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(FROM LEFT) Lee Min On, KPMG in Malaysia Partner & ACI Committee Member; Abdullah Abu Samah, KPMG in Malaysia Partner & ACI Chairman; Datuk Johan Idris, KPMG in Malaysia Managing Partner, and Mohd Khaidzir bin Shahari, KPMG in Malaysia Partner & ACI Committee Member.

Audit committees cite uncertainty, volatility among top challenges

KUALA LUMPUR: In KPMG's 2015 Global Audit Committee Survey, 1,500 audit committee members in 35 countries were surveyed and cited economic and political uncertainty and volatility, regulatory compliance, and operational risk as the biggest challenges for organisations. The audit committee members also noted that it is getting tougher to oversee major risks in addition to financial reporting given their time and expertise.

The survey conducted by the Audit Committee Institute (ACI) revealed three out of four audit committee members said that time needed to carry out their responsibilities has increased significantly (24 per cent) or moderately (51 per cent). Other than financial reporting, many audit committees noted that they are also involved in other aspects of risk oversight such as cyber security and technology, global compliance, operational risks, or general risk processes.

"As the role of the audit committee evolves, so does its scope and prominence. With audit committee members being required to perform many additional responsibilities in addition to their traditional duties, there are added pressure on them to perform," said Datuk Johan Idris, Managing Partner, KPMG in Malaysia.

"Most of the survey respondents cited cyber security and the pace of technology change, risk management and operational risk, and regulatory compliance as stretching and straining many audit committee agendas," said Abdullah Abu Samah, Chairman of Audit Committee Institute Malaysia and Partner in KPMG in Malaysia. "One positive progression is that more boards are re-evaluating or reallocating risk oversight responsibilities to better balance the workload. More than one-third of boards have recently reallocated risk oversight duties among the full board and its committees (up from 25 per cent last year), and 32 per cent said they may consider doing so in the future. A lighter risk agenda for the audit committee can transpire into momentous discussions and an improved understanding of the business," he added.

While audit committees continue to express confidence in their oversight of the company's financial reporting and audit, the KPMG survey highlights a number of ongoing challenges and concerns globally:

* The quality of risk information is falling short - particularly on cyber security and technology risk, talent and innovation, and business model disruption.

* The company's readiness to respond to loss of critical infrastructure - financial systems, telecommunications networks, transportation, energy/power - may require more attention.

* Among senior leaders of the business, the CIO ranks lowest in terms of quality interaction and communication with the audit committee.

* CFO succession planning continues to be a major gap, with many audit committees ranking themselves lowest in this area.

* Many audit committees want to dive deeper into the finance organisation's work, including financial risk management, capital allocation, tax, and debt.

* The internal audit function could deliver greater value to the organisation.

* External auditors could better support the audit committee by sharing industry-specific insights and views on the quality of the company's financial management team.

In Asia, audit committees are significantly more concerned than their peers in other regions about the challenges that talent management/development, growth and innovation will pose to companies.

"Operational risk, the company's risk management processes, and supply chain risk will require more attention. The audit committee's effectiveness would be strengthened by having a better understanding of the business, greater diversity of thinking and background, perspectives, experiences, greater willingness and ability to challenge management," Johan concluded.