



cutting through complexity

Through a cyber security lens

2015 Global Audit
Committee Survey

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What the 2015 survey tells us

Short of a crisis, the issues on the audit committee's radar don't change dramatically from year to year (and they probably shouldn't); but sometimes small shifts tell a big story.

In KPMG International's 2015 Global Audit Committee Survey, it comes as little surprise to see four key concerns carried over from last year:

- economic and political uncertainty and volatility
- regulation and the impact of public policy initiatives
- operational risk
- and cyber security.

Clearly, a slowing global economy, the flare-up of geopolitical hotspots, and the proliferation of major cyber breaches have intensified the spotlight on these issues. In the year ahead, audit committees say cyber security and oversight of risk will require even more attention. For many audit committees today, these headline risks are also driving a slower moving – yet critically important – trend, potentially impacting the audit committee's effectiveness: agenda overload.

Audit committees, by and large, continue to express confidence in their oversight of the company's financial reporting and audit quality. However, the accelerating speed and complexity of business and risk are stretching and straining many audit committee agendas.

In a positive development, more boards are reallocating risk such as cyber security oversight responsibilities among their committees and the full board, which translates into more time for quality discussions and a deeper understanding of the business.

Of course, it is difficult to compare data from 27 countries – often with markedly different business environments, regulatory requirements, and corporate governance practices. However, our 2015 survey findings offer insights that audit committees (as well as management teams, auditors, and other stakeholders) can use to sharpen the committee's focus, benchmark its responsibilities and practices, and strengthen its oversight going forward.

Source: www.kpmg.com/globalACI

Global snapshot

Uncertainty and volatility, regulation and compliance, and operational risk top the list of challenges facing companies today.

Many audit committees around the world point to economic and political uncertainty and volatility, regulation and compliance, operational risk, and controls posing the greatest challenge for their companies. Which is little surprise, given the struggling global economy, ongoing geopolitical turmoil, heightened government regulation, and speed of ever-changing cyber security risk and technology innovation.

Audit committees want to spend more time on risk oversight – particularly cyber security and the pace of technology change.

In the months ahead, audit committees want to devote more – or significantly more – agenda time to overseeing the company's risk management processes and operational risk and controls, as well as cyber security and the pace of technology change with particularly acute concerns reported in the United States.

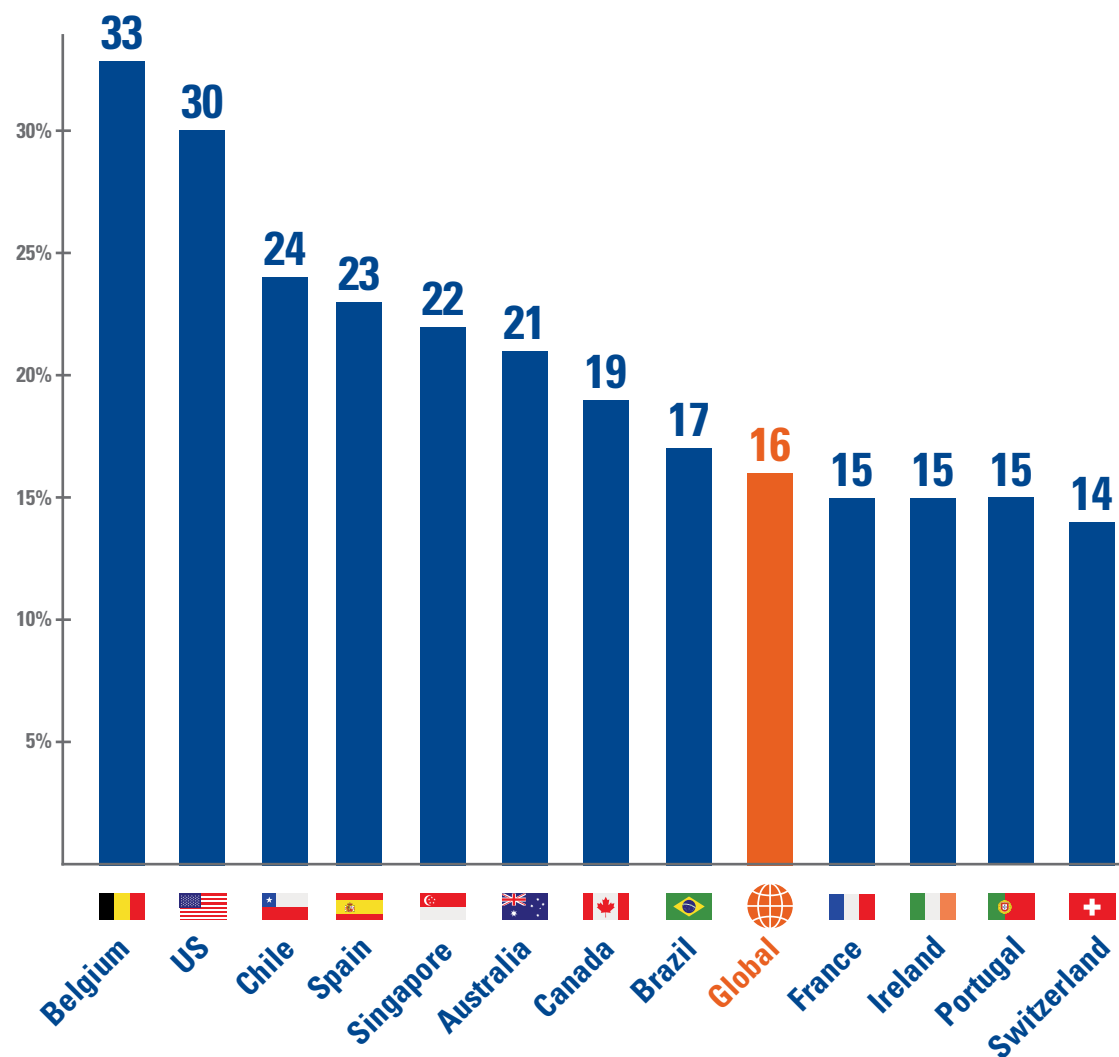
The quality of information about cyber security and technology risk, talent, innovation, and business model description is falling short.

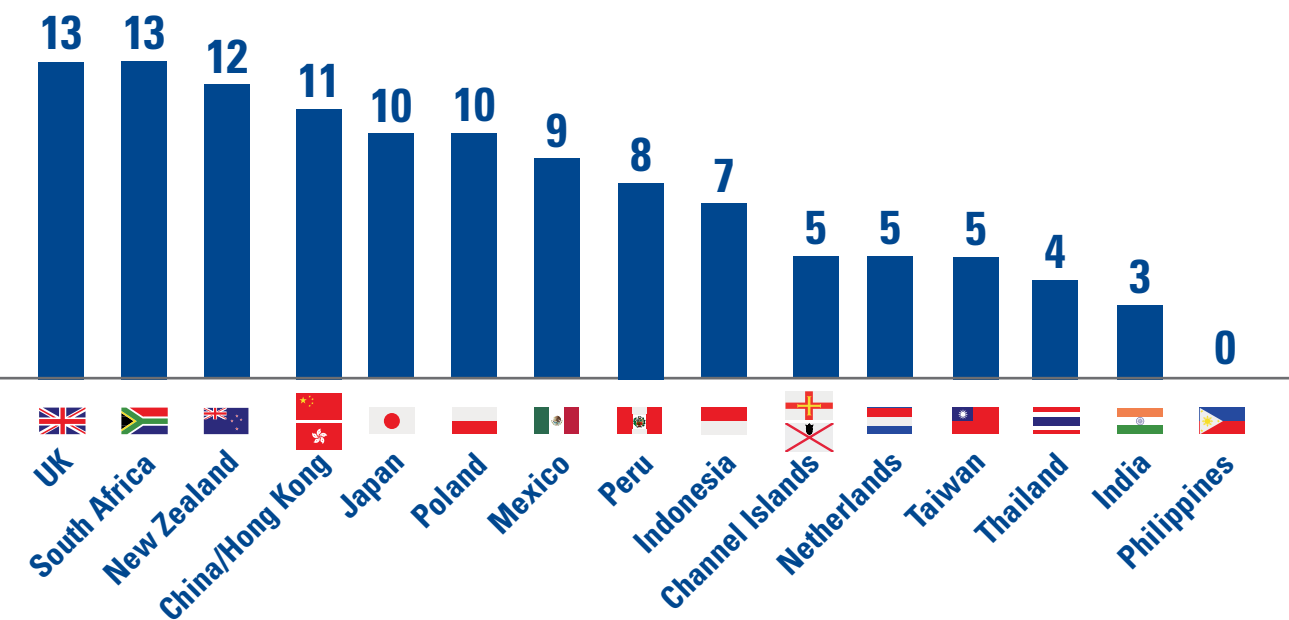
Audit committee members rate much of the information they receive as good or generally good, yet many continue to express concern about the information they receive (at the committee or full board level) related to cyber risk and technology change, highlighting the CIO ranking lowest overall, in terms of quality interaction and communication.

In this report, we zoom in on the results specific to cyber security showing where countries rank compared to the global average.

Top challenges and concerns

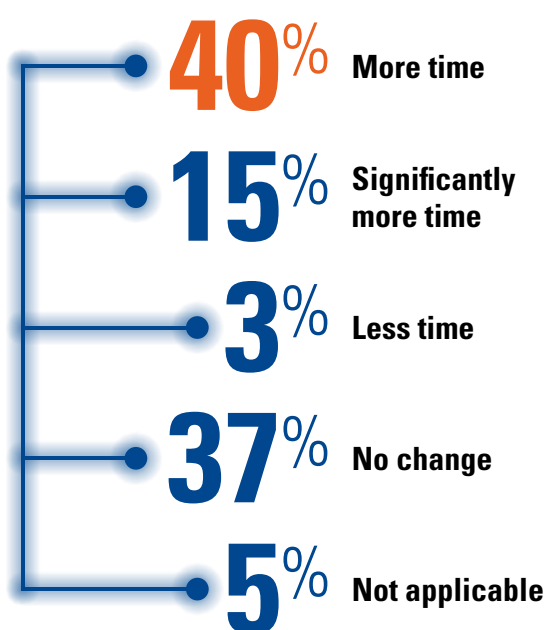
Which risks pose the greatest challenge for your company? This graph shows respondents citing “cyber security” as one of the top three risks facing their company.





Top challenges and concerns

Compared to 2014, how much agenda time should your audit committee devote to cyber security, including data privacy and protection of intellectual property in 2015?

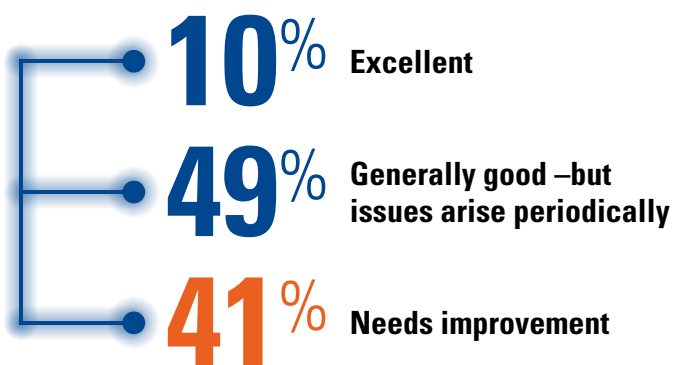


Note: These stand-out figures refer to the global average.

Detailed results by country:

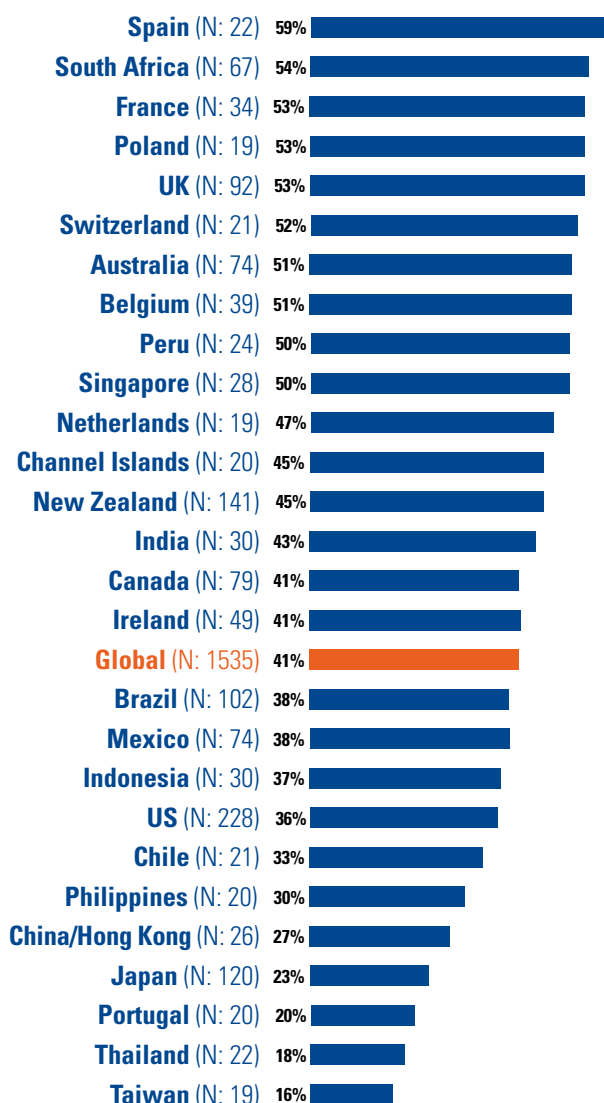
	More time (%)	Significantly more time (%)	Less time (%)	No change (%)	N/A (%)	Number of respondents (N)
Switzerland	60	5	5	30	0	20
US	53	21	2	22	2	232
UK	47	15	0	35	3	92
Canada	46	8	1	39	6	80
South Africa	44	18	3	33	2	66
Australia	42	16	0	41	1	74
Belgium	42	28	3	25	3	36
Spain	41	14	5	41	0	22
Japan	40	5	2	50	2	121
New Zealand	40	15	4	38	3	143
Global	40	15	3	37	5	1545
Singapore	39	23	10	26	3	31
Chile	38	10	0	48	5	21
Netherlands	37	16	0	47	0	19
Brazil	35	12	2	45	7	103
Channel Islands	35	10	0	40	15	20
Ireland	34	12	2	48	4	50
India	30	23	10	30	7	30
Portugal	30	15	0	50	5	20
Thailand	30	17	9	39	4	23
France	27	27	0	35	11	37
Mexico	27	26	10	34	3	73
Peru	27	18	9	36	9	22
China/HK	23	4	15	42	15	26
Indonesia	23	13	10	40	13	30
Philippines	20	15	5	50	10	20
Poland	17	17	0	61	6	18
Taiwan	11	17	6	67	0	18

Please rate the quality of information you receive – whether as a member of the audit committee, other committees, or full board – about cyber security and data privacy risks and their potential impact on the company.



Note: These stand-out figures refer to the global average.

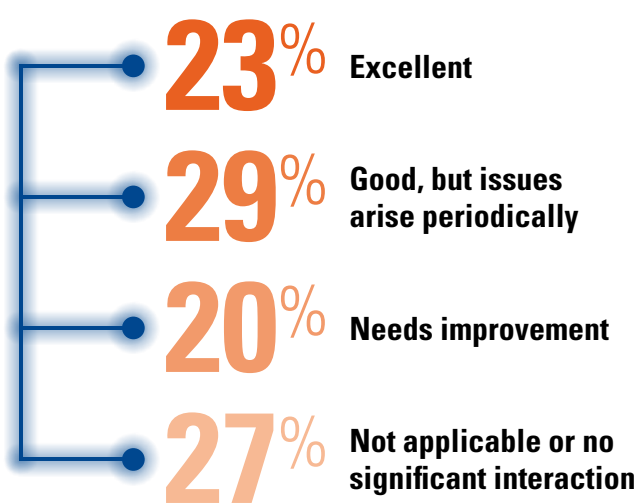
Detailed results by country for the answer: “Needs improvement”:



N: number of respondents

Top challenges and concerns

Please rate the quality of the audit committee's communications and interactions with the Chief Information Officer:



Note: These stand-out figures refer to the global average.

Detailed results by country:

	Excellent (%)	Good, but issues arise periodically (%)	Needs improvement (%)	N/A or no significant interaction (%)	Number of respondents (N)
France	55	13	11	21	38
Taiwan	53	16	0	32	19
Chile	35	35	25	5	20
Japan	35	29	20	16	120
Thailand	32	27	5	36	22
US	30	33	14	23	224
Australia	29	35	18	18	77
Peru	27	18	36	18	22
Belgium	24	30	22	24	37
Brazil	24	34	33	10	101
Channel Islands	24	12	0	65	17
Switzerland	24	29	24	24	21
Global	23	29	20	27	1517
Mexico	22	30	25	23	73
Canada	21	18	21	40	80
Ireland	21	23	15	40	47
UK	19	36	17	28	89
India	18	7	32	43	28
New Zealand	18	24	21	36	140
Philippines	18	59	6	18	17
Portugal	15	35	35	15	20
South Africa	15	42	23	20	66
Indonesia	11	43	7	39	28
China/HK	8	15	23	54	26
Singapore	6	23	19	52	31
Poland	5	32	32	32	19
Spain	5	23	36	36	22
Netherlands	0	47	26	26	19

To which group has the board assigned the majority of tasks directly related to the oversight of cyber security and data privacy risk?



Note: These stand-out figures refer to the global average.

Detailed results by country:

	Full Board (%)	Audit Committee (%)	Audit & Risk or Finance Committee (%)	Risk Committee (%)	Technology Committee (%)	Other Committee (%)	Number of respondents (N)
Channel Islands	65	12	0	24	0	0	17
Taiwan	61	17	6	17	0	0	18
Poland	56	28	0	0	0	17	18
Switzerland	45	35	15	0	0	5	20
China/HK	43	9	0	13	17	17	23
Netherlands	42	26	5	16	0	11	19
Portugal	42	21	5	11	16	5	19
US	40	43	3	7	4	3	230
New Zealand	38	12	28	11	9	3	138
UK	36	23	10	16	6	9	87
Belgium	31	26	20	3	14	6	35
Canada	31	35	13	12	4	5	77
Singapore	31	14	10	31	10	3	29
Australia	30	9	32	18	7	4	74
Global	28	22	12	14	12	11	1473
India	24	21	3	28	14	10	29
Philippines	24	6	12	12	41	6	17
Ireland	22	28	9	28	9	4	46
Brazil	20	18	11	13	30	9	94
France	16	41	25	3	3	13	32
Japan	14	2	2	16	8	59	119
Peru	14	5	18	9	36	18	22
Thailand	13	17	22	17	17	13	23
Mexico	11	13	7	10	43	17	72
Spain	10	40	0	5	30	15	20
Indonesia	8	8	12	36	32	4	25
South Africa	8	23	26	22	18	3	65
Chile	0	25	25	10	25	15	20

Top challenges and concerns

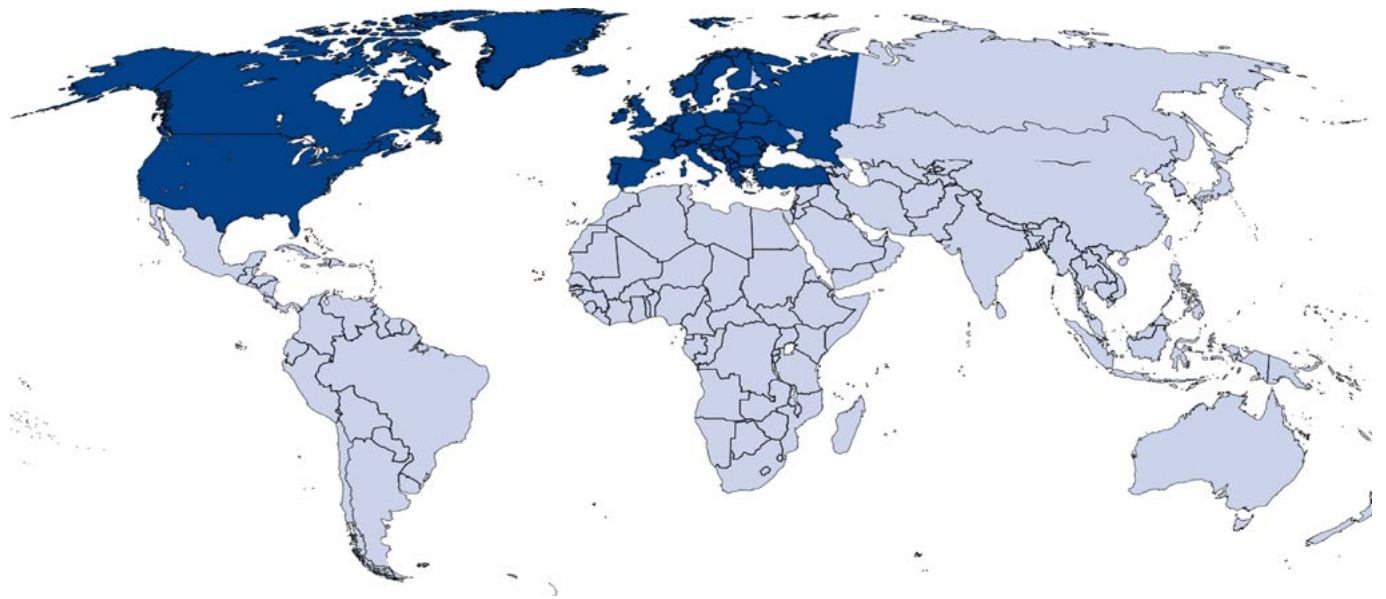
Be wary of “mission creep”, and consistently question whether new and ongoing issues belong on the audit committee’s agenda. Does cyber security require more attention at the board level?

Regional Data Points – U.S. and Canada

In the US and Canada, audit committees pointed to operational risk, the company’s risk processes, and cyber security as key areas of oversight that will require more agenda time in the year ahead.

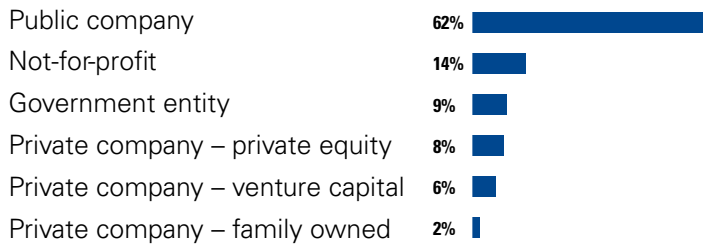
Regional Data Points – Europe

In Europe, cyber security – along with operational risk, the company’s risk processes, and the pace of technology change – are likely to get greater attention in the year ahead.

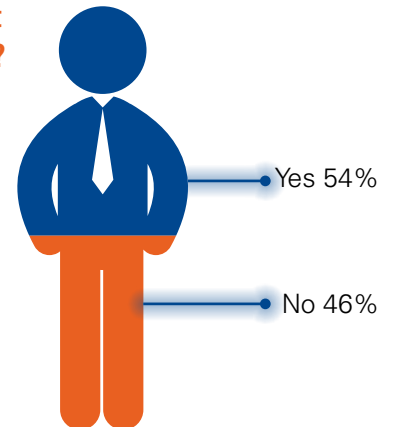


Survey demographics

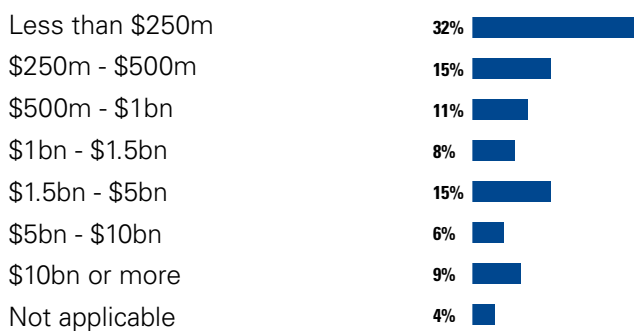
Please select the type of entity for which your responses have been based:



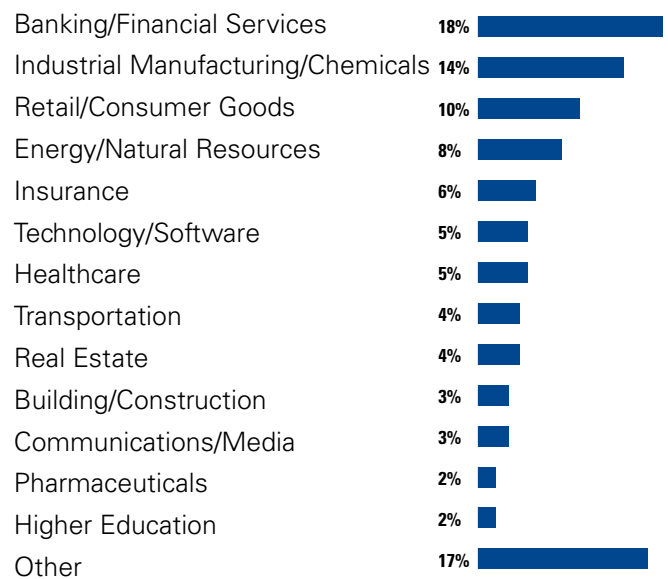
Are you the audit committee chair?



What is the annual revenue of the largest company for which you served as an audit committee member?



What is the company's primary industry?



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