KPMG

Is everything under control?

Audit committee challenges and priorities

2017 Global Audit Committee Pulse Survey

FRANCE Edition – 2017

audit-committee-institute.fr

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Audit committee challenges and priorities

Given expectations for slow growth and economic and political uncertainty, technology advances and business model disruption, cyber threats, greater regulatory scrutiny, and investor demands for transparency, it's hardly surprising that most audit committees around the world point to risk management as the top challenge facing the company in the year ahead. More than 40 percent of respondents say their risk management systems require substantial work.

Audit committees, by and large, continue to express confidence in financial reporting and audit quality; yet, along with risk management, our 2017 Global Audit Committee Pulse Survey highlights ongoing concerns about legal and regulatory compliance, managing cyber security risk, and managing the control environment in the company's extended organization.

Of the more than 800 audit committee members responding to our survey, nearly 4 in 10 said the committee's effectiveness would be most improved by having a "better understanding of the business and key risks," while nearly a third said additional expertise related to technology or cyber security would be helpful.

Overall, audit committees are largely satisfied that their agendas are properly focused on legal and regulatory compliance issues, maintaining internal controls over financial reporting, and key assumptions underlying critical accounting estimates. However, they see room for improvement when it comes to focusing on CFO succession planning, talent and skills in the finance organization, tone at the top and culture, and aligning the company's short- and long-term priorities.

Most audit committees say their organizations have a long way to go in their efforts to implement major new accounting standards. Fewer than 15 percent report a clear implementation plan for the new revenue recognition standard, and fewer than 10 percent reported a clear plan for implementation of the new leasing standard. And of those whose companies are affected by the Organisation for Economic Co-operation and Development's (OECD) country-by-country tax reporting, many expressed concern about the lack of clarity or communication with their committee on that issue. Survey respondents also cited ongoing opportunities to improve their company's ability to manage cyber risks.

Of course, these challenges will vary by company and by country (and it is difficult to compare data from 15 countries, often with markedly different business environments, regulatory requirements, and corporate governance practices). But our survey findings offer insights that audit committees around the world can use to sharpen the committee's focus, benchmark its responsibilities and practices, and strengthen its oversight.

– KPMG's Audit Committee Institute

Six takeaways

Risk management is a top concern for audit committees. The effectiveness of risk management programs generally, as well as legal/regulatory compliance, cyber security risk, and the company's controls around risks, topped the list of issues that survey participants view as posing the greatest challenges to their companies. It's hardly surprising that risk is top of mind for audit committees—and very likely, the full board—given the volatility, uncertainty, and rapid pace of change in the business and risk environment. More than 40 percent of audit committee members think their risk management program and processes "require substantial work," and a similar percentage say that it is increasingly difficult to oversee those major risks.

Internal audit can maximize its value to the organization by focusing on key areas of risk and the adequacy of the company's risk management processes generally. The survey results show that audit committees are looking to internal audit to focus on the critical risks to the business, including key operational risks (e.g., cyber security and technology risks) and related controls—and not just compliance and financial reporting risks. They also want the audit plan to be flexible and adjust to changing business and risk conditions.

Tone at the top, culture, and short-termism are major challenges—and may need more attention. A significant number of audit committee members—roughly one in four—ranked tone at the top and culture as a top challenge, and nearly one in five cited short-term pressures and aligning the company's short- and long-term priorities as a top challenge. Meanwhile, nearly the same percentage of audit committee members said they are not satisfied that their committee agenda is properly focused on those issues.

CFO succession planning and bench strength in the finance organization continue to be weak spots. Forty-four percent of audit committees are not satisfied that their agenda is properly focused on CFO succession planning, and another 46 percent are only somewhat satisfied. In addition, few are satisfied with the level of focus on talent and skills in the finance organization. Given the increasing demands on the finance organization and its leadership—financial reporting and controls, risk management, analyzing mergers and acquisitions (M&A) and other growth initiatives, shareholder engagement, and more—audit committees want to devote more time to the finance organization, including the talent pipeline, training, and resources, as well as succession planning for the CFO and other key finance executives.

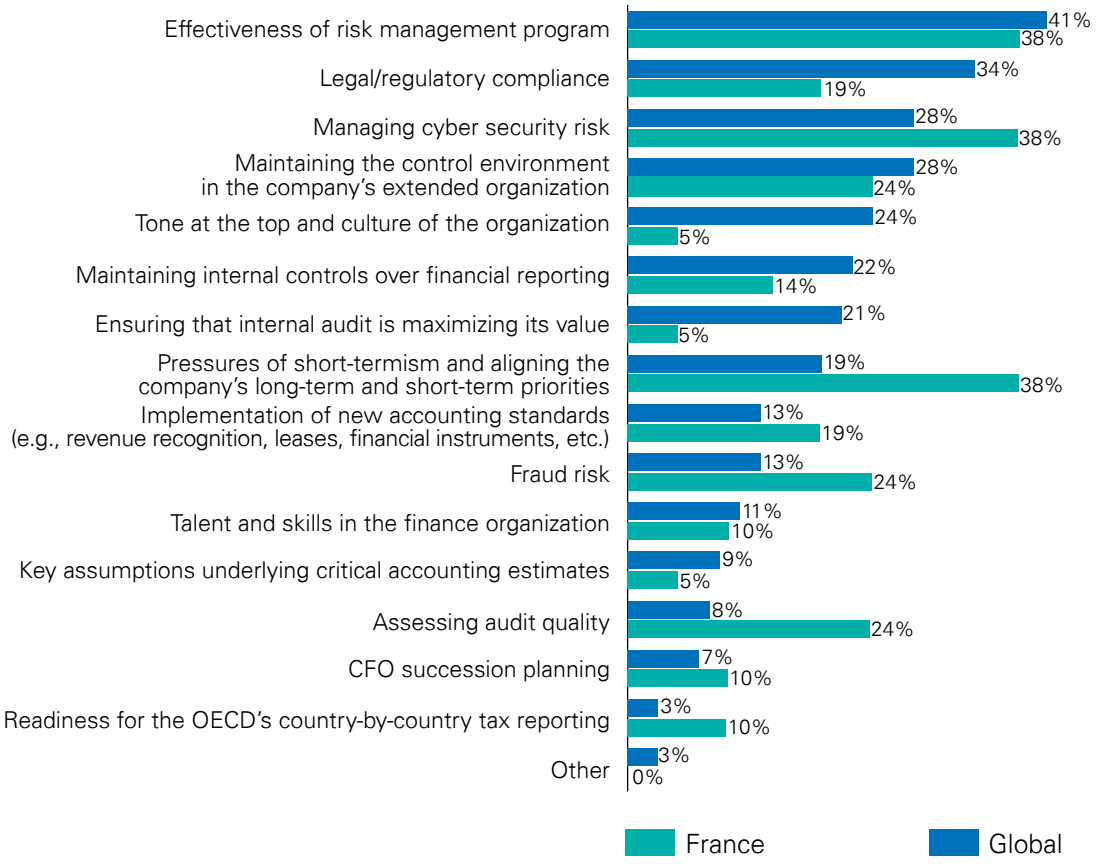
Two key financial reporting issues may need a more prominent place on audit committee agendas: Implementation of new accounting standards and non-GAAP financial measures. Few audit committees say their companies have clear implementation plans for two major accounting changes on the horizon—the new revenue recognition and lease accounting standards. Given the scope and complexity of those implementation efforts and their impact on the business, systems, controls, and resource requirements, those efforts should be a key area of focus. In addition, audit committees ought to consider whether to increase attention to any non-GAAP financial measures, which are an area of significant attention and comment by regulators worldwide. Nearly a quarter of those surveyed say their role with respect to the presentation of those metrics is very limited.

Audit committee effectiveness hinges on understanding the business. Audit committee members say a better understanding of the business and the company's key risks would most improve their oversight effectiveness. They also view additional expertise in technology/cyber security as being key to greater effectiveness, since it would strengthen their ability to oversee those risks.

Risk management is a top concern for audit committees.

The effectiveness of risk management programs generally, as well as legal/regulatory compliance, cyber security risk, and the company's controls around risks, topped the list of issues that survey participants view as posing the greatest challenges to their companies. It's hardly surprising that risk is top of mind for audit committees—and very likely, the full board—given expectations for slow growth and economic uncertainty, technology advances and business model disruption, cyber threats, and greater regulatory scrutiny and investor demands for transparency. But more than 40 percent of audit committee members think their risk management program and processes "require substantial work," and a similar percentage say that it is increasingly difficult to oversee those major risks.

Q **From your perspective as an audit committee member, which of the following issues pose the greatest challenges to your company? (select up to three)**



Multiple responses allowed

We are clearly seeing an increased focus by boards on key operational risks across the extended global organization—e.g., supply chain and outsourcing risks, information technology (IT) and data security risks, etc. And, at a higher level, boards are paying more attention to the capital "R" risks that may pose the greatest risk to the company. In today's business environment, it is more important than ever that the board be sensitive to the tone from, and example set by, leadership; reinforce organizational culture (i.e., what the company does, how it does it, including a commitment to compliance and the management of risk); and understand the behaviors that the company's incentive structure may encourage.

What is the status of your company's risk management program/process?

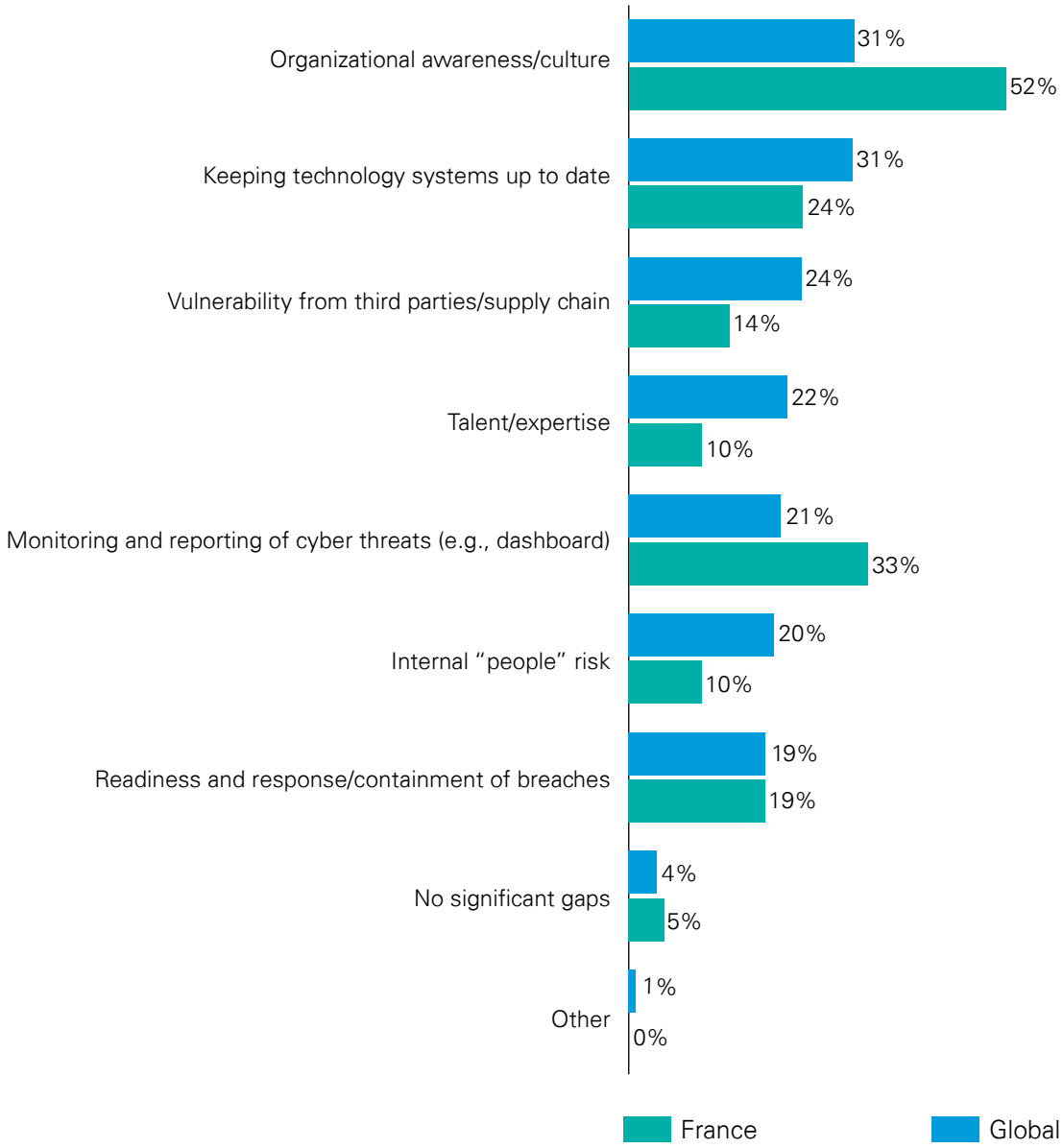
Global		France
42%	**Risk management system implemented but requires substantial work**	43%
38%	**Robust, mature risk management system in place**	48%
15%	**Risk management system in planning/development stage**	10%
4%	No active/formal effort to implement risk management system	0%
1%	Other	0%

Are you satisfied that your audit committee has the time and expertise to oversee the major risks on its agenda in addition to carrying out its core oversight responsibilities?

Time			Expertise	
Global	France		Global	France
51%	38%	**Yes**	46%	33%
39%	57%	**Yes – but increasingly difficult**	43%	57%
9%	5%	**No**	11%	10%

May not equal 100% due to rounding

Q In your view, what are the most significant gaps in your company's ability to manage cyber risk? (select up to two)



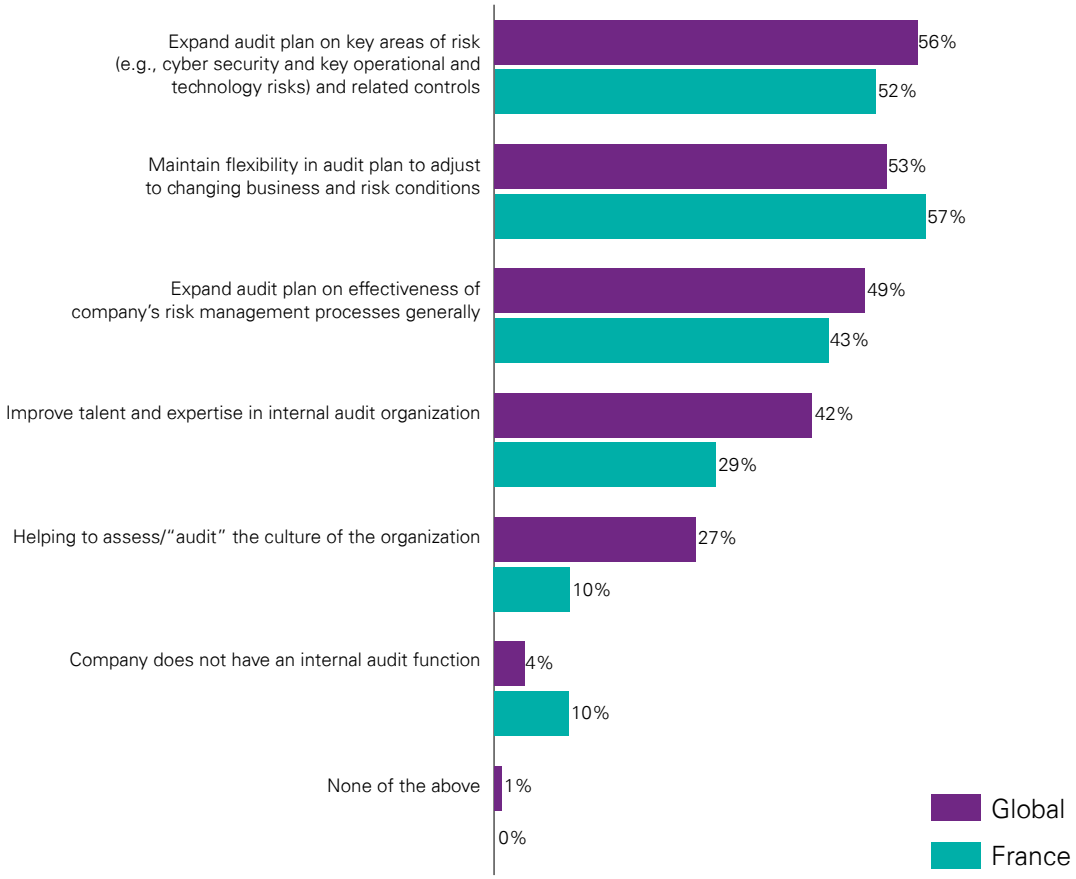
Multiple responses allowed

Despite the intensifying focus on cyber security, the cyber risk landscape remains fluid and opaque, even as expectations rise for more engaged oversight. As the cyber landscape evolves, board oversight—and the nature of the conversation—must continue to evolve. Discussions are shifting from prevention to an emphasis on detection and containment and are increasingly focused on the company's "adjacencies," which can serve as entry points for hackers. The board should help elevate the company's cyber risk mind-set to an enterprise level, encompassing key business leaders, and help ensure that cyber risk is managed as a business or enterprise risk—not simply an IT risk.

Internal audit can maximize its value to the organization by focusing on key areas of risk and the adequacy of the company's risk management processes generally.

The survey results show that audit committees are looking to internal audit to focus on the critical risks to the business, including key operational risks (e.g., cyber security and technology risks) and related controls—and not just compliance and financial reporting risks. They also want the audit plan to be flexible and adjust to changing business and risk conditions.

Q Beyond focusing on financial reporting and compliance risks, what steps can internal audit take to maximize its value to your organization? (select all that apply)



Multiple responses allowed

Internal audit is most effective when it is focused on the critical risks to the business, including key operational risks (e.g., cyber security and technology risks) and related controls—not just compliance and financial reporting risks. Help define the scope of internal audit's coverage—and if necessary, redefine internal audit's role. Challenge internal audit to take the lead in coordinating with other governance, risk, and compliance functions within the organization to limit duplication and, more importantly, to prevent gaps. Help maximize collaboration between internal and external auditors.

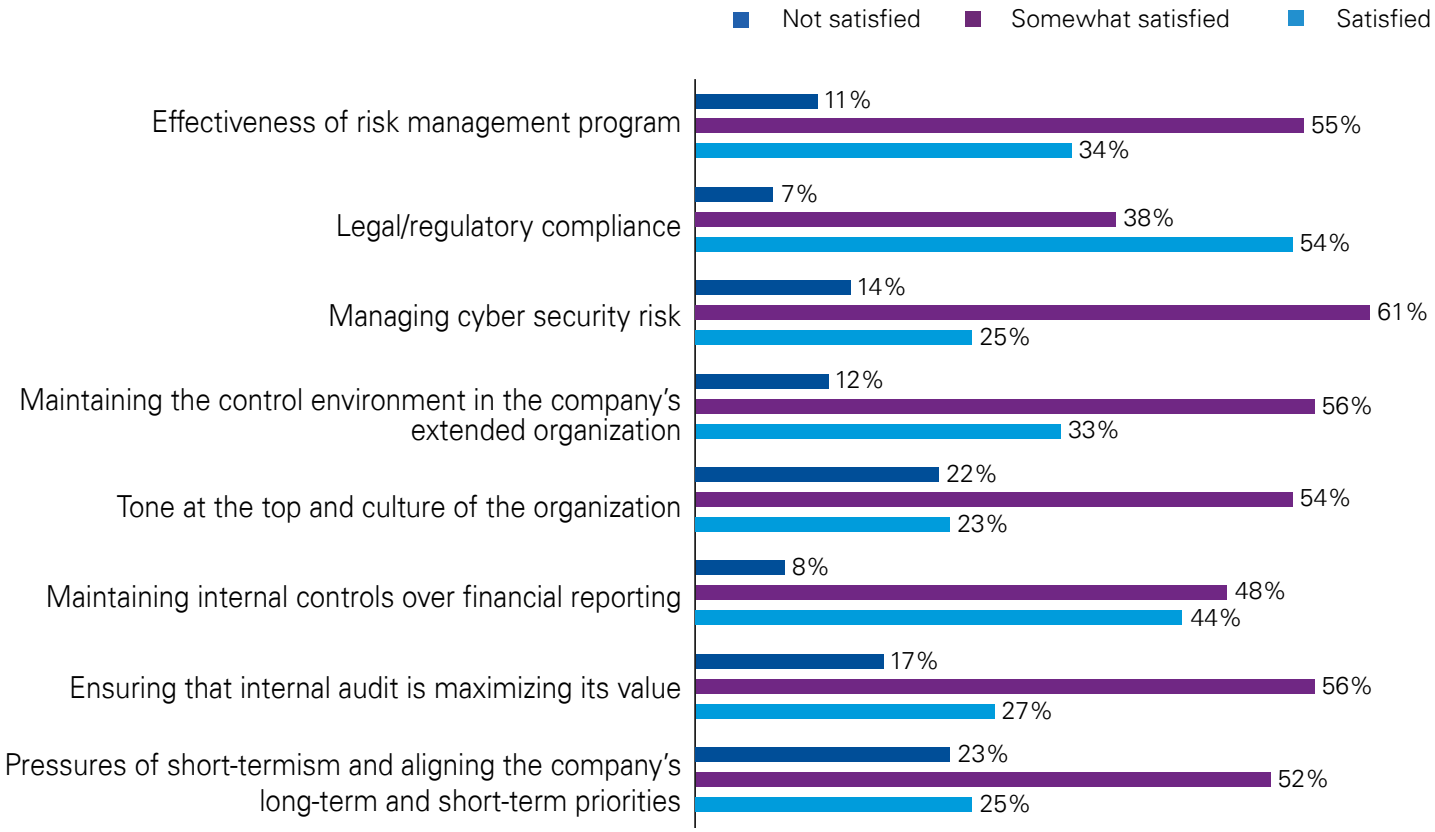
As internal audit moves to a higher value-added model, it should become an increasingly valuable resource for the audit committee.

Tone at the top, culture, and short-termism are major challenges—and may need more attention.

As shown by the chart on page 6, a significant number of audit committee members—roughly one in four—ranked tone at the top and culture as a top challenge, and nearly one in five cited short-term pressures and aligning the company's short- and long-term priorities as a top challenge. Meanwhile, nearly the same percentage of audit committee members said they are not satisfied that their committee agenda is properly focused on those issues.

Q **How satisfied are you that your audit committee agenda is properly focused on the issue(s) that you identified in question 1 as the greatest challenges to your company?**

Global responses



May not equal 100% due to rounding

Monitoring the alignment of short-term activities and long-term strategy is always challenging, but certain indicators can provide early warning of over-emphasis on the short-term, such as: presentations to the board tend to focus heavily on historical issues or topics that have a short-term focus; forward-looking boardroom discussions about emerging risks and opportunities are infrequent; incentive compensation plans are tied strongly to short-term goals and metrics, with few or no long-term objectives; and nonfinancial performance measures that contribute to long-term growth (e.g., product quality and customer satisfaction) are given little or no weight in performance assessments.[1]

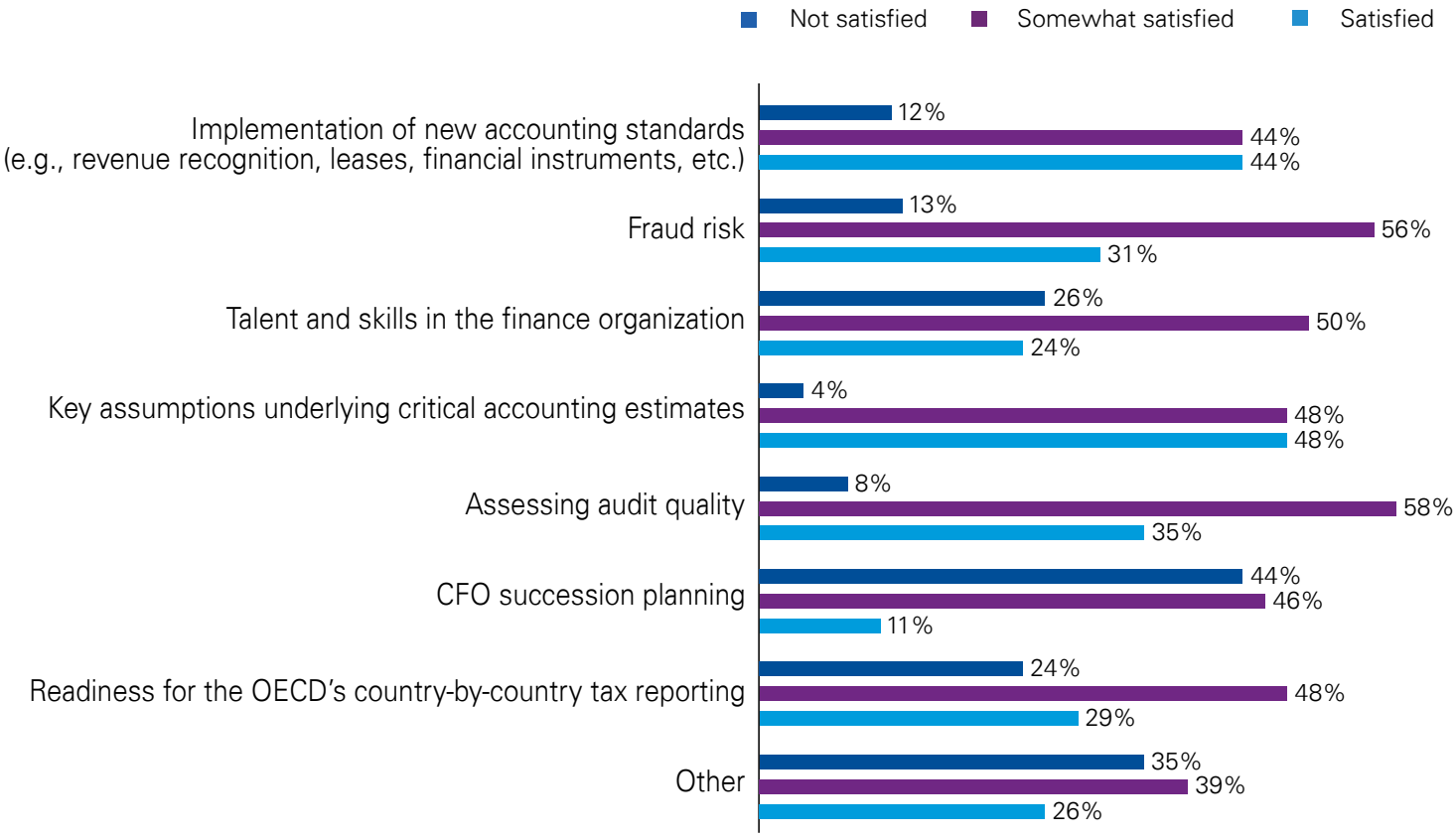
[1] NACD, *NACD Blue Ribbon Commission Report on the Board and Long-Term Value Creation,* 2015.

CFO succession planning and bench strength in the finance organization continue to be weak spots.

Forty-four percent of audit committees are not satisfied that their agenda is properly focused on CFO succession planning, and another 46 percent are only somewhat satisfied. In addition, few are satisfied with the level of focus on talent and skills in the finance organization.

Q **How satisfied are you that your audit committee agenda is properly focused on the issue(s) that you identified in question 1 as the greatest challenges to your company?**

Global responses



May not equal 100% due to rounding

Given the increasing demands on the finance organization and its leadership—financial reporting and controls, risk management, analyzing M&A and other growth initiatives, shareholder engagement, and more—audit committees want to devote more time to the finance organization, including the talent pipeline, training, and resources, as well as succession planning for the CFO and other key finance executives. How does the audit committee assess the finance organization's bench strength? Do employees have the training and resources they need to succeed? How are they incented to stay focused on the company's long-term performance? What are the internal and external auditors' views?

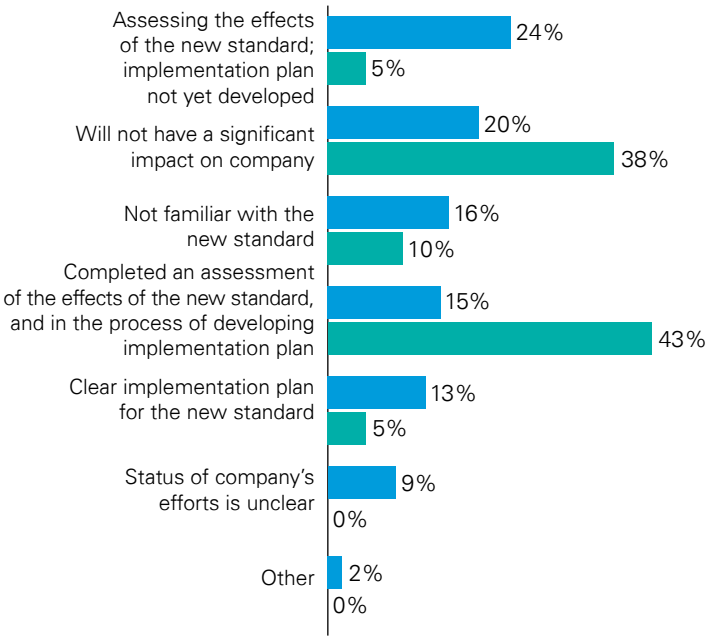
Two key financial reporting issues may need a more prominent place on audit committee agendas: Implementation of new accounting standards and non-GAAP financial measures.

Few audit committees say their companies have clear implementation plans for two major accounting changes on the horizon—the new revenue recognition and lease accounting standards. Given the scope and complexity of those implementation efforts and their impact on the business, systems, controls, and resource requirements, those efforts should be a key area of focus.

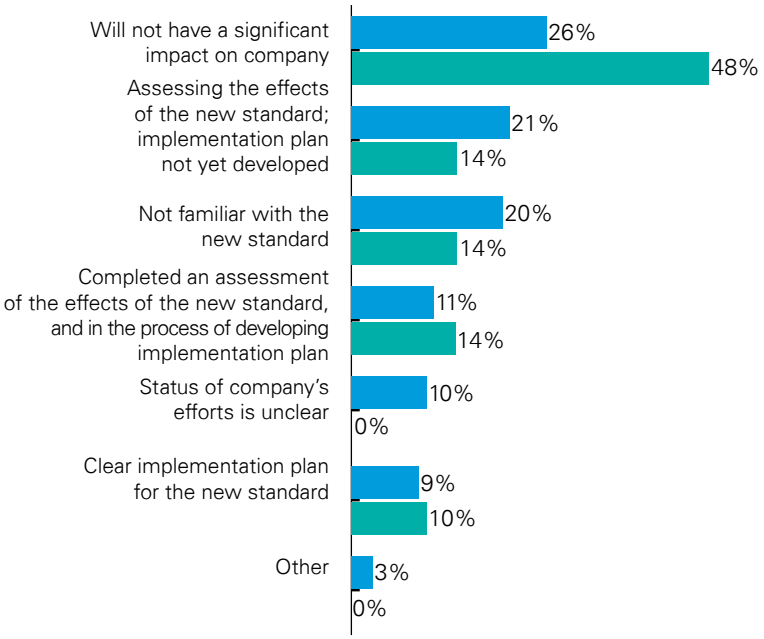
In addition, audit committees ought to consider whether to increase attention to any non-GAAP financial measures, which are an area of significant attention and comment by regulators worldwide. Nearly a quarter of those surveyed say their role with respect to the presentation of those metrics is very limited.

Q What is the status of your company's efforts to implement the new IASB/FASB revenue recognition and leasing standards?

New revenue recognition standard



New leasing standard



May not equal 100% due to rounding

Q What is your audit committee's role in considering how the company should present non-GAAP financial measures—and which ones to present? (select all that apply)

Global		France
31%	**Audit committee discusses with management the process by which management develops non-GAAP financial measures**	24%
27%	**Discusses adequacy of disclosure controls and processes around development of non-GAAP financial measures**	27%
25%	**Company does not provide non-GAAP financial measures**	25%
24%	Discusses the correlation of the non-GAAP financial measures with actual state of the business and results	
24%	Audit committee's role/input is very limited	

Multiple responses allowed

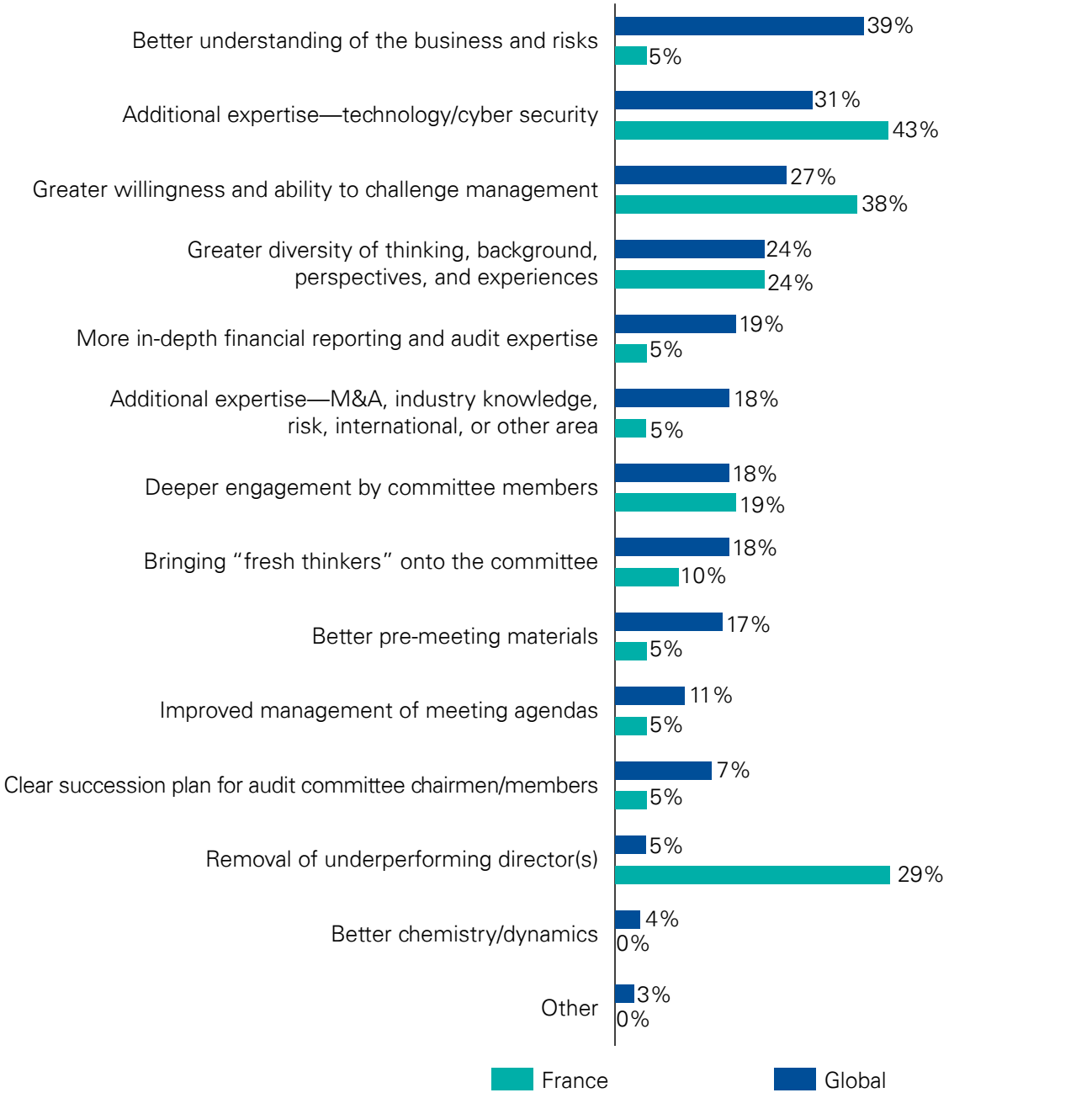
It is critical that non-GAAP measures have a prominent place on the audit committee agenda and that the committee have a robust dialogue with management about the process—and controls—by which management develops and selects the non-GAAP financial measures it provides and their correlation to the performance of the business and results. Among the questions to consider:

What is the process by which the company decides whether to present non-GAAP measures—and which ones to provide? What is the role of management's disclosure committee? What is the role of the audit committee? Is the audit committee satisfied that non-GAAP measures are being used to improve transparency and not to distort results?

Audit committee effectiveness hinges on understanding the business.

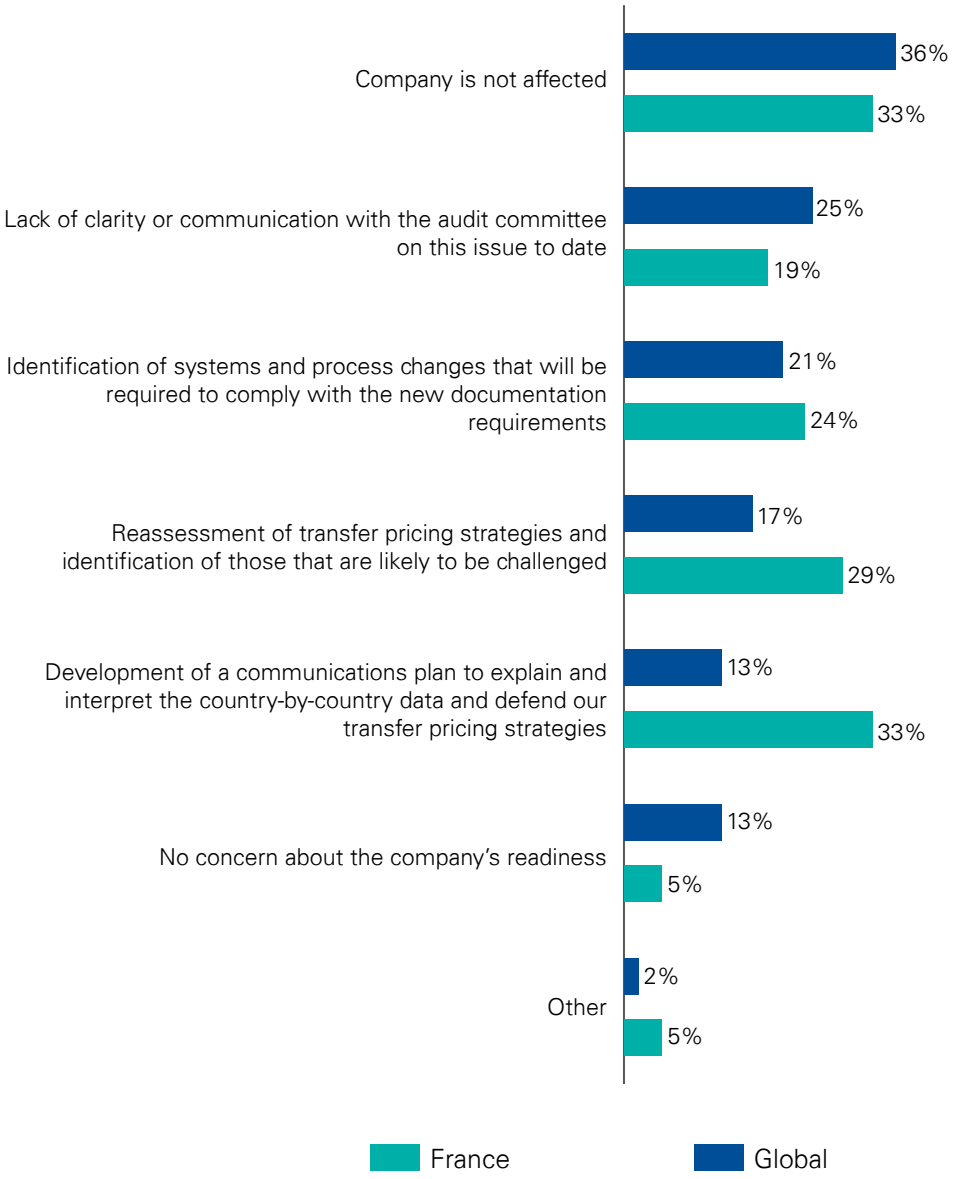
Audit committee members say a better understanding of the business and the company's key risks would most improve their oversight effectiveness. They also view additional expertise in technology/cyber security as being key to greater effectiveness, since it would strengthen their ability to oversee those risks.

Q What would most improve your committee's overall effectiveness? (select up to three)



Multiple responses allowed

Q Which—if any—of the following areas pose significant concern to you in terms of the company's readiness for the OECD's country-by-country tax reporting (first report due December 31, 2017, for calendar year companies)? (select all that apply)



Multiple responses allowed

The obligation to report country-by-country tax information to all jurisdictions is also on the immediate horizon, and the impact on multinationals will be profound, with significant implications for tax compliance and reporting functions, transfer pricing policies, tax audits and controversies, and reputational risk. Audit committees of multinationals will want to assess their company's readiness: What systems and process changes will be required to comply with the new documentation requirements? Have we assessed our transfer pricing strategies and identified those that are likely to be challenged? Do we have an effective communications plan to explain and interpret the country-by-country data and appropriately defend our transfer pricing strategies?

Benchmark your own views

Q1 From your perspective as an audit committee member, which of the following issues pose the greatest challenges to your company? (select up to three)

- ☐ Effectiveness of risk management program
- ☐ Legal/regulatory compliance
- ☐ Managing cyber security risk
- ☐ Maintaining the control environment in the company's extended organization
- ☐ Tone at the top and culture of the organization
- ☐ Maintaining internal controls over financial reporting
- ☐ Ensuring that internal audit is maximizing its value
- ☐ Pressures of short-termism and aligning the company's long-term and short-term priorities
- ☐ Implementation of new accounting standards (e.g., revenue recognition, leases, financial instruments, etc.)
- ☐ Fraud risk
- ☐ Talent and skills in the finance organization
- ☐ Key assumptions underlying critical accounting estimates
- ☐ Assessing audit quality
- ☐ CFO succession planning
- ☐ Readiness for the OECD's country-by-country tax reporting
- ☐ Other

Q2 What is the status of your company's risk management program/process?

- ☐ Risk management system implemented but requires substantial work
- ☐ Robust, mature risk management system in place
- ☐ Risk management system in planning/development stage
- ☐ No active/formal effort to implement risk management system
- ☐ Other

Q3 Are you satisfied that your audit committee has the time and expertise to oversee the major risks on its agenda in addition to carrying out its core oversight responsibilities?

Time

- ☐ Yes
- ☐ Yes – but increasingly difficult
- ☐ No

Expertise

- ☐ Yes
- ☐ Yes – but increasingly difficult
- ☐ No

Q4 In your view, what are the most significant gaps in your company's ability to manage cyber risk? (select up to two)

- ☐ Keeping technology systems up to date
- ☐ Organizational awareness/culture
- ☐ Vulnerability from third parties/supply chain
- ☐ Talent/expertise
- ☐ Monitoring and reporting of cyber threats (e.g., dashboard)
- ☐ Internal "people" risk
- ☐ Readiness and response/containment of breaches
- ☐ No significant gaps
- ☐ Other

Q5 Beyond focusing on financial reporting and compliance risks, what steps can internal audit take to maximize its value to your organization? (select all that apply)

- ☐ Expand audit plan on key areas of risk (e.g., cyber security and key operational and technology risks) and related controls
- ☐ Maintain flexibility in audit plan to adjust to changing business and risk conditions
- ☐ Expand audit plan on effectiveness of company's risk management processes generally
- ☐ Improve talent and expertise in internal audit organization
- ☐ Helping to assess/"audit" the culture of the organization
- ☐ Company does not have an internal audit function
- ☐ None of the above

Q6 How satisfied are you that your audit committee agenda is properly focused on the issue(s) that you identified in question 1 as the greatest challenges to your company?

- ☐ Effectiveness of risk management program
- ☐ Legal/regulatory compliance
- ☐ Managing cyber security risk
- ☐ Maintaining the control environment in the company's extended organization
- ☐ Tone at the top and culture of the organization
- ☐ Maintaining internal controls over financial reporting
- ☐ Ensuring that internal audit is maximizing its value
- ☐ Pressures of short-termism and aligning the company's long-term and short-term priorities
- ☐ Implementation of new accounting standards (e.g., revenue recognition, leases, financial instruments, etc.)
- ☐ Fraud risk
- ☐ Talent and skills in the finance organization
- ☐ Key assumptions underlying critical accounting estimates

Q6 (continued)

- ☐ Assessing audit quality
- ☐ CFO succession planning
- ☐ Readiness for the OECD's country-by-country tax reporting
- ☐ Other

Q7 What is the status of your company's efforts to implement the new IASB/FASB revenue recognition and leasing standards?

New revenue recognition standard

- ☐ Assessing the effects of the new standard; implementation plan not yet developed
- ☐ Will not have a significant impact on company
- ☐ Not familiar with the new standard
- ☐ Completed an assessment of the effects of the new standard, and in the process of developing implementation plan
- ☐ Clear implementation plan for the new standard
- ☐ Status of company's efforts is unclear
- ☐ Other

New leasing standard

- ☐ Will not have a significant impact on company
- ☐ Assessing the effects of the new standard; implementation plan not yet developed
- ☐ Not familiar with the new standard
- ☐ Completed an assessment of the effects of the new standard, and in the process of developing implementation plan
- ☐ Status of company's efforts is unclear
- ☐ Clear implementation plan for the new standard
- ☐ Other

Q8 What is your audit committee's role in considering how the company should present non-GAAP financial measures—and which ones to present? (select all that apply)

- ☐ Audit committee discusses with management the process by which management develops non-GAAP financial measures
- ☐ Discusses adequacy of disclosure controls and processes around development of non-GAAP financial measures
- ☐ Company does not provide non-GAAP financial measures
- ☐ Discusses the correlation of the non-GAAP financial measures with actual state of the business and results
- ☐ Audit committee's role/input is very limited

Q9 What would most improve your committee's overall effectiveness? (select up to three)

- ☐ Better understanding of the business and risks
- ☐ Additional expertise—technology/cyber security
- ☐ Greater willingness and ability to challenge management
- ☐ Greater diversity of thinking, background, perspectives, and experiences
- ☐ More in-depth financial reporting and audit expertise
- ☐ Bringing "fresh thinkers" onto the committee
- ☐ Deeper engagement by committee members
- ☐ Additional expertise—M&A, industry knowledge, risk, international, or other area
- ☐ Better pre-meeting materials
- ☐ Improved management of meeting agendas
- ☐ Clear succession plan for audit committee chairmen/members
- ☐ Removal of underperforming director(s)
- ☐ Better chemistry/dynamics
- ☐ Other

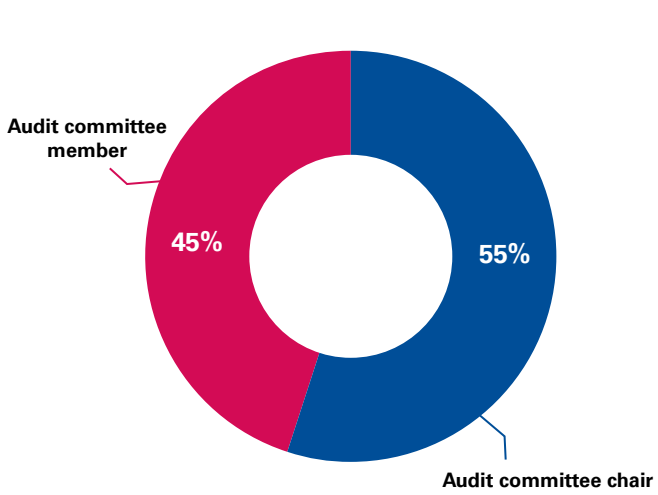
Q10 Which—if any—of the following areas pose significant concern to you in terms of the company's readiness for the OECD's country-by-country tax reporting (first report due December 31, 2017, for calendar year companies)? (select all that apply)

- ☐ Company is not affected
- ☐ Lack of clarity or communication with the audit committee on this issue to date
- ☐ Identification of systems and process changes that will be required to comply with the new documentation requirements
- ☐ Reassessment of transfer pricing strategies and identification of those that are likely to be challenged
- ☐ Development of a communications plan to explain and interpret the country-by-country data and defend our transfer pricing strategies
- ☐ No concern about the company's readiness
- ☐ Other

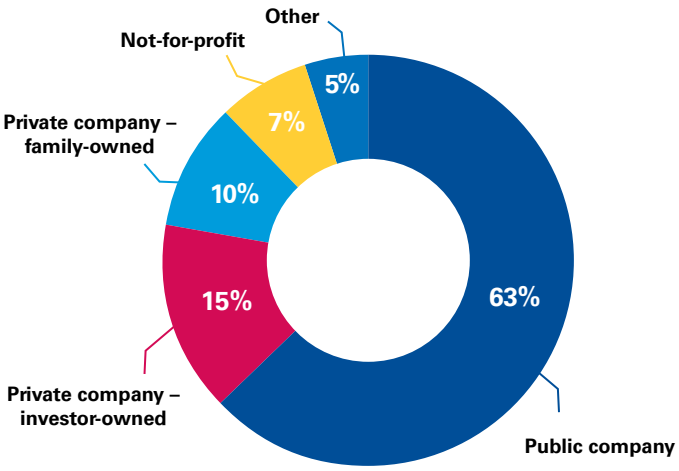
Survey respondents

Results are based on our global pulse survey conducted from August to October 2016. Results shown are for 832 complete responses.

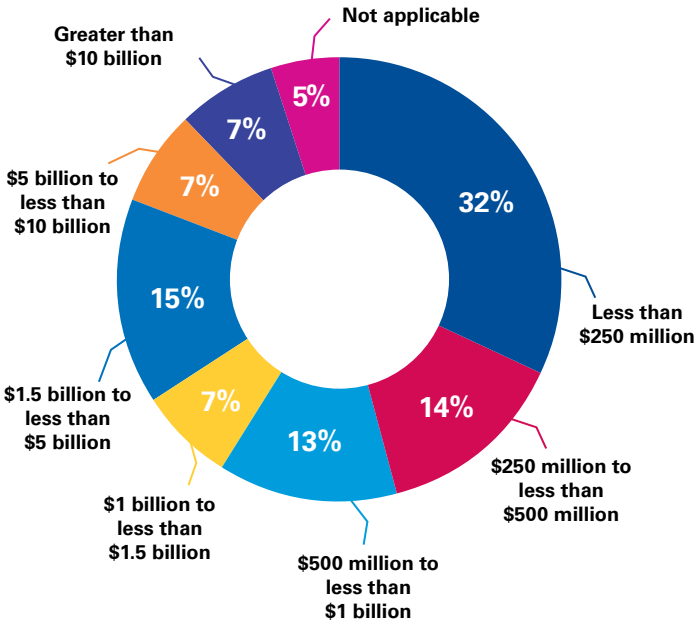
Role on the audit committee



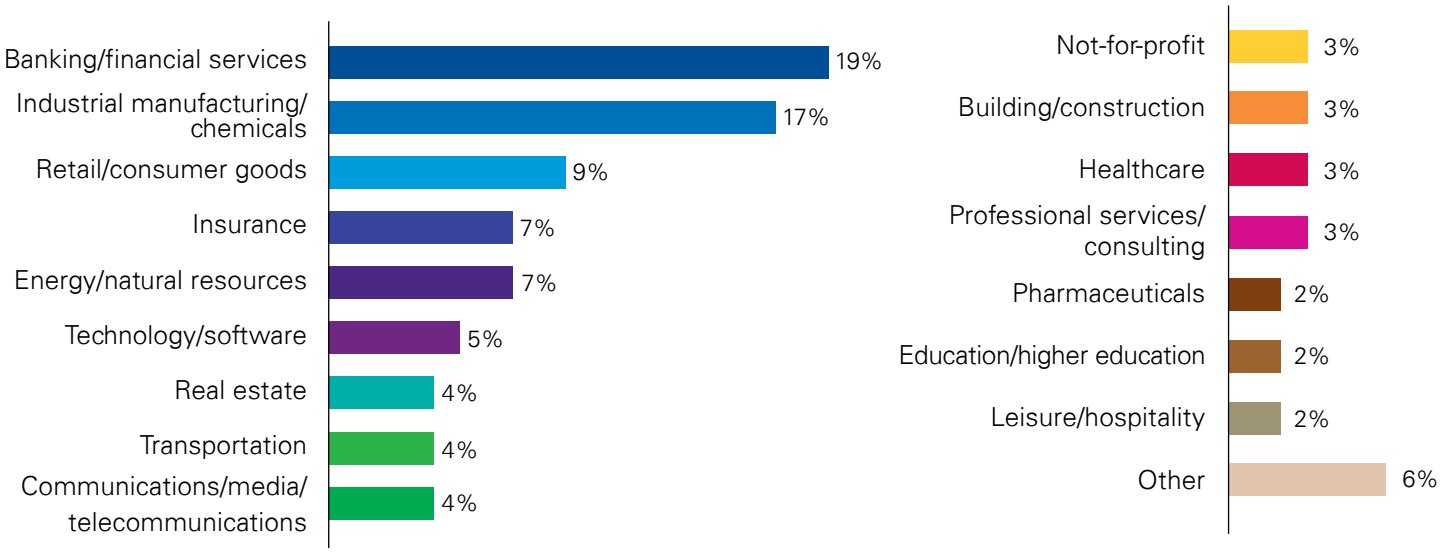
Company type

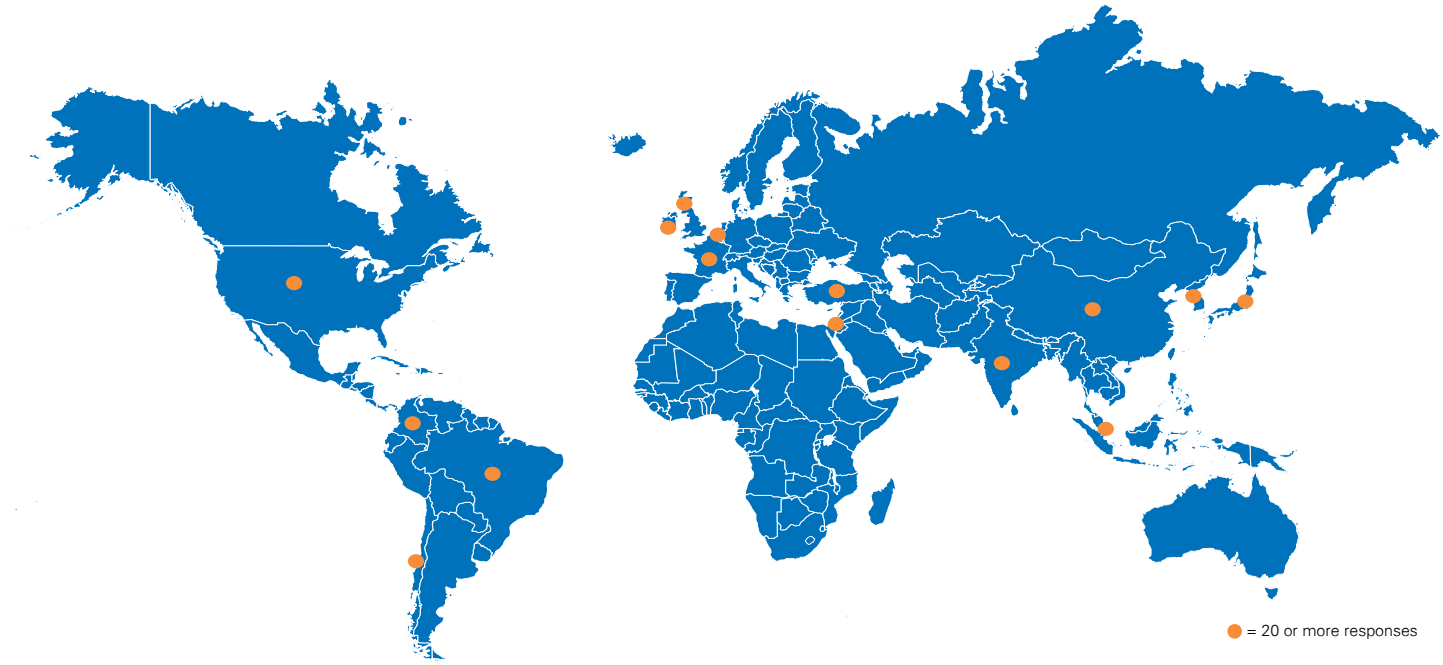


Annual revenue (USD)



Industry/sector





Participating countries

Angola	Canada	India	Luxembourg	Poland	Switzerland
Argentina	Chile	Indonesia	Malaysia	Portugal	Taiwan
Australia	China/Hong Kong	Ireland	Malta	Qatar	Thailand
Bahrain	Colombia	Israel	Mexico	Singapore	Turkey
Belgium	France	Japan	Netherlands	Slovenia	United Arab Emirates
Bermuda	Germany	Kenya	Panama	South Africa	United Kingdom
Brazil	Ghana	Korea	Philippines	Spain	United States

Appendix: Country results

This appendix contains detailed data from 15 countries that received at least 20 responses. Survey data from all 42 participating countries are included in the global column.

Q From your perspective as an audit committee member, which of the following issues pose the greatest challenges to your company? (select up to three)

	Global	Japan	United States	United Kingdom	China/Hong Kong	Brazil	Ireland	Israel	Colombia	Turkey	Korea	Belgium	Chile	India	Singapore	France
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Effectiveness of risk management program	**41**	16	40	51	51	54	62	53	41	11	29	39	41	43	38	38
Legal/regulatory compliance	**34**	40	35	35	34	35	40	47	28	44	17	30	55	19	33	19
Maintaining the control environment in the company's extended organization	**28**	33	29	26	23	43	14	19	34	19	4	48	55	24	38	24
Managing cyber security risk	**28**	11	52	32	15	26	40	22	28	44	17	43	18	14	24	38
Tone at the top and culture of the organization	**24**	46	14	21	30	17	16	33	13	15	21	17	23	19	38	5
Maintaining internal controls over financial reporting	**22**	21	15	12	27	33	26	19	34	22	33	9	18	33	14	14
Ensuring that internal audit is maximizing its value	**21**	24	7	17	21	20	28	19	34	26	21	9	32	62	24	5
Pressures of short-termism and aligning the company's long-term and short-term priorities	**19**	19	24	26	10	22	4	31	6	33	13	30	14	14	10	38
Fraud risk	**13**	25	3	2	17	15	4	8	19	33	8	13	14	24	24	24
Implementation of new accounting standards (e.g., revenue recognition, leases, financial instruments, etc.)	**13**	4	23	14	10	6	16	0	13	11	13	30	0	24	10	19
Talent and skills in the finance organization	**11**	13	19	7	13	0	10	11	6	11	17	13	5	10	5	10
Key assumptions underlying critical accounting estimates	**9**	2	4	20	14	6	16	19	6	4	17	0	5	0	10	5
Assessing audit quality	**8**	10	4	4	8	6	6	8	6	4	21	4	14	5	10	24
CFO succession planning	**7**	10	7	11	6	2	2	0	3	4	17	4	0	5	10	10
Readiness for the OECD's country-by-country tax reporting	**3**	3	3	1	1	0	4	3	0	4	8	0	5	0	5	10
Other	**3**	2	5	5	1	2	4	0	6	0	0	0	0	0	10	0

Multiple responses allowed

Q What is the status of your company's risk management program/process?

	Global	Japan	United States	United Kingdom	China/ Hong Kong	Brazil	Ireland	Israel	Colombia	Turkey	Korea	Belgium	Chile	India	Singapore	France
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Robust, mature risk management system in place	**38**	24	54	68	30	9	58	31	22	19	13	30	32	33	43	48
Risk management system implemented but requires substantial work	**42**	54	36	26	39	48	38	47	44	52	46	48	55	48	29	43
Risk management system in planning/development stage	**15**	8	6	6	24	37	0	14	34	19	29	13	14	19	19	10
No active/formal effort to implement risk management system	**4**	11	2	0	6	4	2	6	0	11	13	4	0	0	10	0
Other	**1**	3	2	0	1	2	2	3	0	0	0	4	0	0	0	0

May not equal 100% due to rounding

Q Are you satisfied that your audit committee has the time and expertise to oversee the major risks on its agenda in addition to carrying out its core oversight responsibilities?

		Global	Japan	United States	United Kingdom	China/ Hong Kong	Brazil	Ireland	Israel	Colombia	Turkey	Korea	Belgium	Chile	India	Singapore	France
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Time	Yes	**51**	48	68	53	49	43	68	50	34	44	42	26	45	57	57	38
	Yes-but increasingly difficult	**39**	32	30	40	46	44	30	36	47	44	38	65	50	38	43	57
	No	**9**	19	2	7	4	13	2	14	19	11	21	9	5	5	0	5
Expertise	Yes	**46**	17	74	49	42	44	54	36	38	41	38	43	68	38	57	33
	Yes-but increasingly difficult	**43**	49	24	46	45	44	42	58	47	44	38	52	27	48	43	57
	No	**11**	34	2	5	13	11	4	6	16	15	25	4	5	14	0	10

May not equal 100% due to rounding

Q In your view, what are the most significant gaps in your company's ability to manage cyber risk? (select up to two)

	Global	Japan	United States	United Kingdom	China/ Hong Kong	Brazil	Ireland	Israel	Colombia	Turkey	Korea	Belgium	Chile	India	Singapore	France
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Organizational awareness/culture	**31**	21	22	38	30	41	32	36	34	37	50	39	50	29	38	52
Keeping technology systems up to date	**31**	27	36	44	31	28	38	22	28	26	4	26	41	24	29	24
Vulnerability from third parties/ supply chain	**24**	14	42	36	18	13	42	11	34	22	21	13	9	14	29	14
Talent/expertise	**22**	46	20	16	21	19	20	6	9	7	21	30	0	24	38	10
Monitoring and reporting of cyber threats (e.g., dashboard)	**21**	19	13	15	24	30	18	17	19	22	42	30	18	19	14	33
Internal "people" risk	**20**	14	26	20	18	11	22	28	9	37	13	26	32	24	24	10
Readiness and response/ containment of breaches	**19**	21	20	11	8	39	18	22	13	22	17	13	23	29	19	19
No significant gaps	**4**	6	2	1	13	4	0	11	6	4	0	0	5	5	0	5
Other	**1**	1	1	2	0	0	0	0	3	0	0	0	0	5	0	0

Multiple responses allowed

Q Beyond focusing on financial reporting and compliance risks, what steps can internal audit take to maximize its value to your organization? (select all that apply)

	Global	Japan	United States	United Kingdom	China/ Hong Kong	Brazil	Ireland	Israel	Colombia	Turkey	Korea	Belgium	Chile	India	Singapore	France
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Expand audit plan on key areas of risk (e.g., cyber security and key operational and technology risks) and related controls	**56**	37	60	51	61	54	68	69	53	67	46	61	73	57	48	52
Maintain flexibility in audit plan to adjust to changing business and risk conditions	**53**	44	61	62	51	50	56	56	78	63	29	48	64	62	38	57
Expand audit plan on effectiveness of company's risk management processes generally	**49**	26	47	44	56	57	52	56	53	59	29	65	50	81	62	43
Improve talent and expertise in internal audit organization	**42**	82	38	15	32	44	34	25	44	41	42	30	50	62	29	29
Helping to assess/"audit" the culture of the organization	**27**	18	23	43	25	20	28	31	19	33	17	43	41	19	57	10
Company does not have an internal audit function	**4**	1	6	10	3	4	8	3	0	4	4	0	0	0	0	10
None of the above	**1**	0	2	0	3	2	0	0	0	0	4	0	0	0	0	0

Multiple responses allowed

Q How satisfied are you that your audit committee agenda is properly focused on the issue(s) that you identified in question 1 as the greatest challenges to your company?

		Global	Japan	
		%	%	
Effectiveness of risk management program	Satisfied	**34**	22	
	Somewhat satisfied	**55**	50	
	Not satisfied	**11**	28	
Legal/regulatory compliance	Satisfied	**54**	41	
	Somewhat satisfied	**38**	50	
	Not satisfied	**7**	9	
Maintaining the control environment in the company's extended organization	Satisfied	**33**	11	
	Somewhat satisfied	**56**	61	
	Not satisfied	**12**	29	
Managing cyber security risk	Satisfied	**25**	8	
	Somewhat satisfied	**61**	58	
	Not satisfied	**14**	33	
Tone at the top and culture of the organization	Satisfied	**23**	19	
	Somewhat satisfied	**54**	62	
	Not satisfied	**22**	19	
Maintaining internal controls over financial reporting	Satisfied	**44**	21	
	Somewhat satisfied	**48**	67	
	Not satisfied	**8**	13	
Ensuring that internal audit is maximizing its value	Satisfied	**27**	11	
	Somewhat satisfied	**56**	52	
	Not satisfied	**17**	37	
Pressures of short-termism and aligning the company's long-term and short-term priorities	Satisfied	**25**	9	
	Somewhat satisfied	**52**	45	
	Not satisfied	**23**	45	

	United States	United Kingdom	China/Hong Kong	Brazil	Ireland	Israel	Colombia	Turkey	Korea	Belgium	Chile	India	Singapore	France
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
	50	41	31	7	42	58	15	33	0	11	11	22	63	38
	45	56	50	83	55	37	69	33	86	78	44	67	38	63
	5	2	19	10	3	5	15	33	14	11	44	11	0	0
	74	68	54	26	55	65	11	58	75	57	42	25	57	100
	26	29	42	58	40	12	78	25	25	43	50	75	43	0
	0	4	4	16	5	24	11	17	0	0	8	0	0	0
	47	33	31	30	86	43	9	0	0	45	33	40	25	40
	47	57	63	61	14	57	73	60	100	45	58	60	75	40
	6	10	6	9	0	0	18	40	0	9	8	0	0	20
	39	31	9	21	35	13	33	8	0	30	0	0	20	38
	60	58	73	64	60	75	67	58	50	40	100	33	80	50
	2	12	18	14	5	13	0	33	50	30	0	67	0	13
	67	12	19	0	50	33	0	0	0	0	0	50	25	100
	20	59	67	22	50	33	75	75	40	50	60	25	75	0
	13	29	14	78	0	33	25	25	60	50	40	25	0	0
	69	50	42	33	85	71	27	17	38	0	50	43	33	67
	31	50	37	56	15	29	73	33	63	50	50	57	67	33
	0	0	21	11	0	0	0	50	0	50	0	0	0	0
	25	36	20	36	43	71	18	14	0	0	0	23	20	0
	38	64	60	55	43	14	73	71	100	100	71	62	80	100
	38	0	20	9	14	14	9	14	0	0	29	15	0	0
	38	10	43	42	50	27	0	11	0	29	0	0	100	50
	46	71	43	58	50	55	50	56	33	29	67	100	0	38
	15	19	14	0	0	18	50	33	67	43	33	0	0	13

Q How satisfied are you that your audit committee agenda is properly focused on the issue(s) that you identified in question 1 as the greatest challenges to your company? (continued from page 25)

		Global	Japan	
		%	%	
Fraud risk	Satisfied	**31**	38	
	Somewhat satisfied	**56**	52	
	Not satisfied	**13**	10	
Implementation of new accounting standards (e.g., revenue recognition, leases, financial instruments, etc.)	Satisfied	**44**	0	
	Somewhat satisfied	**44**	20	
	Not satisfied	**12**	80	
Talent and skills in the finance organization	Satisfied	**24**	0	
	Somewhat satisfied	**50**	27	
	Not satisfied	**26**	73	
Key assumptions underlying critical accounting estimates	Satisfied	**48**	50	
	Somewhat satisfied	**48**	50	
	Not satisfied	**4**	0	
Assessing audit quality	Satisfied	**35**	18	
	Somewhat satisfied	**58**	73	
	Not satisfied	**8**	9	
CFO succession planning	Satisfied	**11**	0	
	Somewhat satisfied	**46**	0	
	Not satisfied	**44**	100	
Readiness for the OECD's country-by-country tax reporting	Satisfied	**29**	0	
	Somewhat satisfied	**48**	33	
	Not satisfied	**24**	67	
Other	Satisfied	**26**	0	
	Somewhat satisfied	**39**	0	
	Not satisfied	**35**	100	

	United States	United Kingdom	China/Hong Kong	Brazil	Ireland	Israel	Colombia	Turkey	Korea	Belgium	Chile	India	Singapore	France
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
	67	50	42	25	50	33	17	22	50	0	0	20	20	40
	33	50	50	63	50	67	33	44	50	100	100	80	80	40
	0	0	8	13	0	0	50	33	0	0	0	0	0	20
	72	45	57	33	25	–	0	33	33	57	–	40	50	100
	24	55	43	33	75	–	75	33	67	43	–	40	50	0
	4	0	0	33	0	–	25	33	0	0	–	20	0	0
	38	33	11	–	100	50	50	0	25	0	0	0	100	0
	57	50	44	–	0	25	50	67	50	100	100	50	0	50
	5	17	44	–	0	25	0	33	25	0	0	50	0	50
	50	50	50	33	63	71	0	0	25	–	100	–	50	0
	25	50	50	67	38	29	50	100	75	–	0	–	50	100
	25	0	0	0	0	0	50	0	0	–	0	–	0	0
	75	33	33	0	67	0	50	100	0	0	33	0	0	80
	25	67	67	67	33	100	50	0	60	100	67	100	100	20
	0	0	0	33	0	0	0	0	40	0	0	0	0	0
	25	33	0	0	0	–	0	0	0	0	–	0	0	0
	63	56	50	0	100	–	0	100	75	0	–	100	50	50
	13	11	50	100	0	–	100	0	25	100	–	0	50	50
	67	0	0	–	0	100	–	0	50	–	0	–	0	50
	33	100	100	–	100	0	–	100	0	–	100	–	0	50
	0	0	0	–	0	0	–	0	50	–	0	–	100	0
	40	50	0	100	0	–	0	–	–	–	–	–	0	–
	60	25	0	0	50	–	0	–	–	–	–	–	100	–
	0	25	100	0	50	–	100	–	–	–	–	–	0	–

May not equal 100% due to rounding

Q What is the status of your company's efforts to implement the new IASB/FASB revenue recognition and leasing standards?

		Global	Japan	United States	United Kingdom	China/ Hong Kong	Brazil	Ireland	Israel	Colombia	Turkey	Korea	Belgium	Chile	India	Singapore	France
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
New revenue recognition standard	Clear implementation plan for the new standard	**13**	6	19	12	15	13	16	11	9	0	17	17	23	33	24	5
	Completed an assessment of the effects of the new standard, and in the process of developing implementation plan	**15**	6	23	19	17	13	16	3	13	4	17	9	5	29	29	43
	Assessing the effects of the new standard; implementation plan not yet developed	**24**	15	34	26	41	17	16	22	25	7	13	17	32	14	19	5
	Status of company's efforts is unclear	**9**	15	5	7	8	13	2	3	9	19	21	13	14	0	5	0
	Will not have a significant impact on company	**20**	4	17	27	13	33	36	31	13	19	13	39	14	14	19	38
	Not familiar with the new standard	**16**	49	2	7	6	7	12	28	31	33	17	4	14	10	5	10
	Other	**2**	5	0	1	0	4	2	3	0	19	4	0	0	0	0	0
New leasing standard	Clear implementation plan for the new standard	**9**	10	13	4	10	13	4	3	9	4	4	9	14	29	14	10
	Completed an assessment of the effects of the new standard, and in the process of developing implementation plan	**11**	4	18	15	20	7	10	3	13	4	17	9	0	5	19	14
	Assessing the effects of the new standard; implementation plan not yet developed	**21**	14	39	25	30	4	10	11	13	4	13	9	23	10	29	14
	Status of company's efforts is unclear	**10**	14	10	7	11	7	4	11	9	19	17	22	18	5	5	0
	Will not have a significant impact on company	**26**	1	15	37	21	46	54	39	19	22	21	48	27	38	24	48
	Not familiar with the new standard	**20**	51	5	10	8	13	14	31	38	30	25	4	18	14	5	14
	Other	**3**	6	1	2	0	9	4	3	0	19	4	0	0	0	5	0

May not equal 100% due to rounding

Q What is your audit committee's role in considering how the company should present non-GAAP financial measures—and which ones to present? (select all that apply)

	Global	Japan	United States	United Kingdom	China/ Hong Kong	Brazil	Ireland	Israel	Colombia	Turkey	Korea	Belgium	Chile	India	Singapore	France
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Audit committee discusses with management the process by which management develops non-GAAP financial measures	**31**	9	62	32	27	43	38	28	22	30	13	26	18	24	19	24
Discusses adequacy of disclosure controls and processes around development of non-GAAP financial measures	**27**	15	46	25	24	46	22	22	22	22	21	30	32	33	14	33
Discusses the correlation of the non-GAAP financial measures with actual state of the business and results	**24**	5	51	25	23	37	24	25	22	19	13	4	18	33	19	19
Audit committee's role/input is very limited	**24**	38	7	11	32	7	18	31	22	41	42	35	32	14	14	24
Company does not provide non-GAAP financial measures	**25**	41	14	30	24	13	26	25	31	19	17	22	23	29	43	19

Multiple responses allowed

Q What would most improve your committee's overall effectiveness? (select up to three)

	Global	Japan	United States	United Kingdom	China/ Hong Kong	Brazil	Ireland	Israel	Colombia	Turkey	Korea	Belgium	Chile	India	Singapore	France
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Better understanding of the business and risks	**39**	70	23	26	45	41	34	28	34	41	29	17	50	57	38	5
Additional expertise—technology/cyber security	**31**	20	42	41	21	24	42	28	38	22	13	35	36	38	24	43
Greater willingness and ability to challenge management	**27**	25	18	17	25	30	14	44	34	63	33	26	14	29	38	38
Greater diversity of thinking, background, perspectives, and experiences	**24**	22	10	31	23	24	34	33	19	30	17	26	14	33	29	24
More in-depth financial reporting and audit expertise	**19**	36	10	11	27	13	14	14	9	11	50	4	23	14	38	5
Additional expertise—M&A, industry knowledge, risk, international, or other area	**18**	41	17	11	11	17	14	17	22	15	21	4	41	10	19	5
Deeper engagement by committee members	**18**	2	17	19	32	22	16	11	25	15	38	22	14	33	33	19
Bringing "fresh thinkers" onto the committee	**18**	8	17	27	15	26	36	11	16	19	13	35	18	10	19	10
Better pre-meeting materials	**17**	10	12	17	31	28	10	17	13	22	4	17	45	14	10	5
Improved management of meeting agendas	**11**	4	6	15	11	11	6	8	19	19	25	13	5	24	5	5
Clear succession plan for audit committee chairmen/ members	**7**	9	6	12	4	4	18	19	0	0	8	0	0	5	5	10
Removal of underperforming director(s)	**5**	5	2	4	4	11	0	11	3	11	4	9	0	5	0	29
Better chemistry/dynamics	**4**	3	2	1	4	13	0	3	0	15	8	4	5	5	5	0
Other	**3**	0	7	6	1	4	0	6	3	0	0	9	0	0	5	0

Multiple responses allowed

Q Which—if any—of the following areas pose significant concern to you in terms of the company's readiness for the OECD's country-by-country tax reporting (first report due December 31, 2017, for calendar year companies)? (select all that apply)

	Global	Japan	United States	United Kingdom	China/ Hong Kong	Brazil	Ireland	Israel	Colombia	Turkey	Korea	Belgium	Chile	India	Singapore	France
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Lack of clarity or communication with the audit committee on this issue to date	**25**	39	17	11	25	31	18	8	28	30	46	22	32	29	29	19
Identification of systems and process changes that will be required to comply with the new documentation requirements	**21**	10	21	11	34	22	10	36	28	19	13	22	32	19	29	24
Reassessment of transfer pricing strategies and identification of those that are likely to be challenged	**17**	13	17	7	27	7	12	14	9	22	25	30	23	38	24	29
Development of a communications plan to explain and interpret the country-by-country data and defend our transfer pricing strategies	**13**	10	11	9	23	9	6	11	16	11	33	17	9	19	10	33
Company is not affected	**36**	36	41	58	37	26	40	36	19	22	8	30	32	38	33	33
No concern about the company's readiness	**13**	5	16	16	4	20	26	19	19	4	8	13	23	0	10	5
Other	**2**	5	1	0	0	4	0	3	0	11	0	0	0	5	0	0

Multiple responses allowed

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