5th EDITION | SEPTEMBER 2026

Audit Committee Practices Report

Common threads across audit committees

Deloitte.

CAQ

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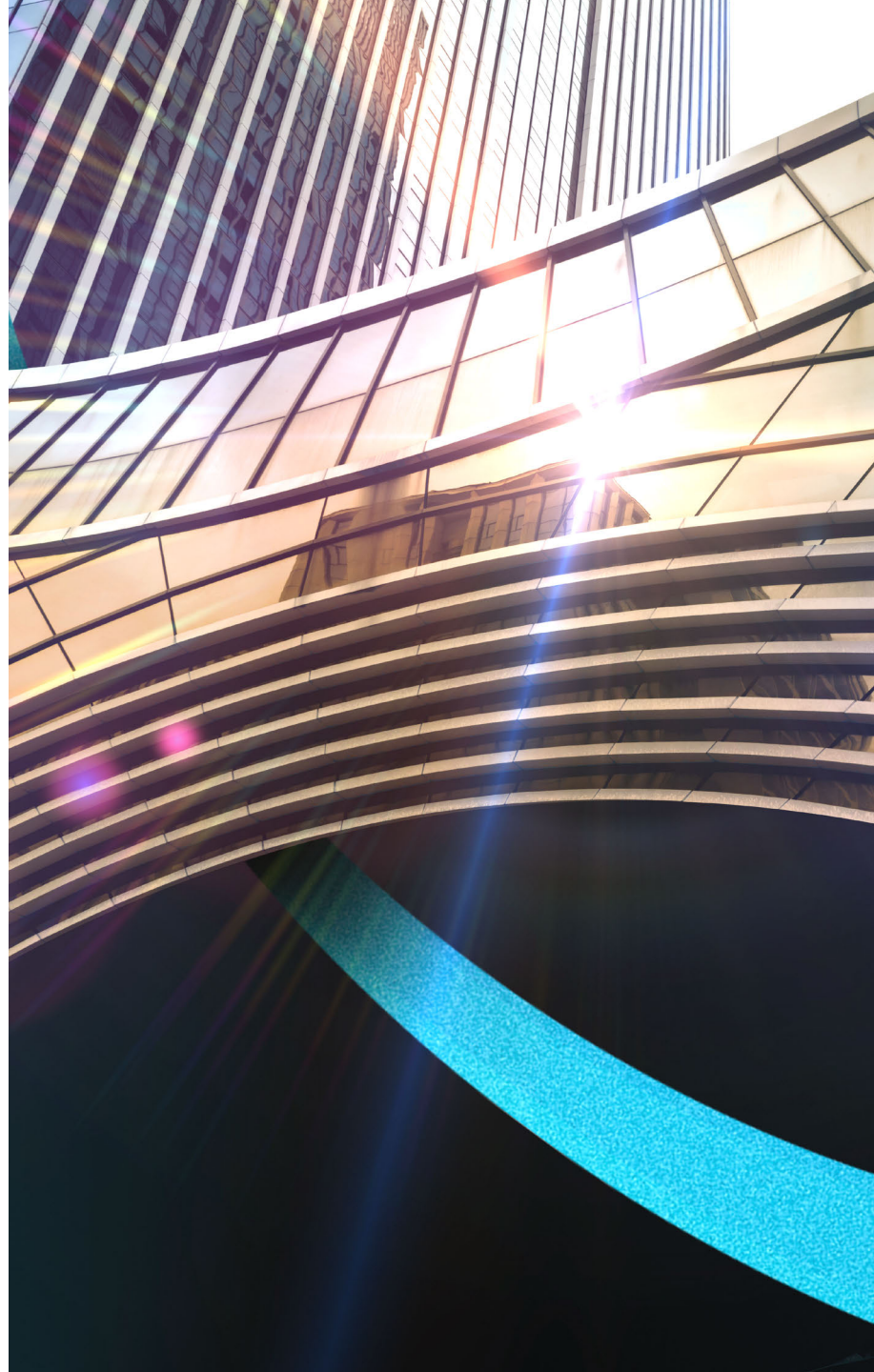


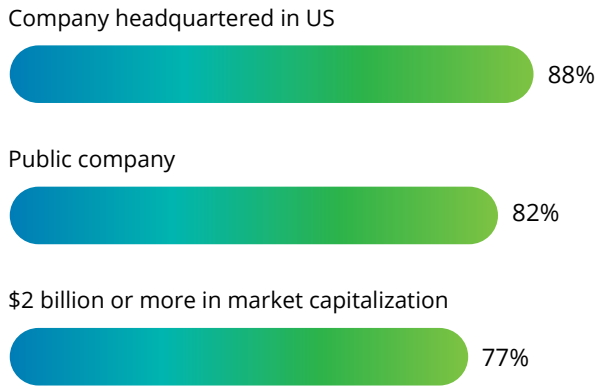
1 Executive summary

Executive summary

The fifth edition of the *Audit Committee Practices Report*, a joint initiative of Deloitte's Center for Board Effectiveness and the Center for Audit Quality (CAQ), offers audit committee members and governance professionals a practical benchmark for peer practices and insights for setting priorities in the year ahead. The report draws on 248 survey responses from audit committee chairs and members, primarily on boards of US public companies with $2 billion or more in market cap (**figure 1**). Data was gathered between May 6 and June 7, 2026.

This survey deliberately asked committees to rank priorities *beyond* the audit committee's core mandate—oversight of financial reporting and internal control over financial reporting (ICFR). Priorities identified in this report should be considered as additive to that core responsibility, not a departure from it.

Figure 1 **Respondent demographics**



Appendix C, Tables 22, 16, and 20

What's new this year: Looking beyond responsibility toward readiness

In addition to continued tracking of key priorities for the audit committee, this edition examines a more fundamental question: "Do audit committees feel equipped to oversee the areas for which they are responsible?" In prior editions, we focused primarily on *identifying* the risks and issues that committees considered most important and where oversight responsibility resides. This year, we take this a step further, seeking to understand whether committees have the confidence, visibility, expertise, and experience necessary to *oversee* those risks and issues effectively, also considering how their focus has shifted over the last year.

To do so, we introduced a new question on committee confidence across key oversight areas, providing a way to assess not just responsibility, but readiness. We also added questions focused specifically on artificial intelligence (AI) governance, assessing the audit committee's oversight of AI use by finance, internal audit, and the external auditor, as well as committee members' own use of AI in board work. Finally, the auditor evaluation and committee effectiveness questions were redesigned to better reflect how audit committee members assess quality and effectiveness today.

Key findings

Enterprise risk management (ERM) is at the top, even as cybersecurity risk remains pervasive

With oversight of financial reporting and ICFR as a baseline expectation, ERM is the number-one priority for audit committees (39%) for the first time since this survey's inception. This is part of a broader shift, with 54% of respondents saying their committee has grown more focused on emerging risks over the past year. Cybersecurity still shows up on more committees' priority lists overall (87% named it a top-three priority, versus 77% for ERM), a pattern that has held for five consecutive surveys.

AI governance is a priority, but committee confidence and oversight maturity are still evolving

AI governance proves to be a distinct focus area in this fifth edition, yet many audit committees are still early in the oversight journey: 29% of respondents report that their audit committee is responsible for primary oversight of AI governance, and 82% of those respondents describe their oversight as "emerging" or "limited." Confidence in overseeing AI trails every other area surveyed. A tension exists between the increasing responsibility for AI governance and suboptimal confidence levels in overseeing it. This tension is compounded by a skills gap: Technology, including AI, was the single most-cited skill (70%) needed to enhance committee effectiveness, while more than half (58%) are not yet using AI tools in their own board work.

High-quality engagement and consistent communication are setting the standard for effectiveness

Audit committees report that high-quality, consistent communication and engagement are important to strengthening the effectiveness of their own committee and are top considerations when assessing the independent auditor's performance. The top-rated opportunity to enhance committee effectiveness is higher-quality discussion and challenge during meetings (41%), while the top overall response for what audit committees value most in their auditor is engagement team leadership, experience, and continuity (52%).

Together, these findings paint a picture of audit committees' expanding remit and the work underway to ensure they're ready to meet it. This report explores each of these themes, offering additional detail and considerations to help committees assess where they stand and where to focus in the year ahead.

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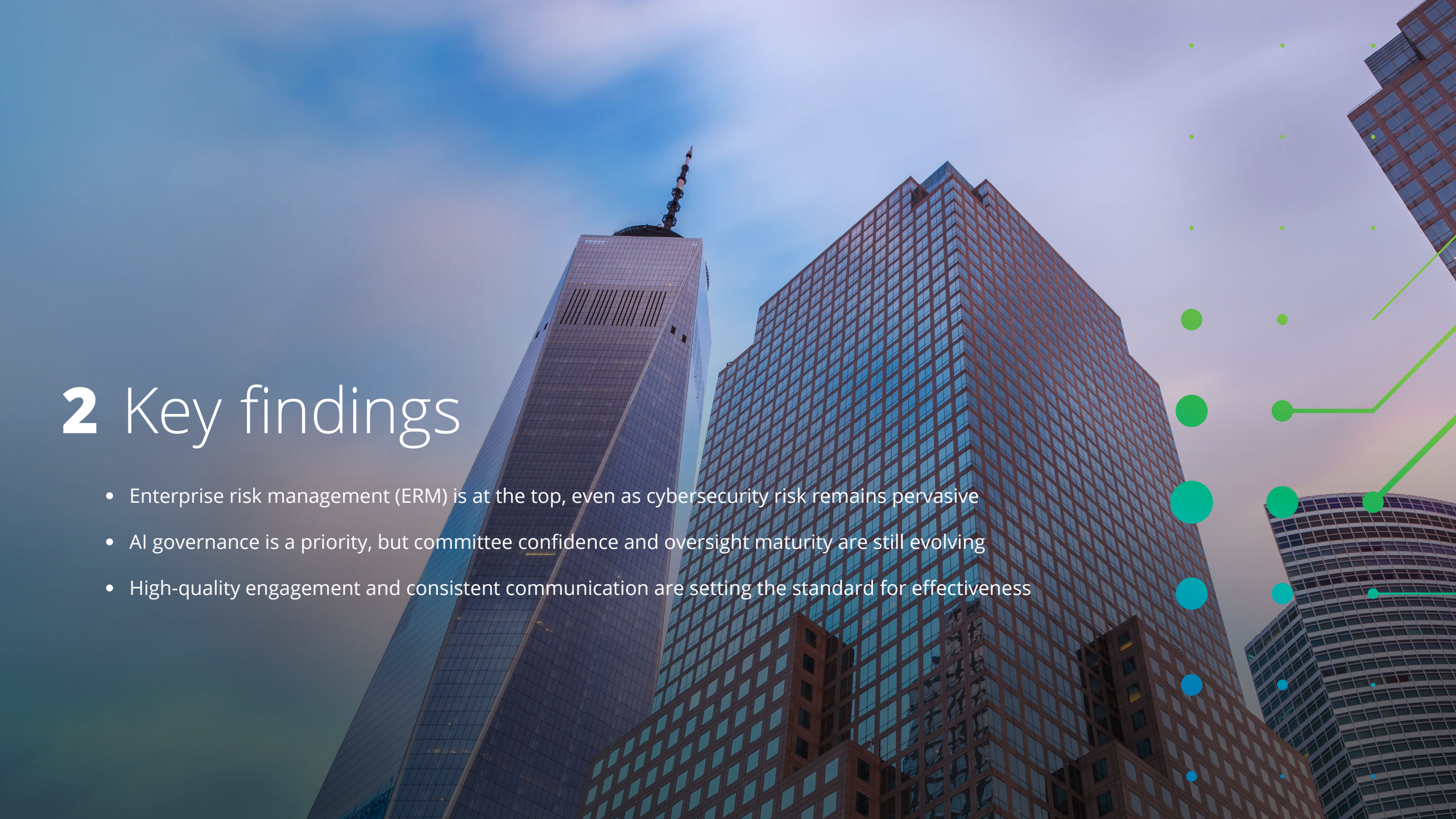
"Audit committees are navigating a fast-moving environment with expanding yet interconnected risks. As emerging risks, AI governance, and cybersecurity continue to reshape agendas, effective oversight will likely depend on clear oversight responsibilities, continual education, and high-quality engagement between committees and their stakeholders. In this environment, resilience is defined not just by the ability to react to change, but also by the ability to govern through it with an unwavering focus on financial reporting and stakeholder trust."

— **Dipti Gulati**, *Chair and Chief Executive Officer, Deloitte & Touche LLP*



2 Key findings

- Enterprise risk management (ERM) is at the top, even as cybersecurity risk remains pervasive
- AI governance is a priority, but committee confidence and oversight maturity are still evolving
- High-quality engagement and consistent communication are setting the standard for effectiveness

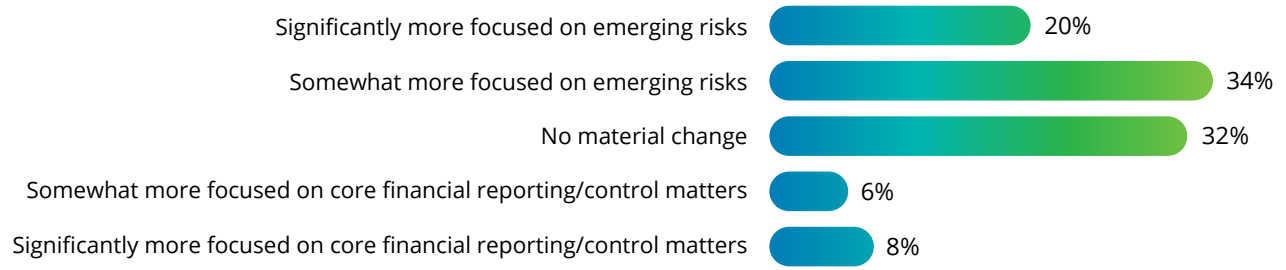
Enterprise risk management (ERM) is at the top, even as cybersecurity risk remains pervasive

Emerging risks reshape the priority list.

More than half of audit committees (54%) have shifted their attention even more toward emerging risks over the past year (**figure 2**). This isn't a retreat from fundamentals; it's an expansion of the agenda into areas that may not have previously competed for the committee's time.

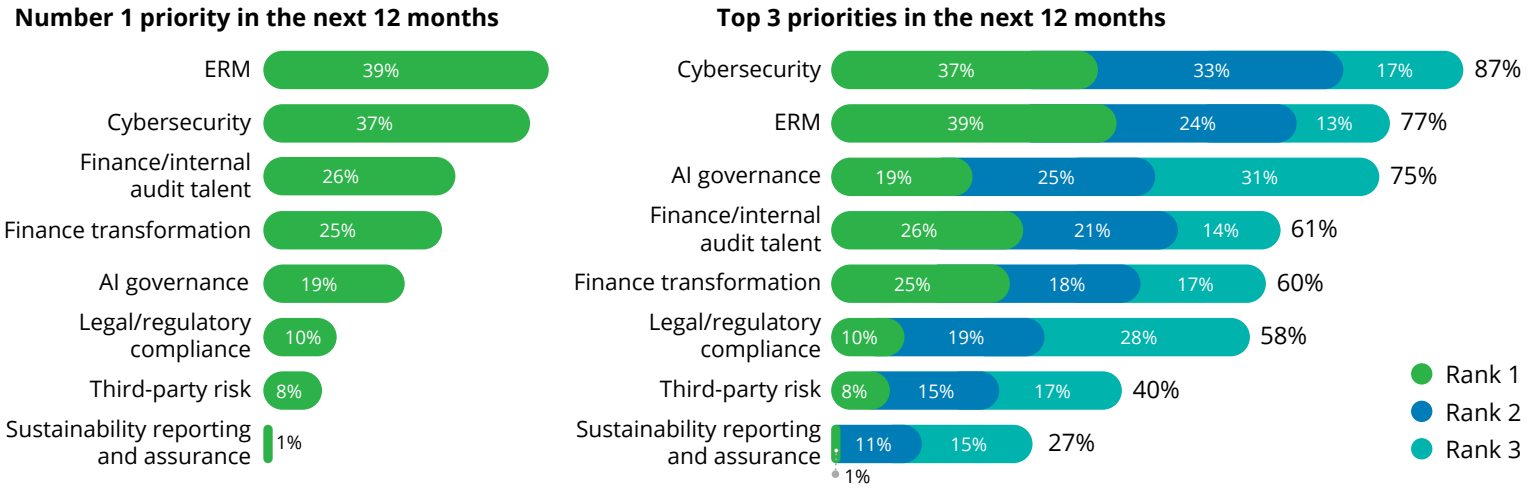
For the first time since this survey's inception, ERM is the number-one priority for audit committees charged with its oversight (39%, up from 33% in the fourth edition of this report). Cybersecurity, however, shows up on more committees' priority lists overall (87%) (**figure 3**). These findings aren't at odds; cybersecurity is a risk that audit committees are watching closely, while ERM is the discipline that helps them govern a broad set of risks, which includes cybersecurity. ERM's prominence reflects the importance of managing risk in today's complex landscape. AI governance's emergence as a third priority area in **figure 3** signals that the priority set is reshaping around emerging technology, a theme explored further in the next key finding.

Figure 2 **Shift in audit committee focus over last 12 months**



Appendix B, Table 4

Figure 3 **Top priorities for audit committees**

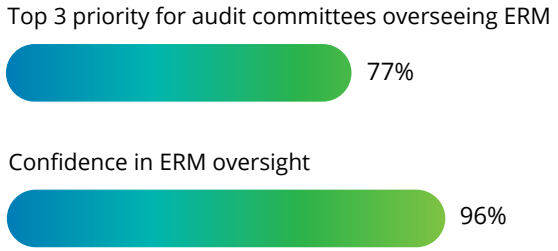


Appendix B, Table 3

Note: Percentages have been rounded to the nearest whole number and therefore may not sum to exactly 100%.

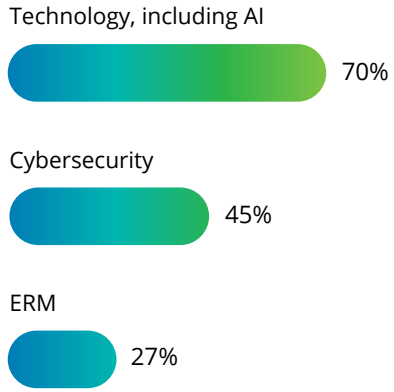
With 77% of respondents identifying ERM as a top-three priority over the next 12 months, 96% report confidence in their committees' ability to oversee it (**figure 4**). Fewer respondents see ERM as an expertise gap—only 27% cite ERM as an area where more skill or expertise is needed, versus 70% who say additional technology expertise, and 45% who say cybersecurity (**figure 5**). ERM's rise appears to be an intentional reallocation of attention in response to the challenges companies are facing today, rather than a scramble to catch up.

Figure 4 **Audit committee oversight of ERM**



Appendix B, Tables 3 and 2

Figure 5 **Skills needed to enhance audit committee effectiveness**



Appendix B, Table 8

"The question is no longer whether organizations are prepared for any one particular risk—today we're talking about cyber and AI, tomorrow it may be quantum computing. It's whether they have developed the discipline to continually identify, prioritize, and respond to a constantly evolving landscape of interconnected risks."

— **Gregory Weaver**, *Independent Director, Goldman Sachs Trust; former Audit Committee Chair, Verizon*

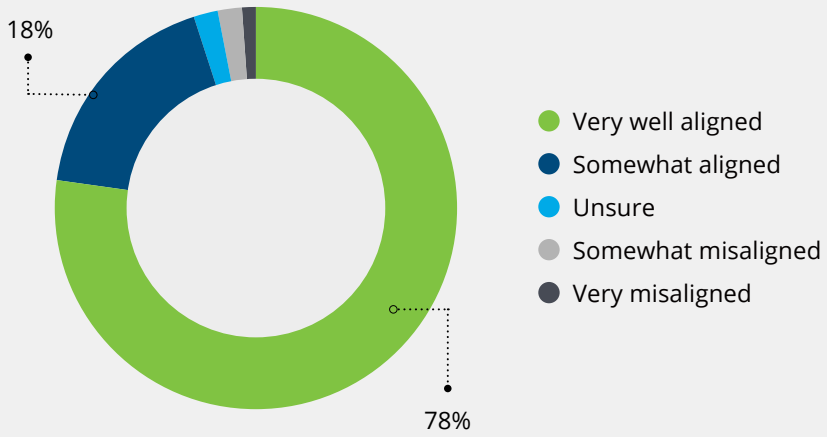
Oversight responsibilities are shifting.

Respondents indicated that cybersecurity oversight is more often delegated to the audit committee than is ERM (51% and 46% respectively). ERM is more often overseen by the full board (36%) or a dedicated risk committee (16%) than cybersecurity is (24% and 11% respectively) (**figure 7**). As ERM findings may arise at the board or in other committees, the audit committee should ensure it has appropriate mechanisms to surface any issues impacting financial reporting and disclosures.

Internal audit is aligned to the risks that matter

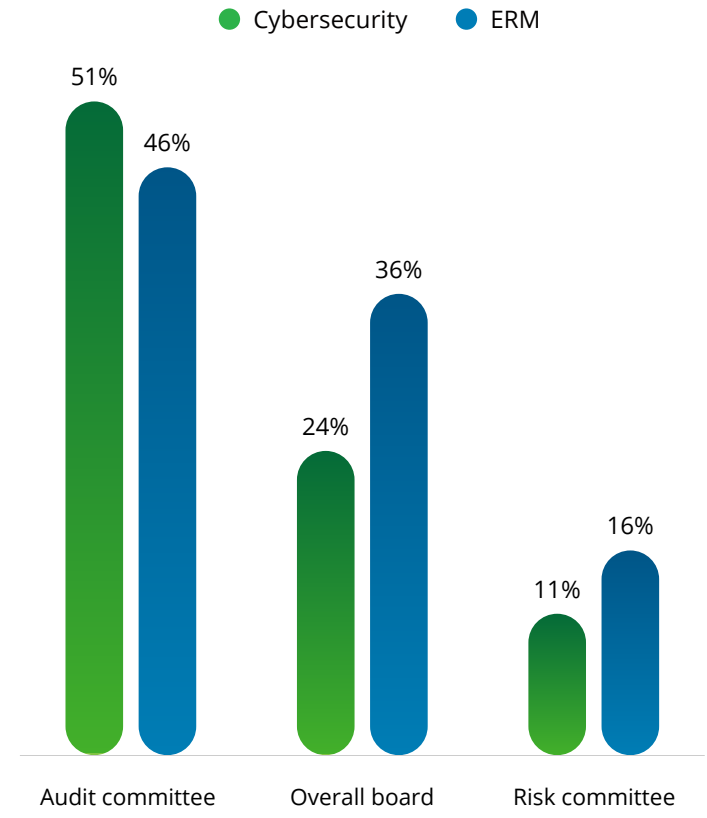
As outlined in **figure 6**, 78% of respondents say internal audit's plan is very well aligned to the organization's top risks, including emerging risks and strategic priorities. That strong foundation gives internal audit a natural role to play when it comes to ERM and extending assurance into emerging areas, like AI.

Figure 6 **Internal audit's alignment to the organization's top risks and strategic priorities**



Appendix B, Table 6

Figure 7 **Oversight of cybersecurity and ERM**

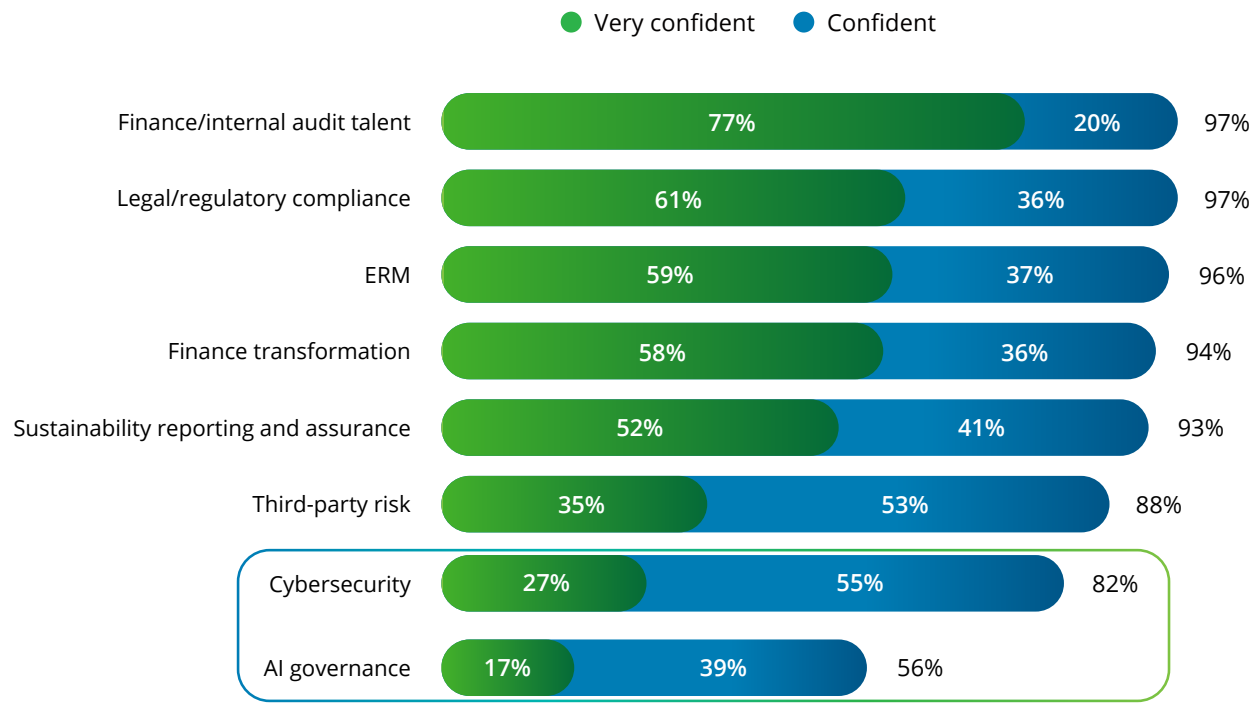


Appendix B, Table 1

Confidence in cybersecurity oversight lags.

While most audit committees overseeing cybersecurity feel confident in their ability to effectively oversee it (82%), that confidence still trails nearly every other oversight area surveyed (**figure 8**). That gap is echoed in what audit committees say they need: Cybersecurity is the second-most-cited skill for improving effectiveness (45%), trailing only technology, including AI (70%) (**figure 5**). Together, these findings suggest that cybersecurity oversight is chasing a moving target. The rapidly changing technology landscape and increasing sophistication of bad actors mean the risk profile continues to evolve, even as committees work to keep pace.

Figure 8 **Audit committee confidence in ability to provide effective oversight**



Appendix B, Table 2

Audit committee considerations

- Understand management's process for identifying and monitoring new risks.
- Review the organization's ERM dashboard to understand key risks and to assess effectiveness of management's mitigation plans.
- Ask management for a clear view of how the company would detect, respond to, and recover from a material incident, and how it determines materiality for disclosure purposes.
- Participate in a rapid response scenario planning exercise, including third-party and service organization scenarios.
- Establish a routine cadence to revisit whether the committee has the fluency it needs to provide oversight of risks relevant to the organization. Enlist specialists to consult when additional experience is needed.
- When ERM oversight is delegated outside of the audit committee, understand how the audit committee stays informed of issues that impact financial reporting and disclosure.

Questions to ask

1. What has changed in the threat profile since our last review, and how has response capability changed?
2. If a peer's reported incident happened to us, how would we have fared, and what would we disclose?
3. Where are we most dependent on third parties for security, and how is that exposure monitored?
4. How confident is our committee in our ability to effectively oversee cybersecurity risks? How can we increase our oversight readiness?

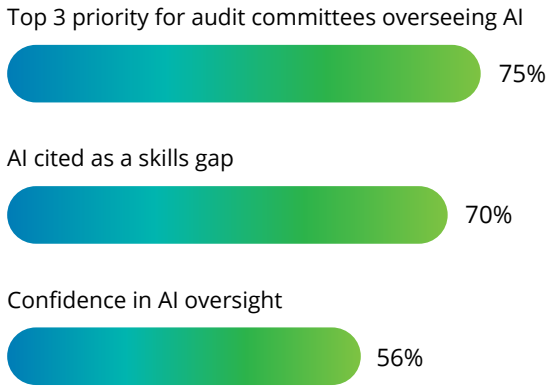
AI governance is a priority, but committee confidence and oversight maturity are still evolving

Survey responses across several AI-focused questions point to a gap between audit committee responsibility and readiness. AI is one of the audit committee's top priorities (75%), is reflected as the single largest skills gap (70%—technology, including AI), and is the area committees feel least confident overseeing (56%), all at the same time (**figure 9**). High priority, early-stage maturity, and lower confidence are coinciding, and together, they define a central tension in this report's findings.

Ownership is still settling, but audit committees play a role.

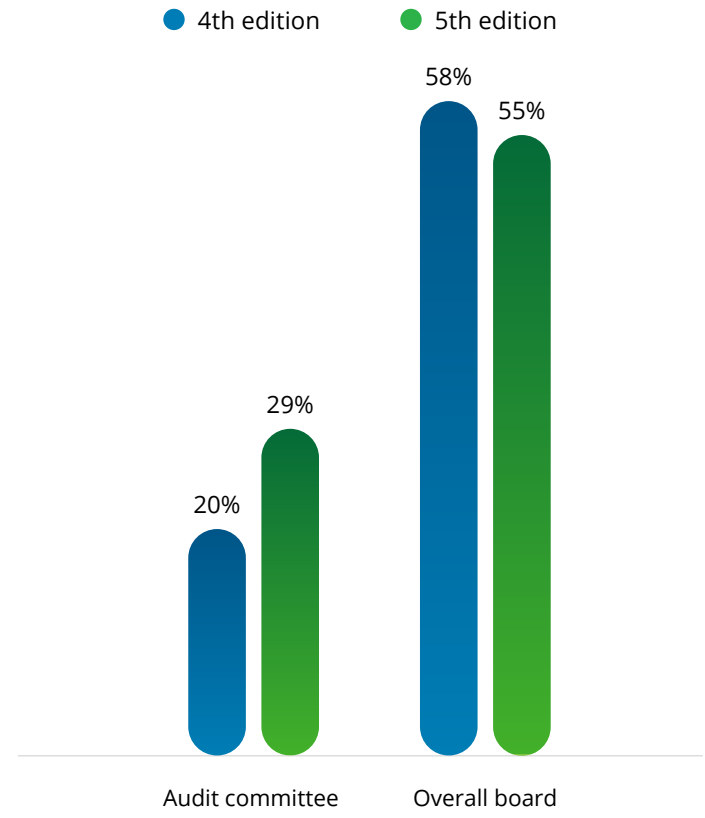
AI governance oversight remains most commonly the full board's responsibility (55%), but that share has declined from 58% in the fourth edition, while the audit committee's share has grown from 20% to 29% (**figure 10**). While it appears that boards haven't yet reached consensus on who will ultimately own AI oversight, it's clear that audit committees will play an integral role.

Figure 9 **The AI paradox**



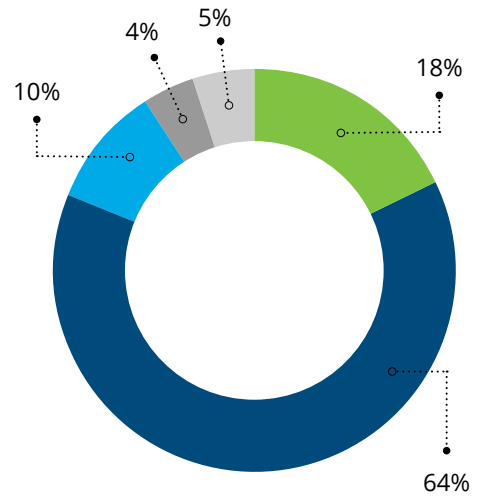
Appendix B, Tables 3, 8, and 2

Figure 10 **Ownership of AI oversight, year over year**



Appendix B, Table 1

Figure 11 **AI oversight maturity**



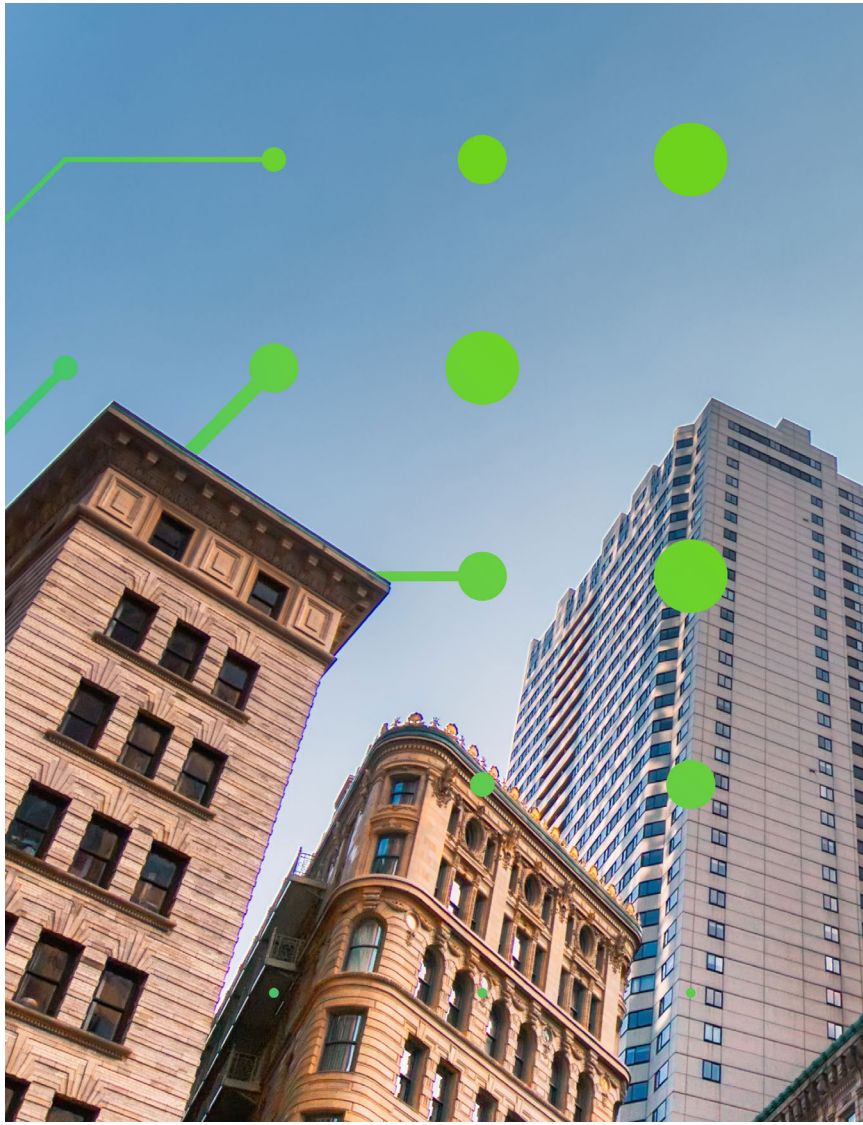
Appendix B, Table 9

AI governance is an area where oversight is still emerging.

Nearly two-thirds (64%) of audit committees who oversee AI governance describe their oversight as emerging, defined as committees who have begun discussing AI risks and use cases but reporting is still taking shape. Another 18% call it limited. Combined, more than four in five committees (82%) say their AI governance oversight is still a work in progress, versus just 14% who call it established or mature (**figure 11**). Regardless of where an organization is in the AI journey, Deloitte's Strategic AI governance roadmap offers an overview of governance activities and structures, including key questions and resources for boards to consider.

The skills committees say they need point squarely at the same maturity gap.

Technology, including AI, is the single most-cited skill that would enhance committee effectiveness (70%), well ahead of cybersecurity in second place (45%) (**figure 5**). The message is clear: Committees recognize a gap between the importance of AI oversight and their current ability to effectively provide it (**figure 9**).



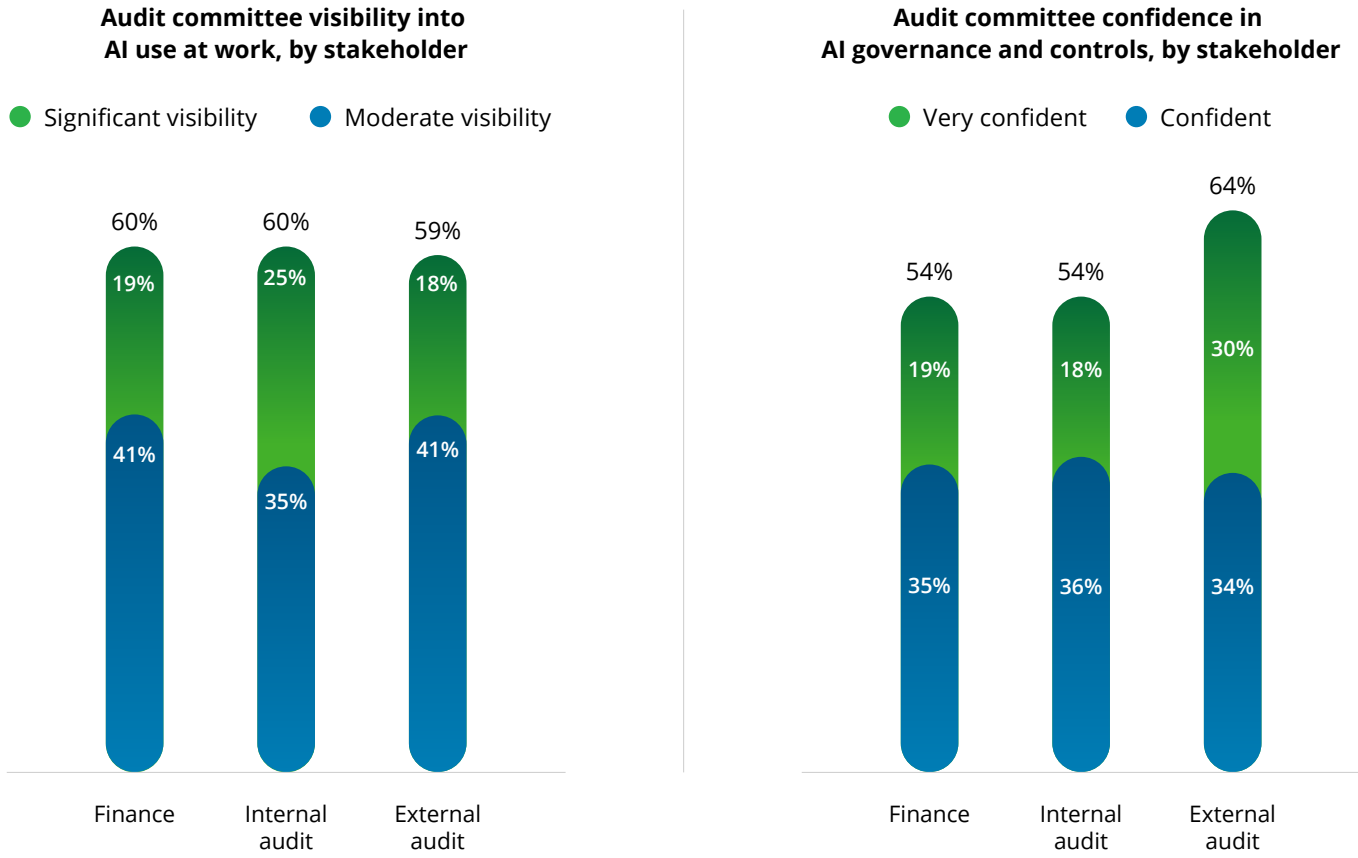
Oversight depends on trust in the stakeholders doing the work

Audit committee oversight of AI often centers around ensuring that finance, internal audit, and the external auditor are using AI responsibly and are keeping the committee informed. Across these three stakeholder groups, the survey results show a pattern: visibility and confidence are both areas with room to improve upon.

Approximately 60% of respondents report moderate or significant visibility into how finance, internal audit, and the external auditor are each using AI in their work, while 30% to 38% (depending on the group) reported lower levels of visibility (**figure 12**). This demonstrates that there's still significant room for these stakeholders to provide improved visibility to the audit committee on AI use.

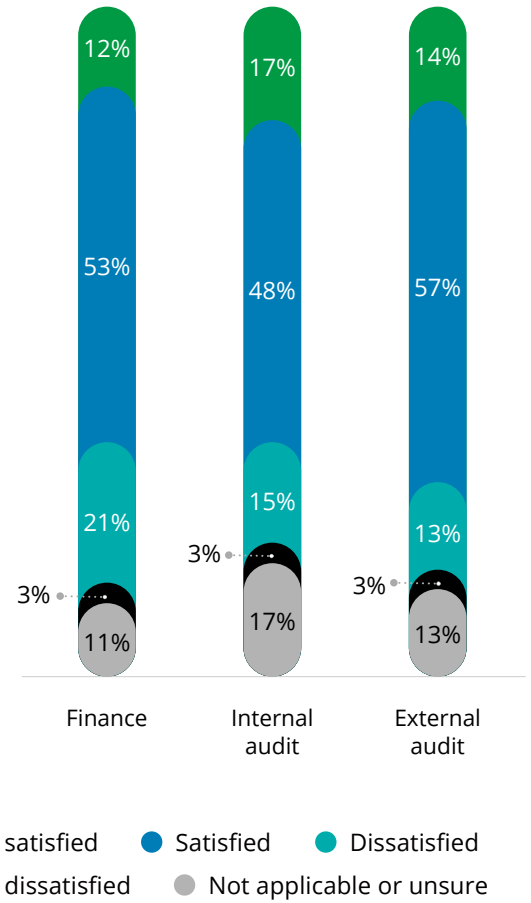
Confidence in each group's AI governance and controls follows a similar pattern, with the external auditor receiving the most favorable marks at 64% (**figure 12**). Confidence in the audit committee's own ability to oversee AI governance is comparable at 56%, the lowest of any area surveyed (**figure 8**).

Figure 12 **AI visibility and confidence, by stakeholder**



Appendix B, Tables 10 and 11

Figure 13 **Audit committee satisfaction with AI reporting, by stakeholder**



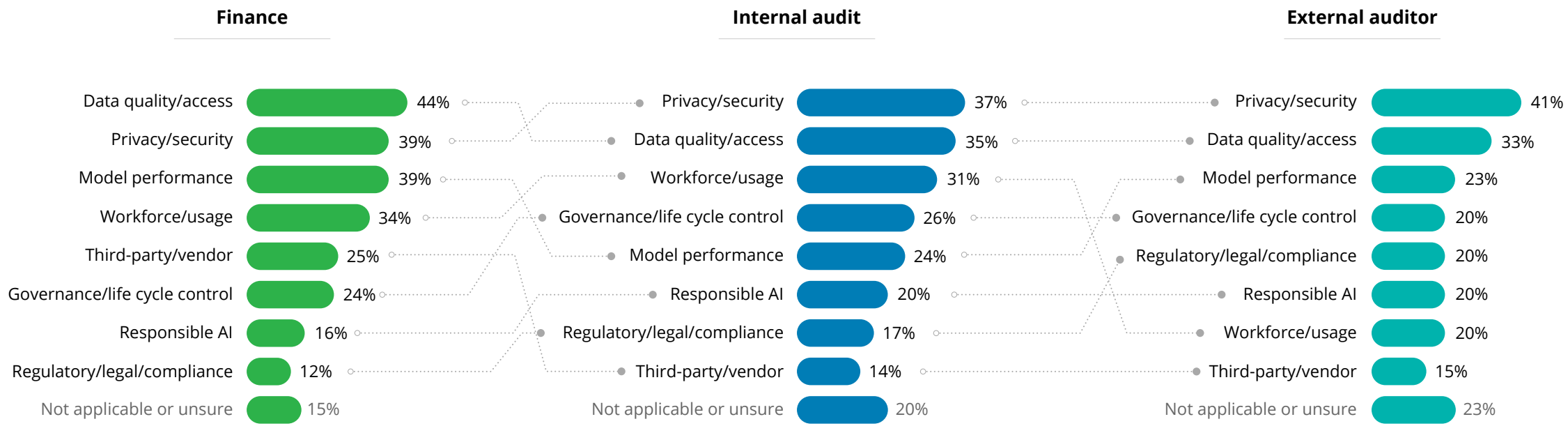
Appendix B, Table 12

Reporting on AI from these stakeholders to the committee follows a similar pattern, with room for improvement. Roughly two-thirds of respondents (65%) are satisfied with the AI updates they receive from finance and internal audit, rising to 71% for the external auditor. Finance stands out as the area with the most room to grow, drawing the highest dissatisfaction (24%) and the lowest share of very satisfied respondents (12%) of the three groups (**figure 13**).

When committees rank the AI risks that concern them most for each stakeholder, the top responses center on foundational concerns familiar in most new technology adoption, rather than factors unique to AI (**figure 14**). For a closer look at AI-specific implications for financial reporting and ICFR, along with sample questions to bring to management and the external auditor, see the CAQ's Audit Committee Oversight in the Age of Generative AI.

Taken together, these findings point to a common thread: Confidence in AI oversight depends less on any one particular stakeholder and more on the quality of information flowing from all three stakeholders. As AI adoption accelerates, committees may benefit as much from enhancing visibility and reporting discipline as from adding new expertise.

Figure 14 **Audit committees' top AI risk concerns, by stakeholder**



Appendix B, Table 13

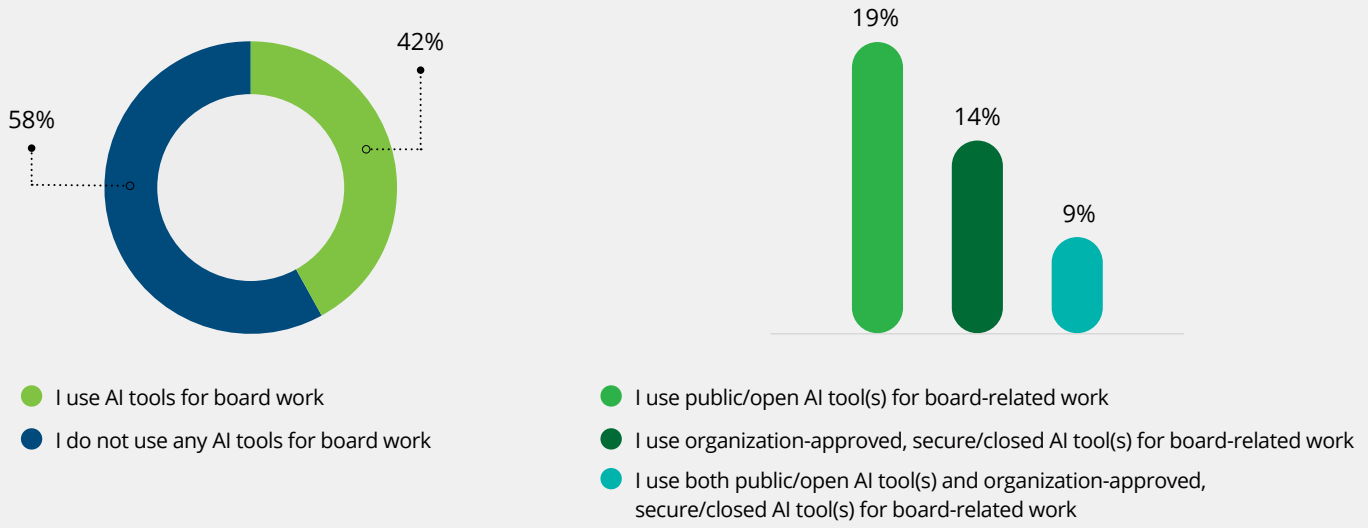
"Directors understand that oversight of AI governance is not optional. AI presents a familiar challenge: governing a technology that is evolving faster than the frameworks designed to manage it in a world of increasing complexity and uncertainty. Successful oversight will depend on clear visibility into how AI is being used across the organization, understanding workforce transitions and a commitment to continuous learning. Developing a deeper understanding through regular exposure to the technology and its uses will be critical and require an ongoing effort."

— **Laura Hay**, *Audit Committee Chair, MetLife Inc.; Audit Committee Member, Everest Group and Hippo Holdings Inc.*

Directors are overseeing AI faster than they're adopting it

A majority of directors (58%) don't yet use AI tools for their own board-related work (**figure 15**). Notably, among those who do, public or open tools are slightly more common than organization-approved ones (19% vs. 14%, respectively), a gap worth attention given the confidentiality of board-related content and materials (**figure 15**). Of the 42% who do use AI for board-related work, it's most commonly used to summarize public information and external developments (67%), draft questions for management or the auditor (48%), or prepare for meetings (35%). For now, directors appear to be using AI to enhance their own preparation and questions, not to drive conclusions.

Figure 15 **Audit committee use of AI**



Appendix B, Table 14

Audit committee considerations

- Update committee charters to explicitly list AI-related oversight responsibilities to avoid gaps in oversight.
- Identify visibility gaps that exist in the audit committee's understanding of where and how finance, internal audit, and the external auditors use AI.
- Ask management to identify ways to use AI to provide more succinct and impactful board materials to directors.
- Understand use of AI by directors. Set expectations for use, including guidance on secure, approved tools, and ensuring the confidentiality of board materials.

Questions to ask

1. What would improve our level of AI oversight, and what reporting would we need to get there?
2. Where is AI being used in financial reporting and in the close process, and what controls govern data quality, model changes, and human review?
3. Where has internal audit tested AI-related controls, and what did those reviews find?
4. What AI-related risks have external auditors identified in our organization, and which are most significant?
5. How is AI being used in the audit, and what are the governance processes for validating those tools?
6. How are directors currently using AI? What would they like to be using AI to help with?

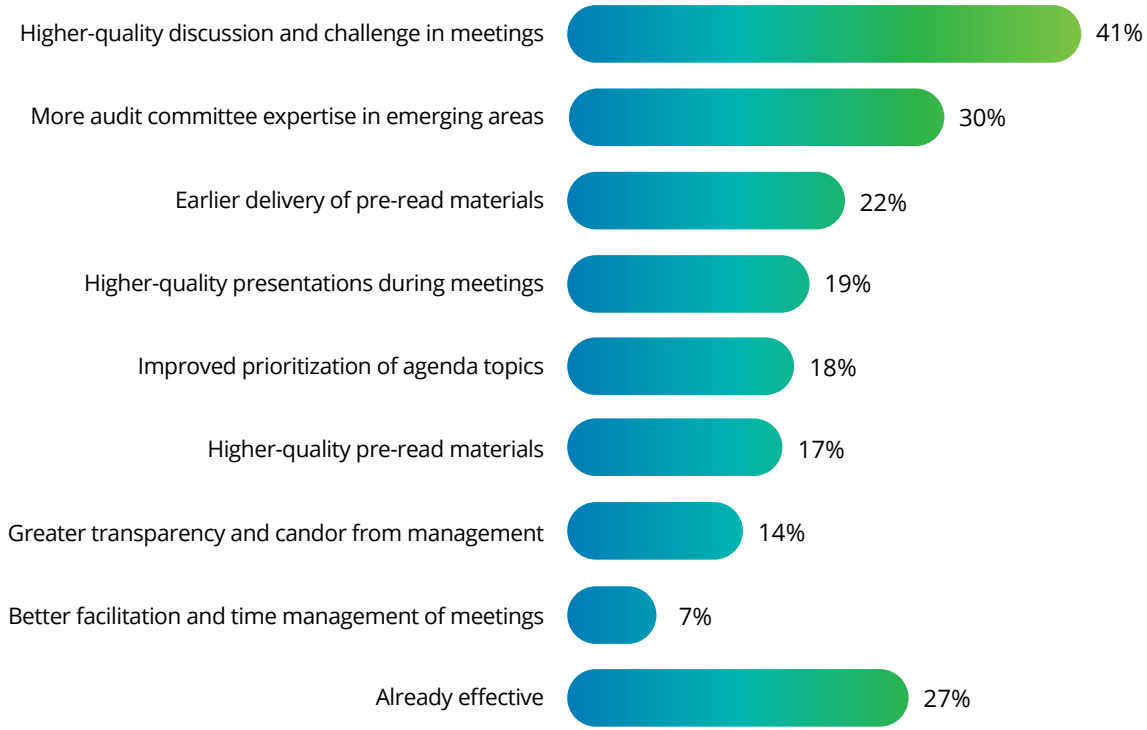
High-quality engagement and consistent communication are setting the standard for effectiveness

Across both committee effectiveness and auditor performance, respondents emphasize the importance of a common theme: engagement and consistency. Audit committees indicated that the leading opportunity to improve their own effectiveness is higher-quality discussion and challenge in meetings (41%) (**figure 16**), while engagement team leadership, experience, and continuity rank as the most valued attributes when assessing the quality and performance of the company's independent auditor (52%) (**figure 17**).

Committee effectiveness hinges on the quality of discussion.

The most frequently cited opportunity to enhance the audit committee's effectiveness is higher-quality discussion and challenge in meetings (41% included it in their top-three opportunities). More expertise in emerging areas follows next (30% included it in their top-three opportunities) (**figure 16**), which was reinforced by respondents' own words: Several open-ended responses noted that effectiveness

Figure 16 **What would enhance committee effectiveness**



Appendix B, Table 7

would be enhanced by giving more structured attention to emerging risks—from geopolitical developments to deeper risk management reviews, echoing the same reorientation toward emerging risks described earlier in the report (**figure 2**). These responses both outpace more procedural-driven tactics like earlier pre-reads or better agenda prioritization (**figure 16**). Notably, more than a quarter of committees (27%) say none of these changes are necessary because the committee is already effective, a reminder that for many, the greatest opportunity lies not in fixing something broken but rather in raising a high-functioning committee to an even higher standard of excellence.

The same pattern holds when committees evaluate their auditor.

Engagement team leadership, experience, and continuity is the highest-rated consideration in assessing the quality and performance of the company's independent auditor (52%). Execution excellence (50%) and clear, candid communication (42%) follow closely behind (**figure 17**).

Figure 17 **What matters most when evaluating the auditor**

Appendix B, Table 5

This doesn't mean technical and other qualities are unimportant—rather, it suggests committees treat them as a baseline expectation, then assess auditors on the same qualities that define their own effectiveness: consistency, engagement, and candor.

The message is consistent: Whether looking inward at their own performance or outward at the auditor relationship, audit committees value high-quality, consistent communication and engagement.

"The best audit committees are built on open communication and trust—the foundation for tackling difficult issues and strengthening oversight and resilience. We look for those same qualities in our external auditors: responsiveness, experienced leadership, and consistent engagement."

— **Peggy Smyth**, *Audit Committee Chair, Etsy Inc.; Audit Committee Member, Remitly Global Inc. and Target Hospitality Corp.*

Audit committee considerations

- Ensure adequate time for discussion during committee meetings. Coach presenters to limit their remarks and allow adequate time for discussion and questions.
- Enhance committee materials to ensure directors have the information needed to drive high-value discussion during committee meetings.
- Invest in the relationships that make candid engagement possible—with fellow directors, management, and the external auditor.

Questions to ask

1. Where do opportunities exist to enhance the quality of discussion and challenge within our meetings?
2. What structural changes or expectation setting needs to occur to ensure effective use of the committee's time?
3. Are we fostering trust in relationships that enable candid oversight?
4. How is the external auditor working to enhance insight, clarity, responsiveness, and timeliness of communication to the committee?

3 In summary

In summary

The fifth edition of the *Audit Committee Practices Report* reflects a committee whose core mandate hasn't changed, even as the surrounding challenges expand. Oversight of financial reporting and internal control remains the constant foundation, and against that backdrop, three themes define this year's findings. Here are some considerations for audit committees related to the themes in this report:

- **Revisit how emerging risks are allocated and overseen:** Periodically reassess whether accountability for ERM, cybersecurity, AI, and other emerging risks is assigned appropriately among the board's committees—and whether reporting structures provide sufficient visibility into the organization's most significant risks.
- **Accelerate AI oversight:** Focus on building AI fluency, clarifying ownership across the board and management, and ensuring regular reporting on AI strategy, governance, risks, and controls.
- **Continue to focus on the quality and consistency of engagement:** Prioritize robust discussion and challenge during meetings while fostering strong, consistent communication—within the committee, with management, and with the external auditor.

Taken together, these findings point to a common thread: Audit committees are being asked to do more, and many are evolving the ownership, expertise, visibility, and depth of dialogue needed to do it with full confidence.

4 Appendices

- Appendix A: Survey methodology
- Appendix B: Survey results
- Appendix C: Respondent demographics

Appendix A: Survey methodology

Deloitte's Center for Board Effectiveness and the Center for Audit Quality jointly conducted the Audit Committee Practices Survey. Now in its fifth edition, the survey was designed to collect data on audit committee oversight practices and effectiveness. Audit committee chairs and members at public and private companies were invited to complete the survey.

Fielding and demographic profile.
The survey opened on May 6, 2026, and closed on June 7, 2026. There were 203 fully and 45 partially completed surveys, for a total of 248 responses.

Variability in respondent population size.
Respondent counts differ by question due to respondents not completing the full survey and/or use of survey question sequencing logic.

Charitable contributions.
The first 200 qualifying responses were eligible to direct a $100 charitable contribution to one or a combination of the following nonprofit organizations: Foundation for the National Institutes of Health, MiracleFeet, and The Posse Foundation. A total of $20,000 was apportioned based on respondent preferences and donated by Deloitte and the CAQ to these organizations.

Appendix B: Survey results

Percentages in this appendix have been rounded to the nearest whole number and therefore may not sum to exactly 100%. Totals may also not precisely equal the sum of their individual components. For questions that permitted multiple responses, percentages may exceed 100%, independent of rounding.

Table 1 **Please indicate who has primary oversight of the following areas:**

Response options	Overall board	Audit committee	Compensation committee	Nominating & governance committee	Risk committee	Other committee	Unsure
Finance/internal audit talent							
All respondents	3%	92%	1%	1%	0%	2%	1%
Financial services	4%	93%	0%	0%	0%	3%	0%
Non-financial services	2%	91%	2%	1%	0%	2%	2%
Finance transformation							
All respondents	22%	66%	0%	1%	2%	7%	2%
Financial services	32%	57%	0%	0%	5%	5%	0%
Non-financial services	18%	69%	0%	1%	1%	8%	3%
Legal/regulatory compliance							
All respondents	25%	52%	0%	8%	9%	5%	1%
Financial services	31%	45%	1%	3%	15%	5%	0%
Non-financial services	23%	55%	0%	10%	6%	5%	1%
Cybersecurity							
All respondents	24%	51%	0%	2%	11%	11%	2%
Financial services	21%	35%	0%	1%	24%	17%	1%
Non-financial services	25%	58%	0%	2%	5%	8%	2%

All respondents (n = 248) Financial services (n = 75) Non-financial services (n = 173)

Table 1 *(continued)*

Response options	Overall board	Audit committee	Compensation committee	Nominating & governance committee	Risk committee	Other committee	Unsure
Enterprise risk management							
All respondents	36%	46%	0%	2%	16%	0%	0%
Financial services	25%	35%	0%	0%	40%	0%	0%
Non-financial services	40%	51%	0%	2%	6%	0%	0%
Third-party risk							
All respondents	31%	46%	0%	1%	17%	2%	3%
Financial services	24%	29%	0%	0%	43%	1%	3%
Non-financial services	34%	53%	0%	1%	6%	2%	3%
AI governance							
All respondents	55%	29%	0%	0%	7%	7%	2%
Financial services	51%	27%	0%	0%	8%	12%	3%
Non-financial services	57%	30%	0%	0%	6%	5%	2%
Sustainability reporting and assurance							
All respondents	22%	29%	1%	25%	2%	12%	8%
Financial services	23%	35%	1%	20%	5%	3%	13%
Non-financial services	22%	27%	1%	27%	1%	16%	6%

Note: For the question upon which Table 1 is based, respondents were asked whether their audit committee has oversight of a given area. Only those who answered "yes" received the related follow-up questions represented in Tables 2 and 3.

Table 2 **How confident are you in the audit committee's ability to effectively oversee the following areas:**

Response options	Not at all confident	Somewhat confident	Confident	Very confident	Unsure	Population ^
Finance/internal audit talent						
All respondents	0%	2%	20%	77%	0%	228
Financial services	0%	1%	13%	86%	0%	70
Non-financial services	1%	3%	23%	73%	1%	158
Finance transformation						
All respondents	1%	6%	36%	58%	0%	163
Financial services	0%	5%	42%	53%	0%	43
Non-financial services	1%	6%	34%	59%	0%	120
Legal/regulatory compliance						
All respondents	0%	3%	36%	61%	0%	130
Financial services	0%	3%	35%	62%	0%	34
Non-financial services	0%	3%	36%	60%	0%	96
Cybersecurity						
All respondents	0%	18%	55%	27%	1%	126
Financial services	0%	12%	50%	38%	0%	26
Non-financial services	0%	19%	56%	24%	1%	100

All respondents Financial services Non-financial services

Table 2 *(continued)*

Response options	Not at all confident	Somewhat confident	Confident	Very confident	Unsure	Population ^
Enterprise risk management						
All respondents	0%	4%	37%	59%	0%	115
Financial services	0%	8%	31%	62%	0%	26
Non-financial services	0%	3%	38%	58%	0%	89
Third-party risk						
All respondents	0%	12%	53%	35%	0%	113
Financial services	0%	9%	59%	32%	0%	22
Non-financial services	0%	13%	52%	35%	0%	91
AI governance						
All respondents	3%	41%	39%	17%	0%	72
Financial services	5%	21%	42%	32%	0%	20
Non-financial services	2%	48%	38%	12%	0%	52
Sustainability reporting and assurance						
All respondents	0%	7%	41%	52%	0%	73
Financial services	0%	12%	42%	46%	0%	26
Non-financial services	0%	4%	40%	55%	0%	47

^For information about the population, please refer to the note in Table 1.

Table 3 **Given the current risk environment, what are the audit committee's top priorities (beyond financial reporting and internal controls) in the next 12 months?**

Please rank the following, with "1" indicating the item that is highest priority for the audit committee over the next 12 months.

Response options	Rank 1	Rank 2	Rank 3	Total	Population^
Cybersecurity					
All respondents	37%	33%	17%	87%	126
Financial services	35%	35%	19%	88%	26
Non-financial services	37%	33%	16%	86%	100
Enterprise risk management					
All respondents	39%	24%	13%	77%	115
Financial services	42%	19%	8%	69%	26
Non-financial services	38%	26%	15%	79%	89
AI governance					
All respondents	19%	25%	31%	75%	72
Financial services	20%	15%	25%	60%	20
Non-financial services	19%	29%	33%	81%	52
Finance/internal audit talent					
All respondents	26%	21%	14%	61%	228
Financial services	34%	21%	19%	74%	70
Non-financial services	23%	21%	12%	56%	158

All respondents Financial services Non-financial services

Table 3 *(continued)*

Response options	Rank 1	Rank 2	Rank 3	Total	Population^
Finance transformation					
All respondents	25%	18%	17%	60%	163
Financial services	26%	28%	14%	67%	43
Non-financial services	24%	14%	18%	57%	120
Legal/regulatory compliance					
All respondents	10%	19%	28%	58%	130
Financial services	15%	29%	21%	65%	34
Non-financial services	8%	16%	31%	55%	96
Third-party risk					
All respondents	8%	15%	17%	40%	113
Financial services	23%	9%	23%	55%	22
Non-financial services	4%	16%	15%	36%	91
Sustainability reporting and assurance					
All respondents	1%	11%	15%	27%	73
Financial services	0%	12%	15%	27%	26
Non-financial services	2%	11%	15%	28%	47

Note: Each percentage is calculated by dividing (1) the total selections for each priority by (2) the total unique respondents indicating their audit committee had primary oversight for the area. It is important to note that a high percentage is not necessarily indicative that a large number of audit committees have oversight for this area; rather, it indicates that a large percentage of those responsible for overseeing the area selected it as a priority.
^ For information about the population, please refer to the note in Table 1.

Table 4 How has the audit committee's focus changed over the last 12 months?

Response options	All respondents	Financial services	Non-financial services
Significantly more focused on emerging risks	20%	18%	21%
Somewhat more focused on emerging risks	34%	32%	35%
No material change	32%	33%	31%
Somewhat more focused on core financial reporting/control matters	6%	8%	5%
Significantly more focused on core financial reporting/control matters	8%	8%	8%

All respondents (n = 237) Financial services (n = 72) Non-financial services (n = 165)

Table 5 **What are the most important considerations when assessing the quality and performance of the company's independent auditor?**

Please rank the following, with "1" indicating the top consideration for assessing the quality and performance of the company's independent auditor.

Response options	Rank 1	Rank 2	Rank 3	Total	Population ^
Engagement team leadership, experience, and continuity					
All respondents	20%	15%	18%	52%	122
Financial services	24%	20%	18%	62%	44
Non-financial services	18%	12%	17%	48%	78
Execution excellence (responsiveness, timeliness, coordination)					
All respondents	20%	18%	11%	50%	116
Financial services	23%	15%	11%	49%	35
Non-financial services	19%	20%	11%	50%	81
Clear, candid audit committee communication and accountability					
All respondents	15%	15%	13%	42%	99
Financial services	17%	11%	10%	38%	27
Non-financial services	13%	16%	15%	44%	72
Quality and value of insights provided					
All respondents	10%	12%	10%	32%	74
Financial services	7%	14%	10%	31%	22
Non-financial services	11%	10%	10%	32%	52

All respondents (n = 234) Financial services (n = 71) Non-financial services (n = 163)

Table 5 *(continued)*

Response options	Rank 1	Rank 2	Rank 3	Total	Population ^
Business and industry understanding					
All respondents	8%	11%	11%	30%	70
Financial services	10%	14%	14%	38%	27
Non-financial services	7%	10%	9%	26%	43
Audit quality and compliance track record (independence, inspection findings)					
All respondents	14%	6%	8%	28%	66
Financial services	11%	4%	7%	23%	16
Non-financial services	15%	7%	9%	31%	50
Effectiveness of management relationship (including professional skepticism)					
All respondents	6%	7%	8%	21%	48
Financial services	6%	8%	8%	23%	16
Non-financial services	6%	7%	7%	20%	32
Identification of emerging risks					
All respondents	3%	9%	4%	16%	37
Financial services	1%	7%	6%	14%	10
Non-financial services	4%	10%	3%	17%	27

Table 5 *(continued)*

Response options	Rank 1	Rank 2	Rank 3	Total	Population ^
Effective use of technology in the audit					
All respondents	2%	4%	10%	15%	36
Financial services	1%	1%	7%	10%	7
Non-financial services	2%	5%	11%	18%	29
Cost-effectiveness of audit services					
All respondents	3%	3%	7%	14%	32
Financial services	0%	4%	7%	11%	8
Non-financial services	5%	3%	7%	15%	24

^ Respondents first selected up to three of the listed considerations as most important when assessing the independent auditor, then ranked their selections from highest (Rank 1) to lowest (Rank 3) priority.

Table 6 How well is internal audit's audit plan aligned to the organization's top risks (including emerging risks) and strategic priorities?

Response options	All respondents	Financial services	Non-financial services
Very misaligned	1%	0%	1%
Somewhat misaligned	2%	0%	2%
Somewhat aligned	18%	13%	20%
Very well aligned	78%	87%	73%
Unsure	2%	0%	2%

All respondents (n = 232) Financial services (n = 70) Non-financial services (n = 162)

Table 7 **What would enhance the audit committee's effectiveness?**

Response options	All respondents	Financial services	Non-financial services
Higher-quality discussion and challenge in meetings	41%	29%	46%
More audit committee expertise in emerging areas	30%	28%	31%
Earlier delivery of pre-read materials	22%	32%	18%
Higher-quality presentations (verbal and/or written) during meetings	19%	12%	22%
Improved prioritization of agenda topics	18%	19%	17%
Higher-quality pre-read materials	17%	9%	20%
Greater transparency and candor from management	14%	15%	14%
Better facilitation and time management of meetings	7%	6%	7%
Other	7%	7%	6%
Not applicable, the committee is already effective	27%	31%	25%

Note: Respondents selected up to three of the listed items.

All respondents (n = 229) Financial services (n = 68) Non-financial services (n = 161)

Table 8 **What additional skill(s) or expertise would enhance the audit committee's effectiveness in the next 12 months?**

Response options	All respondents	Financial services	Non-financial services
Technology (other than cybersecurity), including AI	70%	68%	71%
Cybersecurity	45%	40%	47%
Enterprise risk management	27%	28%	26%
Operations	14%	19%	12%
Accounting and finance	12%	9%	14%
Leadership	10%	9%	11%
Human capital	8%	6%	8%
Legal/regulatory compliance	7%	7%	7%
Other	4%	3%	5%
Not applicable, we have the expertise we need	13%	18%	11%

Note: Respondents selected up to three of the listed items.

All respondents (n = 226) Financial services (n = 68) Non-financial services (n = 158)

Table 9 **Which best describes the audit committee's current oversight of AI?**

Response options	All respondents	Financial services	Non-financial services
Limited: AI oversight is ad hoc, with little or no regular reporting	18%	12%	21%
Emerging: The committee is beginning to discuss AI risks and use cases, and reporting is still taking shape	64%	72%	60%
Established: Oversight roles and reporting are defined, and the committee receives regular updates on key AI matters	10%	7%	11%
Mature: AI oversight is embedded in the committee's agenda and governance, with reporting and assurance regularly refreshed	4%	1%	4%
Not applicable or unsure	5%	7%	4%

All respondents (n = 226) Financial services (n = 68) Non-financial services (n = 158)

Table 10 How much visibility does the audit committee have into how each of the following groups is using AI in its work (e.g., planning, execution, reporting, decision-making)?

Response options	No visibility	Limited visibility	Moderate visibility	Significant visibility	Not applicable or unsure
Finance					
All respondents	4%	34%	41%	19%	3%
Financial services	1%	37%	38%	19%	4%
Non-financial services	4%	33%	42%	18%	2%
Internal audit					
All respondents	4%	26%	35%	25%	9%
Financial services	3%	28%	32%	31%	6%
Non-financial services	5%	25%	36%	23%	11%
External auditor					
All respondents	8%	30%	41%	18%	4%
Financial services	10%	35%	28%	21%	6%
Non-financial services	7%	27%	46%	16%	3%

All respondents (n = 226) Financial services (n = 68) Non-financial services (n = 158)

Table 11 **How confident are you that each of the following groups has appropriate governance and controls for its use of AI (e.g., policies, access, model changes, validation, documentation)?**

Response options	Not at all confident	Somewhat confident	Confident	Very confident	Not applicable or unsure
Finance					
All respondents	6%	36%	35%	19%	4%
Financial services	1%	36%	34%	27%	1%
Non-financial services	8%	36%	36%	16%	4%
Internal audit					
All respondents	5%	32%	36%	18%	9%
Financial services	0%	30%	40%	25%	4%
Non-financial services	7%	33%	34%	15%	11%
External auditor					
All respondents	3%	26%	34%	30%	7%
Financial services	0%	28%	30%	31%	10%
Non-financial services	4%	25%	36%	29%	6%

All respondents (n = 224) Financial services (n = 67) Non-financial services (n = 157)

Table 12 How satisfied are you with the timeliness and usefulness of AI-related updates provided to the audit committee by each of the following groups?

Response options	Very dissatisfied	Dissatisfied	Satisfied	Very satisfied	Not applicable or unsure
Finance					
All respondents	3%	21%	53%	12%	11%
Financial services	1%	18%	58%	12%	10%
Non-financial services	4%	22%	51%	12%	11%
Internal audit					
All respondents	3%	15%	48%	17%	17%
Financial services	1%	10%	54%	18%	16%
Non-financial services	3%	17%	46%	17%	17%
External auditor					
All respondents	3%	13%	57%	14%	13%
Financial services	3%	4%	63%	13%	16%
Non-financial services	3%	17%	54%	15%	12%

All respondents (n = 223) Financial services (n = 67) Non-financial services (n = 156)

Table 13 In your view, which AI-related risk areas are of greatest concern to the audit committee for each of the following groups?

Response options	Finance	Internal audit	External auditor
Data quality and access risk (quality, completeness, permission, rights)			
All respondents	44%	35%	33%
Financial services	43%	29%	29%
Non-financial services	44%	38%	35%
Governance and life cycle control risk (change management, versioning, monitoring, documentation)			
All respondents	24%	26%	20%
Financial services	27%	27%	21%
Non-financial services	23%	26%	19%
Model performance risk (accuracy, hallucinations, drift, reliability)			
All respondents	39%	24%	23%
Financial services	40%	17%	8%
Non-financial services	39%	27%	29%
Privacy and security risk (data protection, confidentiality, cyber exposure)			
All respondents	39%	37%	41%
Financial services	33%	40%	32%
Non-financial services	42%	35%	45%
Regulatory, legal, and compliance risk			
All respondents	12%	17%	20%
Financial services	11%	17%	21%
Non-financial services	12%	17%	19%

All respondents (n = 203) Financial services (n = 63) Non-financial services (n = 140)

Table 13 *(continued)*

Response options	Finance	Internal audit	External auditor
Responsible AI risk (bias, fairness, explainability, transparency)			
All respondents	16%	20%	20%
Financial services	13%	16%	21%
Non-financial services	18%	22%	19%
Third-party and vendor risk (including IP and contractual issues)			
All respondents	25%	14%	15%
Financial services	32%	21%	16%
Non-financial services	21%	11%	15%
Workforce and usage risk (misuse, overreliance, training, competency)			
All respondents	34%	31%	20%
Financial services	24%	30%	17%
Non-financial services	38%	31%	21%
Not applicable or unsure			
All respondents	15%	20%	23%
Financial services	17%	24%	29%
Non-financial services	14%	19%	20%

Note: Respondents selected up to three of the listed items.

Table 14 **In your capacity as a board and audit committee member, which statement best describes your use of AI?**

Response options	All respondents	Financial services	Non-financial services
I use public/open AI tool(s) for board-related work	19%	14%	21%
I use organization-approved, secure/closed AI tool(s) for board-related work	14%	19%	12%
I use both public/open AI tool(s) and organization-approved, secure/closed AI tool(s) for board-related work	9%	8%	9%
I do not use any AI tools for board-related work	58%	59%	57%

All respondents (n = 203) Financial services (n = 63) Non-financial services (n = 140)

Table 15 **How do you use AI in your board or audit committee work?**

Response options	All respondents	Financial services	Non-financial services
Summarizing public information and external developments (e.g., news, regulatory updates, competitor activity)	67%	58%	72%
Drafting or refining questions for management or the external auditor	48%	38%	52%
Identifying risks, themes, or discussion topics	42%	58%	35%
Preparing for meetings (e.g., drafting agendas, discussion guides)	35%	42%	32%
Developing scenarios or follow-up lines of inquiry for board discussions	28%	27%	28%
Summarizing or synthesizing meeting materials	19%	27%	15%
Drafting or refining board-related communications (e.g., emails, talking points)	11%	4%	13%
Other	6%	0%	8%

Note: This question was only answered by respondents who indicated they use AI tools for board-related work (see Table 14). Respondents selected all applicable responses.

All respondents (n = 86) Financial services (n = 26) Non-financial services (n = 60)

Appendix C: Respondent demographics

Table 16 **Are you on the audit committee of a public or private company?**

Response options	All respondents	Financial services	Non-financial services
Public company	82%	76%	85%
Private company	18%	24%	15%

Table 17 **What is your role on the audit committee at this company?**

Response options	All respondents	Financial services	Non-financial services
Chair	61%	53%	64%
Member	39%	47%	36%

Table 18 **What is your employment status?**

Response options	All respondents	Financial services	Non-financial services
Retired from primary occupation while serving on an audit committee	80%	76%	82%
Working at primary occupation while serving on an audit committee	20%	24%	18%

Table 19 **Are you responding for a company in the financial services industry?**

Response options	All respondents
No	70%
Yes	30%

All respondents (n = 248) Financial services (n = 75) Non-financial services (n = 173)

Table 20 **What was the company's market capitalization at the end of its most recent fiscal year?**

Response options	All respondents	Financial services	Non-financial services
Micro-cap: Less than $250 million	4%	4%	4%
Small-cap: $250 million to less than $2 billion	19%	14%	20%
Mid-cap: $2 billion to $10 billion	38%	44%	36%
Large-cap: More than $10 billion	39%	39%	39%

Note: This question was only shown to respondents who identified their company as a public company (Table 16).

All respondents (n = 204) Financial services (n = 57) Non-financial services (n = 147)

Table 21 **What was the company's filing status as of its most recent fiscal year?**

Response options	All respondents	Financial services	Non-financial services
Non-accelerated filer: Market cap of less than $75 million	17%	20%	17%
Accelerated filer: Market cap of $75 million to $700 million	48%	70%	42%
Large accelerated filer: Market cap of more than $700 million	35%	10%	42%

Note: This question was only shown to respondents who identified their company as micro-cap or small-cap (Table 20).

All respondents (n = 46) Financial services (n = 10) Non-financial services (n = 36)

Table 22 **Where is the company's headquarters located?**

Response options	All respondents	Financial services	Non-financial services
United States	88%	89%	87%
Europe	5%	3%	6%
Americas (other than the United States)	4%	4%	4%
Asia Pacific	2%	1%	3%
Middle East	1%	1%	1%
Africa	0%	1%	0%

All respondents (n = 248) Financial services (n = 75) Non-financial services (n = 173)

5 Contact us

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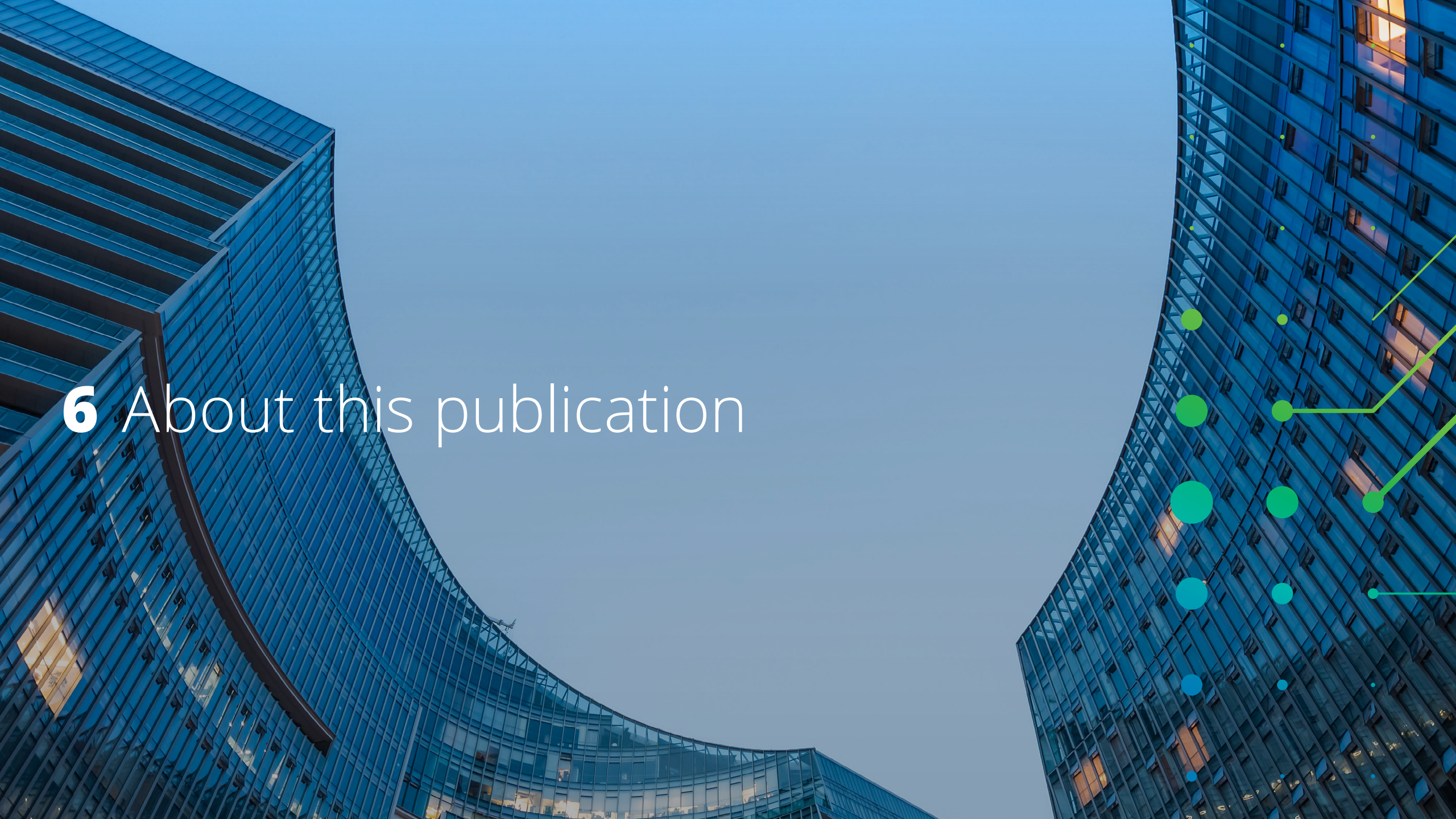

6 About this publication

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