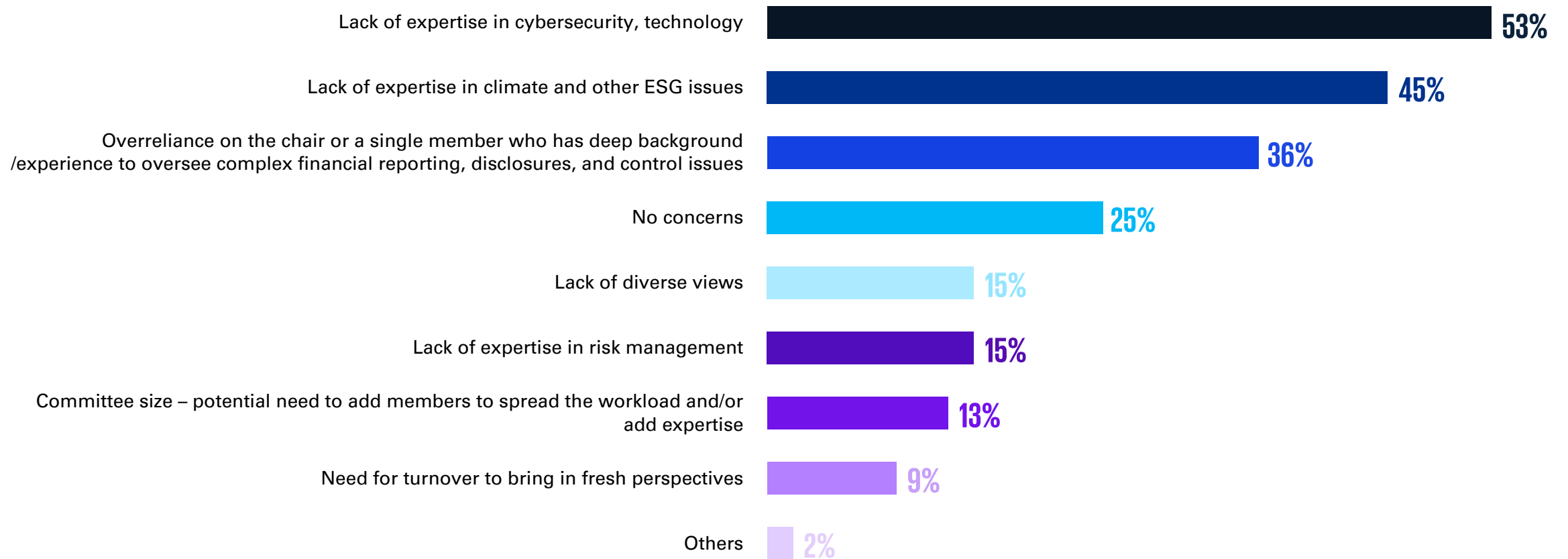


# Potential gaps and challenges being faced by audit committees



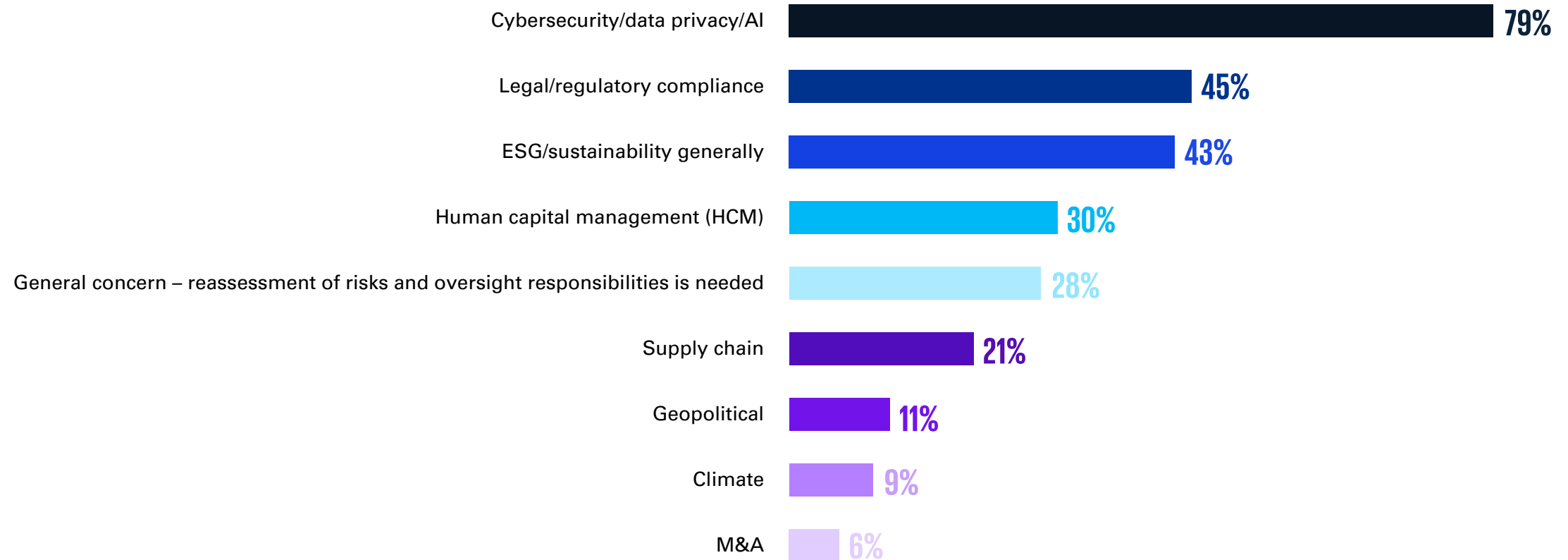
# Skillset gap (specifically on topics such as ESG/Cyber) is one of the most pressing challenges for audit committees today

## Key concerns about audit committee’s composition and skill sets



# 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

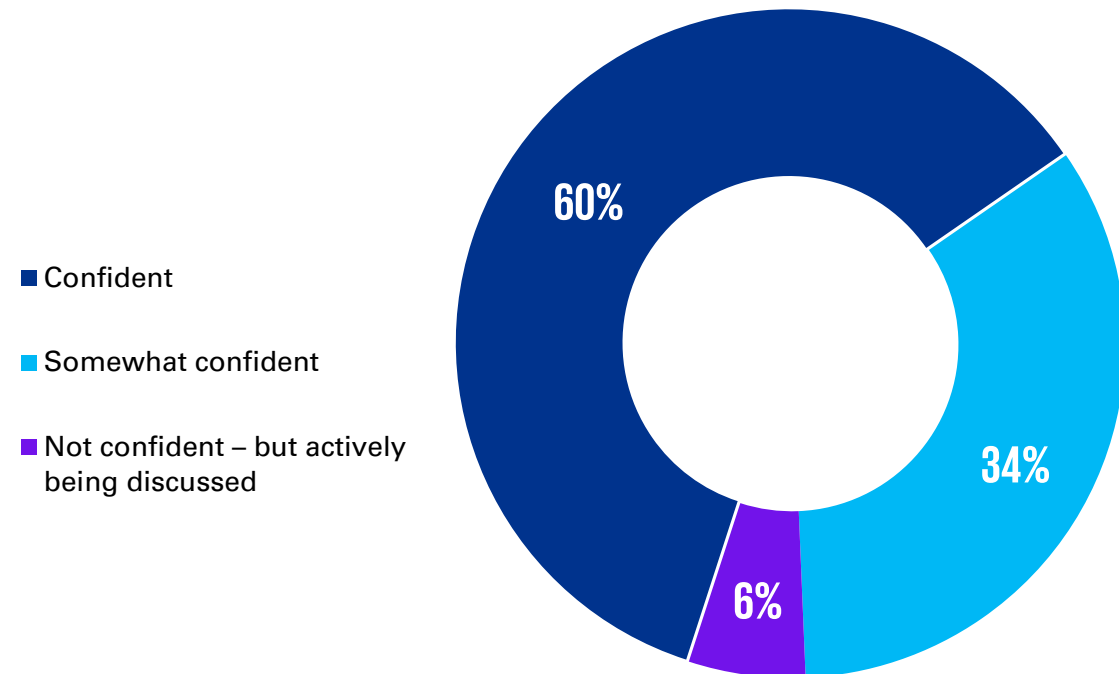
## Risks with maximum potential for oversight gaps



# Need to build a clear and common understanding – across the board and management – of what the company’s key/mission critical risks are

## Level of confidence in clear, common understanding of company’s mission critical risks

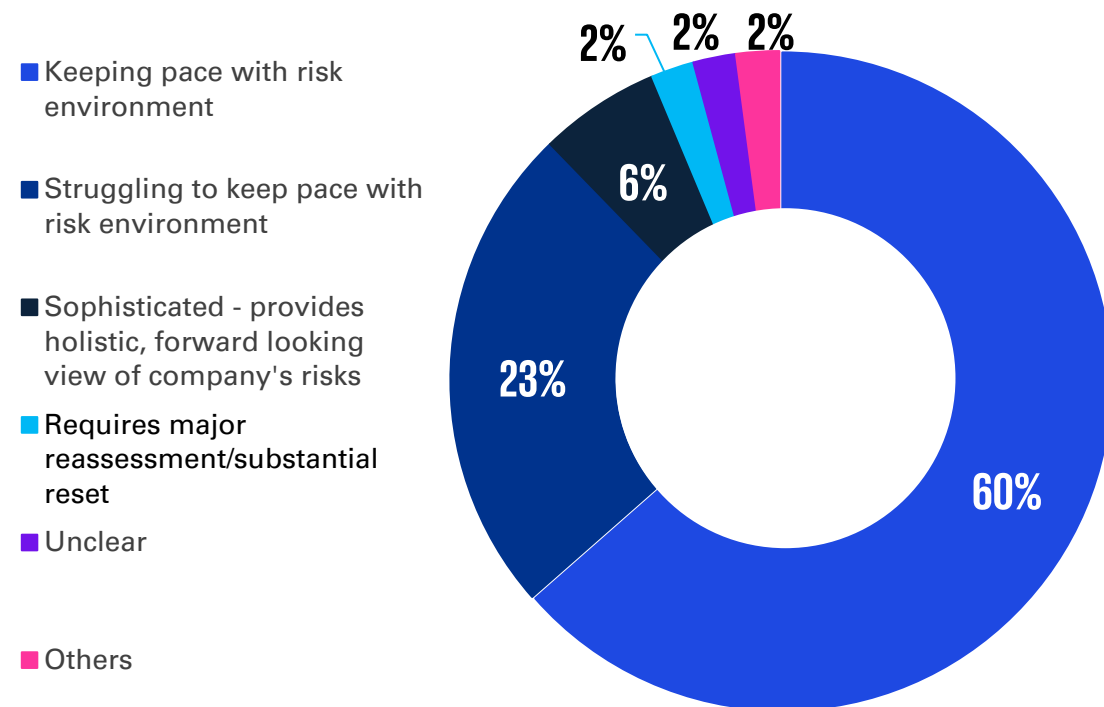
- 34 per cent of participants are somewhat confident, implying that while there may be a level of understanding, there is room for improvement in achieving a more comprehensive consensus.
- Interestingly, 6% of respondents acknowledged that they were not confident in the current level of understanding, but highlighted that active discussions were underway to address this gap.
- These results emphasise the importance of fostering a clear and shared understanding of mission-critical risks between the board and management, and the need for ongoing dialogue and collaboration to enhance this comprehension further.



# Scope to improve company's risk management and reporting capabilities

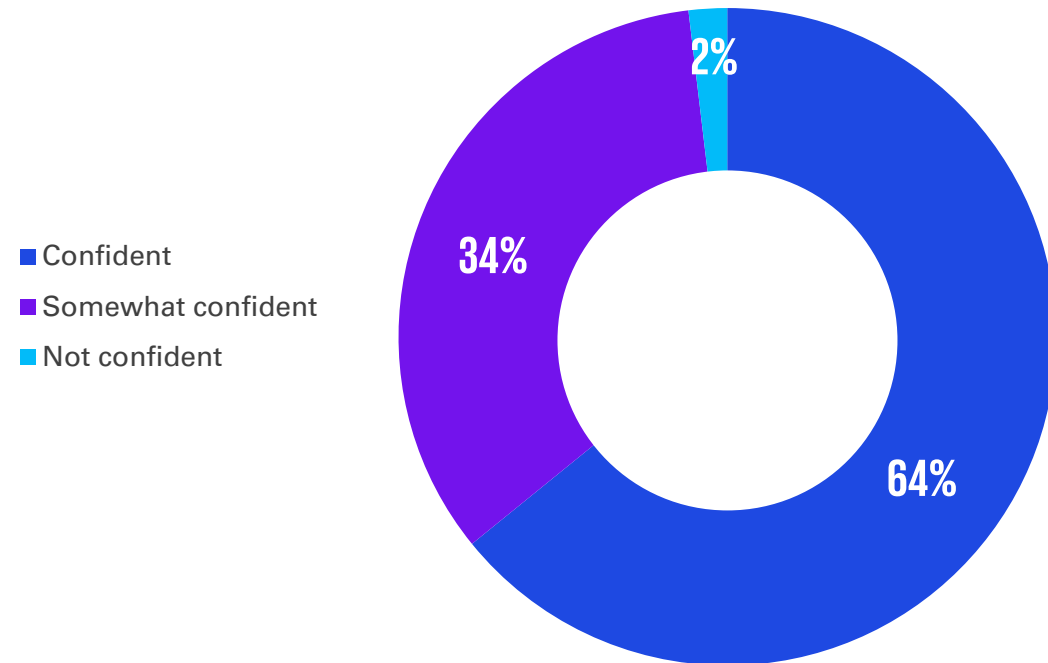
## Strength of company's risk management and reporting capability

- 23 per cent of directors acknowledged that their company is struggling to keep pace with the risk environment, highlighting the need for improvement in risk management practices
- A small percentage, 2 per cent each, indicated that their company's risk management capability either requires major reassessment or is unclear
- Finally, the remaining 2 per cent chose "others," suggesting diverse perspectives on their company's risk management and reporting capability.



# There is also scope to improve confidence of audit committees in providing investors, regulators, and other external stakeholders with a robust description of the committee's oversight work

- 34% of the respondents expressed a somewhat confident stance, suggesting there may be room for improvement in terms of clarity and depth of reporting.
- A small percentage, 2%, expressed a lack of confidence in the committee's ability to provide a robust description of their oversight work.
- These findings highlight the importance of continued efforts to enhance transparency, communication, and reporting by the audit committee to inspire trust and confidence among investors, regulators, and other external stakeholders.



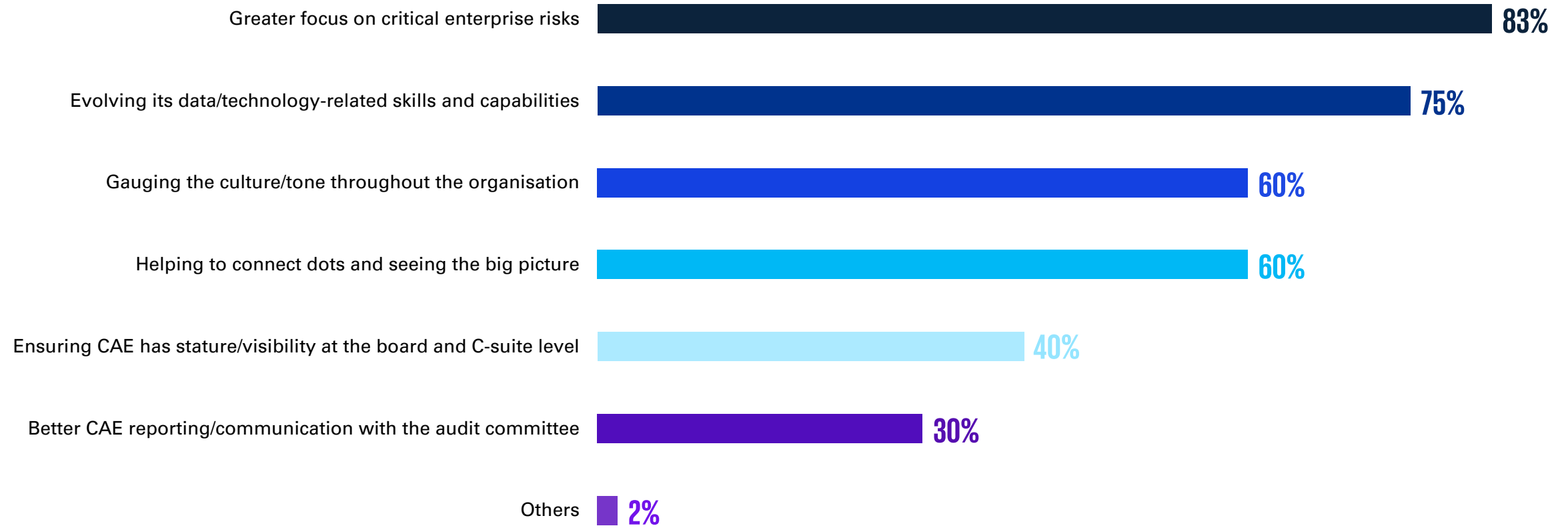
**Way  
forward**





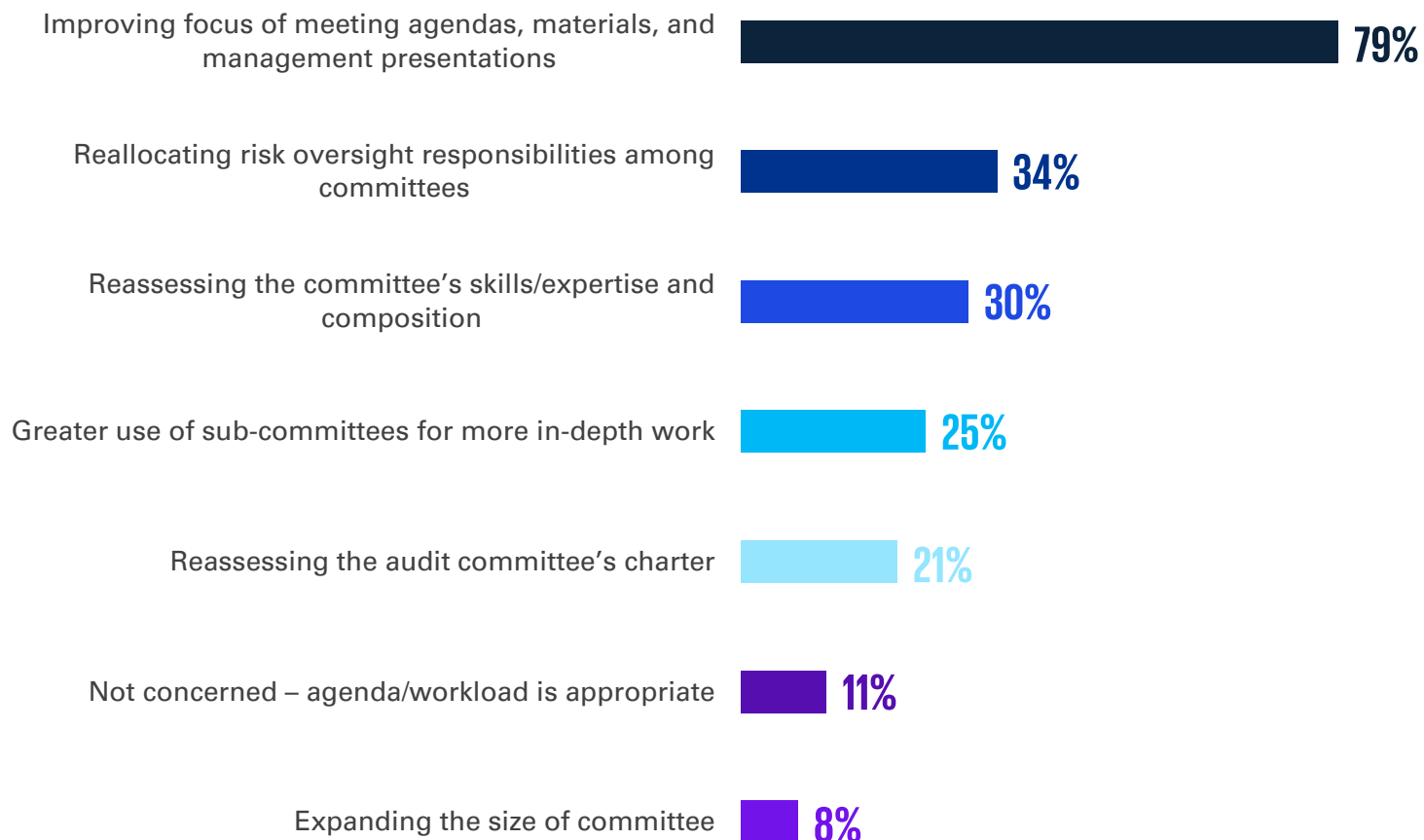
# Internal audit function can become a key enabler by working towards increasing its value to the audit committee

## Ways to increase Internal audit function's value



# Boards should work towards addressing concerns around committee's workload

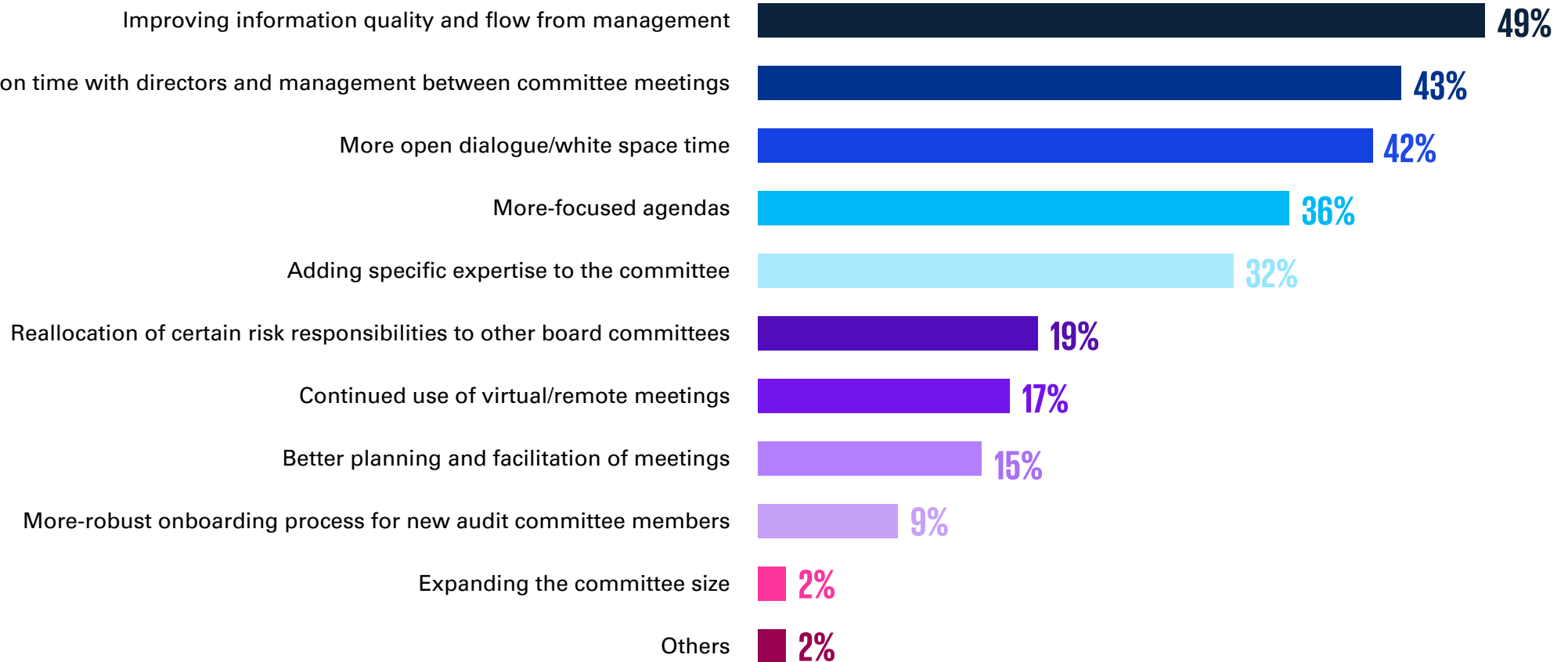
## Possible ways to reduce workload



- Streamline and prioritise the topics discussed during committee meetings
- Distribute the workload more evenly across different committees, ensuring a more effective use of resources
- Reassess the committee's skill, expertise, and composition to ensure it aligns with the evolving needs of the organisation
- Greater use of subcommittees for more in-depth work, enabling the main committee to focus on key strategic matters
- Reassess the audit committee charter to review the committee's purpose and responsibilities
- Expand the size of the committee to manage the workload effectively, if required.

# Ways to maximising the audit committee’s effectiveness and time

## Ways to improve audit committee’s effectiveness



# Elements for effective audit committees

**1**

## Enhance communication

Foster open and transparent communication channels within the audit committee, with management, and other stakeholders. Regular meetings, reporting mechanisms, and information sharing platforms should be established to facilitate effective collaboration and decision-making.

**2**

## Comprehensive risk assessment

Conduct a comprehensive risk assessment to identify and prioritise key risks faced by the organisation. Engage key stakeholders in the assessment process and allocate resources strategically for risk mitigation. Regular reviews and updates to the risk assessment ensure that emerging risks are promptly identified and addressed.

**3**

## Robust monitoring mechanisms

Implement robust monitoring mechanisms to track the progress of risk mitigation efforts, evaluate the effectiveness of controls, and identify emerging risks. Regular reporting, data-driven analysis, and key performance indicators enable the committee to make informed decisions and take timely actions.

**4**

## Periodic reviews and evaluation

Conduct periodic reviews and evaluations of the audit committee's performance, effectiveness, and adherence to best practices. Engage in self-assessments and consider external assessments to identify areas for improvement and implement necessary changes.

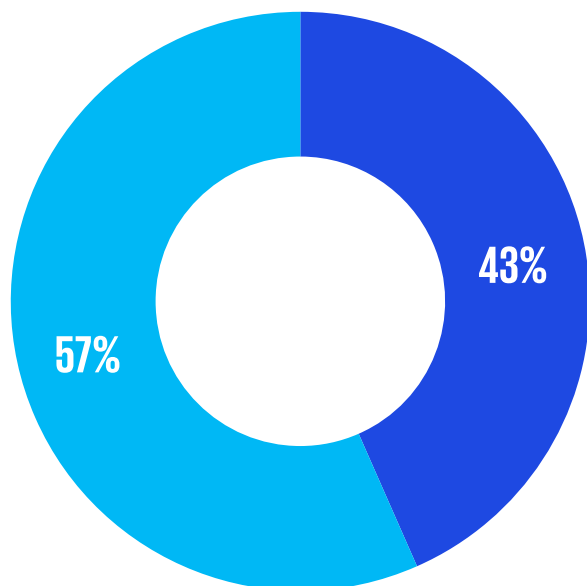
# Survey demographics and questionnaire



# India survey respondents

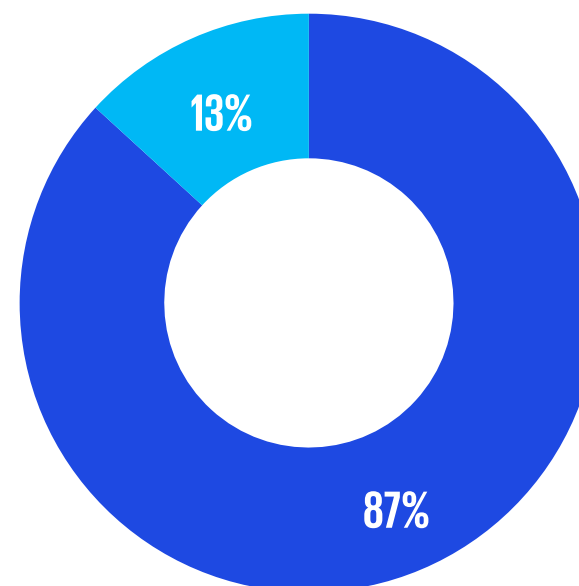
Results are based on a survey of 53 India audit committee members and chairs conducted in February –March

## Role



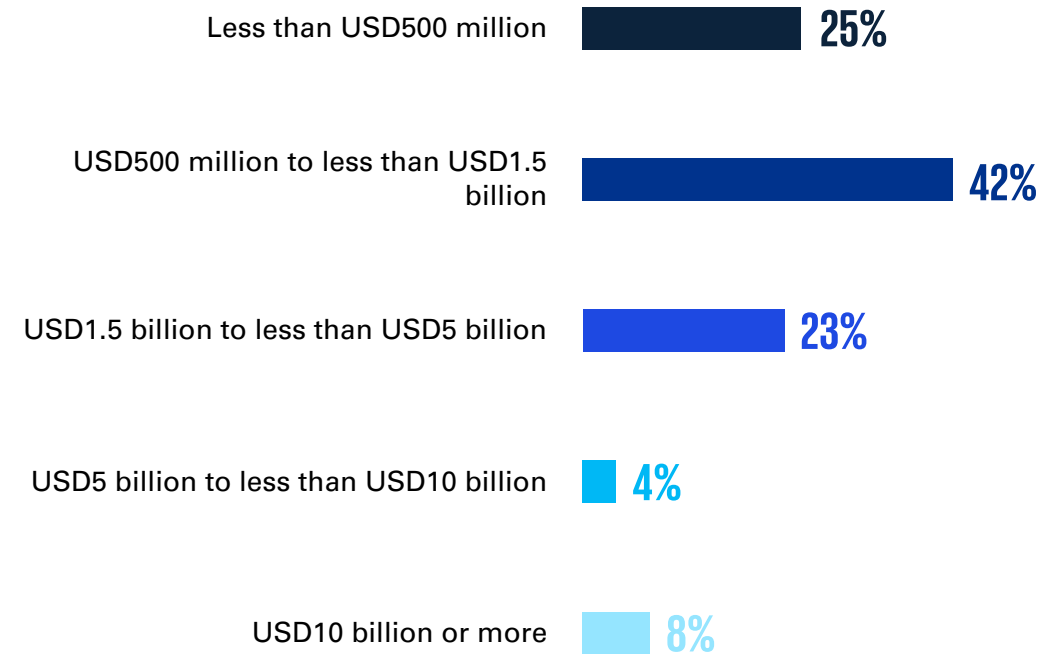
■ Audit committee member   ■ Audit committee chair

## Company type

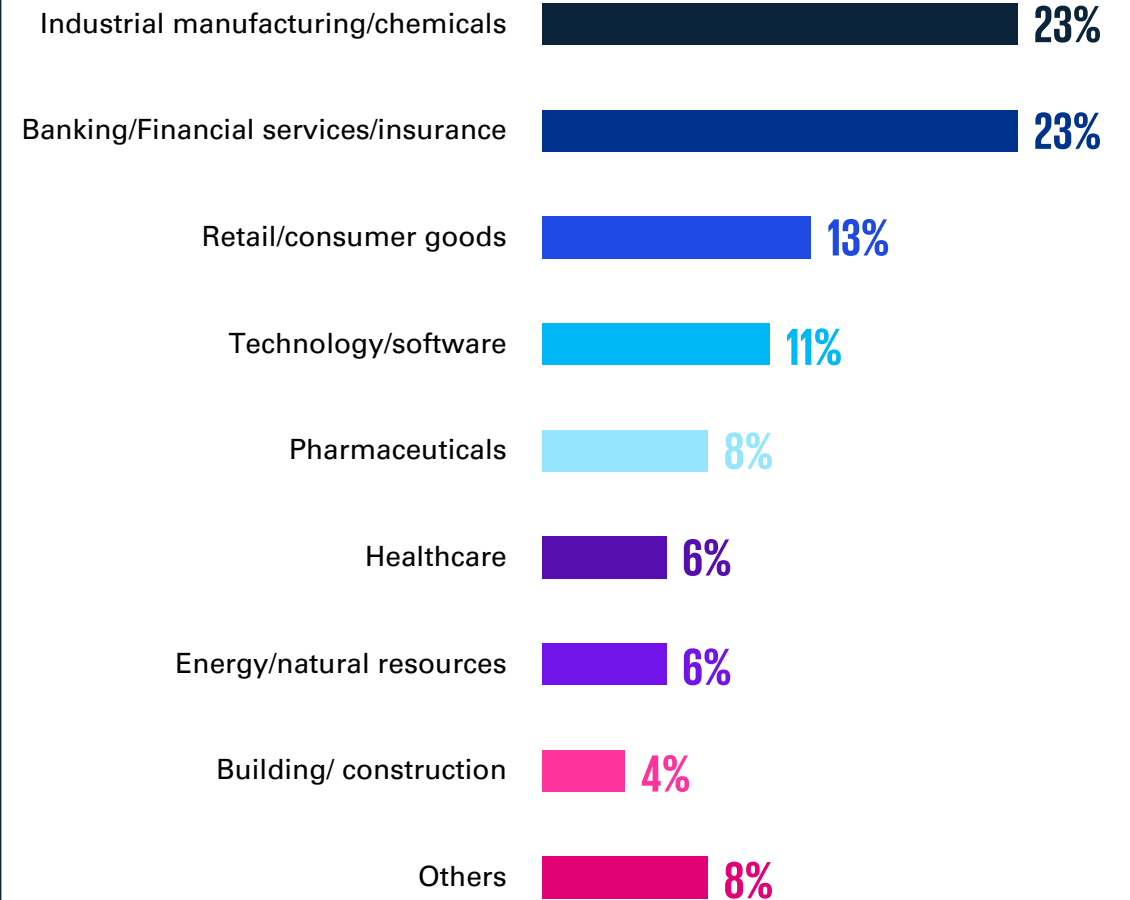


■ Public company   ■ Private company

## Annual revenue



## Industry/Sector



# Survey questionnaire and responses

## Which macro-trends 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	38%
Increased complexity of business and risk environment – e.g., cybersecurity, AI, supply chains, workforce challenges	87%
New disclosure requirements/demands for greater transparency	53%
Company's environmental, social, governance (ESG) reporting	36%
Rigor of the control environment in light of business disruption and/or pressures from economic slowdown	43%
Talent issues in finance and/or internal audit functions	15%
Other	4%

## 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)	42%
Oversees ESG-related disclosures in regulatory filings	55%
Considers management's disclosure committee activities related to ESG disclosures – including controls and committee composition	43%
Participates on a board-level ESG committee – composed of members of the board's existing standing committees – focused on ESG-related disclosures and issues	40%
Oversees compliance with ESG-related legal and regulatory requirements	74%
Oversees management's processes to determine which ESG issues are material to the business	53%
Helps to coordinate/allocate ESG oversight responsibilities among board committees	25%
Other	4%

## 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	77%
Climate	13%
ESG/sustainability generally	43%
Supply chain and other operational activities	40%
Geopolitical and economic	21%
Legal/regulatory compliance	91%
Data governance (e.g. privacy, protection, ethics, AI and algorithm bias)	68%
Brand/reputation	36%
Management's enterprise risk management processes	64%
Other	2%

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

Not concerned – agenda/workload is appropriate	11%
Reallocating risk oversight responsibilities among committees	34%
Greater use of sub-committees for more in-depth work	25%
Expanding the size of committee	8%
Reassessing the audit committee's charter	21%
Reassessing the committee's skills/expertise and composition	30%
Improving focus of meeting agendas, materials, and management presentations	79%
Other	0%



**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	<b>60%</b>
Somewhat confident	<b>34%</b>
Not confident	<b>0%</b>
Not confident – but actively being discussed	<b>6%</b>

**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	<b>68%</b>
Insider threats to network/systems	<b>26%</b>
Data privacy – including national and international regulatory compliance	<b>42%</b>
Data ethics – including bias in AI/algorithms	<b>21%</b>
Reputational risks	<b>28%</b>
Vulnerabilities posed by third-parties/vendors	<b>64%</b>
Lack of a holistic approach to data governance	<b>38%</b>
Other	<b>0%</b>

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

Full board	<b>64%</b>
Board committee other than the audit committee	<b>13%</b>
Audit committee	<b>9%</b>
Allocated among different committees	<b>8%</b>
Unclear	<b>0%</b>
Other	<b>6%</b>

**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	<b>79%</b>
Climate	<b>9%</b>
Human capital management (HCM)	<b>30%</b>
ESG/sustainability generally	<b>43%</b>
Legal/regulatory compliance	<b>45%</b>
Supply chain	<b>21%</b>
Geopolitical	<b>11%</b>
M&A	<b>6%</b>
General concern – reassessment of risks and oversight responsibilities is needed	<b>28%</b>
Other	<b>0%</b>

How would you describe the company’s risk management and reporting capability?	
Sophisticated – provides holistic, forward-looking view of company’s risks	11%
Keeping pace with risk environment	60%
Struggling to keep pace with risk environment	23%
Requires major reassessment/substantial reset	2%
Unclear	2%
Other	2%

In your view, what are the top challenges facing the finance organization? (select up to 2.)	
Attracting and retaining talent	42%
Preparing for new regulatory disclosures on climate, cybersecurity, HCM, and other ESG-related issues	43%
Managing digital disruption/transformation	47%
Strategic thinking and leadership	58%
Other	0%

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	83%
Helping to connect dots and seeing the big picture	60%
Gauging the culture/tone throughout the organization	60%
Evolving its data/technology-related skills and capabilities	75%
Better CAE reporting/communication with the audit committee	30%
Ensuring CAE has stature/visibility at the board and C-suite level	40%
Other	2%

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	64%
Somewhat confident	34%
Not confident	2%
Not confident and currently considering expanding the audit committee report	0%
Other (please specify):	0%

What concerns, if any, do you have about your audit committee's composition and skill sets? (select all that apply.)		Going forward, what will be most important to maximising the audit committee's effectiveness and time? (select up to 3.)		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.)	
No concerns	25%	More-robust onboarding process for new audit committee members	9%	Chief accounting officer	34%
Overreliance on the chair or a single member who has deep background /experience to oversee complex financial reporting, disclosures, and control issues	36%	Continued use of virtual/remote meetings	17%	Chief audit executive (CAE)	45%
Lack of expertise in cybersecurity, technology	53%	More-focused agendas	36%	Chief risk officer	57%
Lack of expertise in climate and other ESG issues	45%	Better planning and facilitation of meetings	15%	Chief sustainability officer	13%
Lack of expertise in risk management	15%	More in-person time with directors and management between committee meetings	43%	Chief financial officer	91%
Committee size – potential need to add members to spread the workload and/or add expertise	13%	Reallocation of certain risk responsibilities to other board committees	19%	Chief information security officer	36%
Need for turnover to bring in fresh perspectives	9%	Improving information quality and flow from management	49%	Chief technology officer	47%
Lack of diverse views	15%	Expanding the committee size	2%	Chief human resource officer	26%
Other (please specify):	2%	Adding specific expertise to the committee	32%	General counsel	32%
		More open dialogue/white space time	42%	Chief tax officer	17%
		Other (please specify):	2%	Chief compliance officer	49%
				Controller	21%
				Management's disclosure committee	8%
				External auditor	62%
				Other	8%

# KPMG in India contact:

**Ritesh Tiwari**

**Partner**

Board Leadership Center

E: [riteshtiwari@kpmg.com](mailto:riteshtiwari@kpmg.com)

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**30 years**  
and beyond

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KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

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