



Four key challenges for global audit committees



The increasing volatility and complexity of the global business and risk environment—conflict in the Middle East, slowing growth in China and emerging markets, volatility in commodity prices and currencies, interest rate uncertainty, and more—raises an important question for every global audit committee: How is this global volatility and uncertainty affecting the committee’s agenda?

Based on what we’re hearing from audit committee members of global companies, we offer the following observations:

- **What is staying the same on global audit committee agendas.** Job number one for every audit committee is financial reporting integrity, so the committee’s core responsibility remains the oversight of financial reporting and internal controls over financial reporting, as well as directing the external and internal auditors—which is critical to audit quality. That is a big undertaking for every audit committee, but it is particularly challenging for audit committees of complex, global organizations.
- **What is changing.** The globally connected world in which companies operate—with its complex legal and compliance environments, integrated supply chains, cybersecurity risks, and unprecedented volatility—requires audit committees to know more about that world, and to make sure their companies are built to operate in this business environment. That is an increasingly difficult challenge, which the audit committee shares with the full board. We see global audit committees reassessing whether they have enough time and the right expertise—thinking about which board committees are best suited to oversee which risks

(and reallocating oversight responsibilities as appropriate), leveraging nontraditional resources to gain a deeper understanding of certain risks, and engaging in more global travel to see things first-hand and connect with the people on the ground.

What are the key challenges facing global audit committees today? We would highlight four:

- **Culture.** Critical to the success of every global company is establishing a nonnegotiable set of global values around compliance, safety and how the organization treats people. Keys to meeting this cultural challenge are tone at the top of the foreign operation, control and accountability built into the organizational structure, upfront communication, and proper incentives and rewards.
- **Talent in the finance organization.** Quality financial reporting starts with the CFO, but requires a strong team on the ground in the markets the company serves, supported by traditional corporate roles—controller, chief accountant, internal audit, and treasury functions. Success here requires the right people, both local and expatriates, and their ability to work together.
- **Maintaining a sound global control environment.** With supply chains extending across continents and operating across different cultures and legal frameworks, corporations face ever-greater challenges addressing the increased risks that these extended operations present—e.g., financial reporting and internal controls, the increased risk of fraud and corruption, inferior product quality, and corporate responsibility issues, such as human rights, fair labor standards, and sustainable environmental practices.

– **Legal and regulatory compliance.** A critical role for a global audit committee is to help ensure that its company’s ethics and compliance programs keep pace with globalization, technology, and new business models. The risk of fraud and corruption tends to increase when companies move quickly to capitalize on opportunities in new markets, leverage new technologies and data, and engage with more vendors and third parties across longer supply chains. Factor in the Foreign Corrupt Practices Act and the Securities and Exchange Commission’s whistleblower program in the United States, the Bribery Act in the United Kingdom, and the sheer volume and scope of new regulations, and it is pretty clear why compliance is a top challenge.

Twitter, YouTube, and Facebook have effectively put every company in a fishbowl, so the company’s culture and values, commitment to integrity and legal compliance, and brand reputation are on display globally, all the time.

Given these challenges, the depth and breadth of the global audit committee’s engagement is more important than ever—spending time outside the boardroom, visiting company locations around the world, talking to people in their own offices and workplaces, and developing a first-hand point of view of the organization’s culture, talent, controls, and more.

About the KPMG Board Leadership Center

The KPMG Board Leadership Center champions outstanding corporate governance to help drive long-term corporate value and enhance investor confidence. The Center engages with directors and business leaders to help articulate their challenges and promote continuous improvement. Drawing on insights from KPMG professionals and governance experts worldwide, the Center delivers actionable thought leadership—on risk and strategy, talent and technology, globalization and compliance, financial reporting and audit quality, and more—all through a board lens. Learn more about the Board Leadership Center’s programs, resources, and insights for directors at kpmg.com/blc.

Audit Committee Institute

Part of the Board Leadership Center, KPMG’s Audit Committee Institute focuses on oversight of financial reporting and audit quality and other issues of interest to audit committee members, including risk oversight, internal controls, and compliance. Learn more at kpmg.com/aci.

kpmg.com/socialmedia



kpmg.com/app



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. Printed in the U.S.A. The KPMG name and logo are registered trademarks or trademarks of KPMG International. NDPPS 538738