



Audit Committee Practices Report:

Common Threads Across Audit Committees

March 2024

Deloitte.

CAQ

Contents

3	Introduction
5	Key Findings
6	Cybersecurity
7	Enterprise Risk Management (ERM)
8	Finance and Internal Audit Talent
9	Compliance with Laws and Regulations
10	Finance Transformation
11	Audit Committee Practices and Effectiveness
13	Additional Observations
16	Detailed Survey Results
36	Demographics & Methodology
38	Endnotes
39	About this Publication

Introduction

We're excited to publish the third edition of the *Audit Committee Practices Report: Common Threads Across Audit Committees*, a joint effort between Deloitte's Center for Board Effectiveness (Deloitte) and the Center for Audit Quality (CAQ). Our goal is to provide directors—especially audit committee members—and governance professionals insights into audit committee priorities, challenges, and opportunities. In addition, our report offers leading practices and commentary around audit committee effectiveness.

Similar to previous editions, the data are based on a survey of audit committee members. A total of 266 respondents participated in this year's survey, most of whom are from U.S. public companies (74%), and of which 81% have more than \$700 million in market cap.

To get a sense of what's top of mind for audit committees today, we asked respondents to share the most important topic, risk, or issue for their audit committee in the next 12 months, without any limitation on their responses. Here's what they shared:



While there are clearly many priorities for audit committees, there are also limits to what they oversee. The survey questions focused on the main oversight areas within the audit committee's purview and identified the top priorities for audit committees over the next 12 months. We asked for their top three priorities, and the first two were clear. Audit committees continue to be very focused on:

- + Cybersecurity
- + Enterprise risk management (ERM)

These top two priorities are making repeat appearances in the same spots they had in last year's survey. The third priority wasn't quite as clear, with three topics clustered closely together:

- + Finance and internal audit talent
- + Compliance with laws and regulations
- + Finance transformation

In addition to audit committee priorities, respondents provided insights into how audit committees can further enhance their practices and effectiveness, all of which are explored in the report.

We are confident that you and your fellow committee members, as well as other interested colleagues, can use this report to better assess where your committee stands and what its objectives might be in the months ahead.



Krista Parsons
kparsons@deloitte.com
*Managing Director, Audit & Assurance
Governance Services and Audit Committee
Program Leader, Center for Board
Effectiveness, Deloitte & Touche LLP*



Vanessa Teitelbaum
vteitelbaum@thecaq.org
*Senior Director, Professional Practice,
Center for Audit Quality*

Key Findings

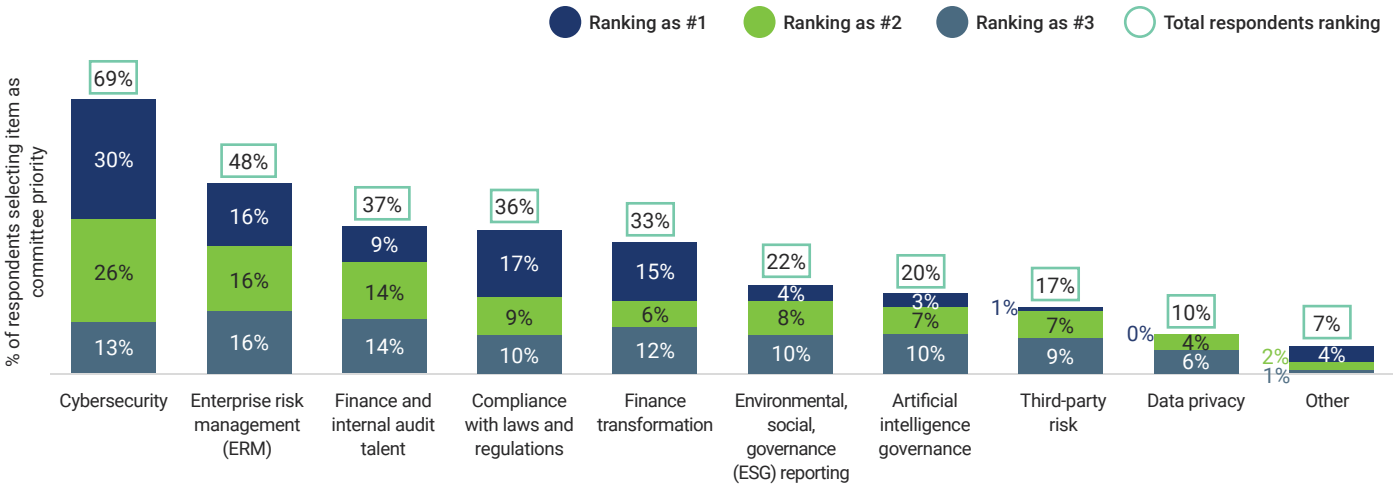
As the regulatory environment grows in complexity and organizations address new and continuing challenges, additional expectations are placed on audit committees. The scope of their responsibilities continues to expand beyond the traditional remit of financial reporting and internal controls, internal and external audit, and ethics and compliance programs.

Topics like cybersecurity, artificial intelligence (AI), and climate are now regularly showing up on many audit committee agendas, especially when it's a matter of complying with regulatory disclosure requirements. In this report, we highlight the top five priorities—cybersecurity, enterprise risk management, finance and internal audit talent, compliance with laws and regulations, and finance transformation—that were identified by audit committee members who participated in the survey.

TOP PRIORITIES OVER THE NEXT 12 MONTHS

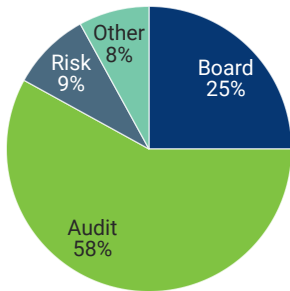
- 69%** Cybersecurity
- 48%** Enterprise risk management
- 37%** Finance and internal audit talent
- 36%** Compliance with laws and regulations
- 33%** Finance transformation

Ranking of top priorities of the audit committee over the next 12 months
(n = 255)

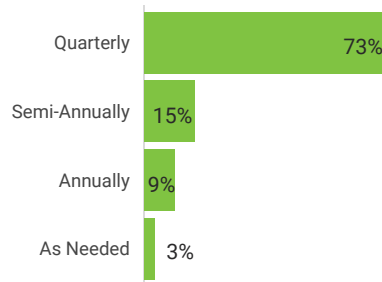


Cybersecurity

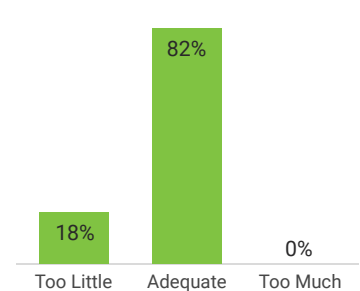
Who has primary oversight of topic



Discussion frequency*



Time spent on topic*



*Only includes responses where the audit committee has primary oversight of cybersecurity.

Beyond financial reporting and internal controls, most respondents (69%) indicated that cybersecurity will be in the top-three priority areas for the audit committee in the next 12 months,¹ and 3 in 10 (30%) ranked cybersecurity as the **No. 1 priority** for the audit committee in that period. This is consistent with previous editions of the report, which have similarly found that cybersecurity is a top priority.

One reason could be a new U.S. Securities and Exchange Commission (SEC) regulation requiring registrants to report material cybersecurity incidents and to provide annual disclosure of cybersecurity risk management and strategy, as well as an explanation of board and management oversight processes. A recent edition of Deloitte’s *Heads Up* outlines the new requirements for cybersecurity disclosures.

Our survey found that 58% of audit committees have primary oversight of cybersecurity risk, and 25% responded that the full board has oversight responsibility. This is consistent with the CAQ’s 10th annual *Audit Committee Transparency Barometer* report, which found that 59% of S&P 500 companies indicate their audit committee is responsible for oversight of cybersecurity risk, up from 54% in 2022.

In general, oversight of cybersecurity for financial services companies was split between the audit committee (38%) and risk committee (26%). Comparatively, most non-financial organizations assign oversight of this area to the audit committee (64%) and, very rarely, to the risk committee (3%). This is likely driven by the fact that most financial services companies are required to have a risk committee.

A notable minority of respondents (24%) said their audit committee had sufficient levels of expertise. But for everyone else, the skill most frequently cited as having the potential to improve overall committee effectiveness was cybersecurity (44%). This is particularly notable given that almost half (48%) of respondents said they have some level of cybersecurity expertise on the committee. Given the importance of this topic, it’s also worth considering whether directors might benefit from external advisers or educational programs.

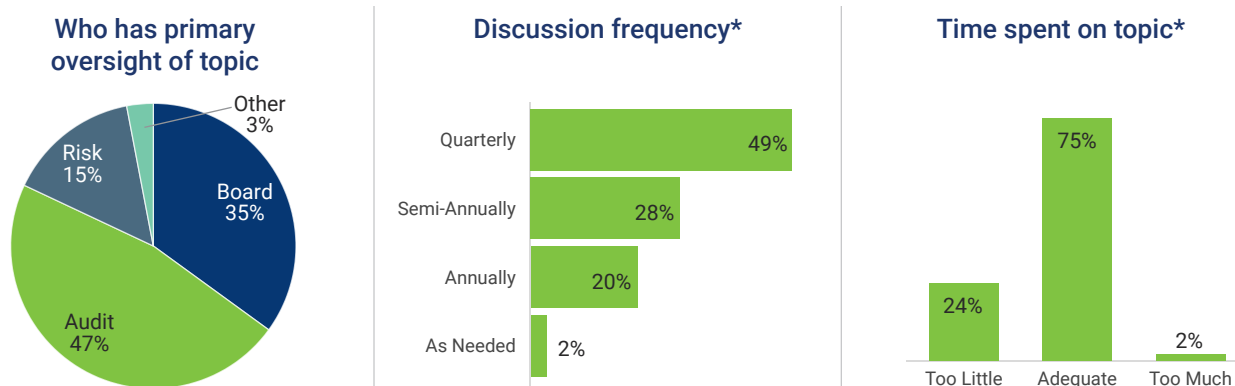


Respondents indicated cybersecurity will be in the top-three priority areas for audit committees in the next 12 months

KEY INSIGHTS

- + Cybersecurity continues to command focus across multiple board committees as well as the board—73% of survey respondents report discussing cybersecurity at least quarterly. Still, a certain percentage are not discussing cybersecurity as regularly; in fact, 15% discuss cybersecurity semiannually and 9% discuss it annually. Given the pervasive nature of cybersecurity risks, the role of the full board in understanding cybersecurity risk should be considered. At a minimum, the full board should determine the appropriate cadence for discussing the threat landscape and critical business risks affecting the organization.
- + New SEC requirements have increased cybersecurity disclosure requirements. Directors should strive to educate themselves on cyber-related issues and regularly engage with the CIO and/or CISO to stay informed. For some, this might also be a topic where it's worth gathering input from an outside adviser.

Enterprise Risk Management (ERM)

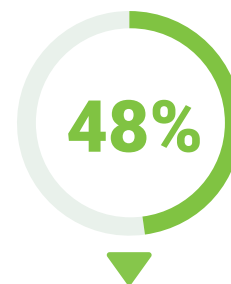


*Only includes responses where the audit committee has primary oversight of ERM.

Almost half (48%) of respondents indicated that ERM will be a top-three priority in the next 12 months. Interestingly, respondents were evenly split in terms of ranking ERM's priority order—with 16% each ranking it as 1, 2, or 3. Compared to previous editions of the survey, ERM has consistently ranked among the top priorities.

Oversight of enterprise risk management—the processes used to identify, monitor, and assess risks—has been within the purview of the audit committee for many years. However, extra vigilance may be in order as the global risk landscape evolves and new types of threats emerge. Aside from general oversight, the audit committee must also assess whether the current ERM processes can handle new threats, whether those processes are efficient and effective, and whether they are supported by the proper resources.

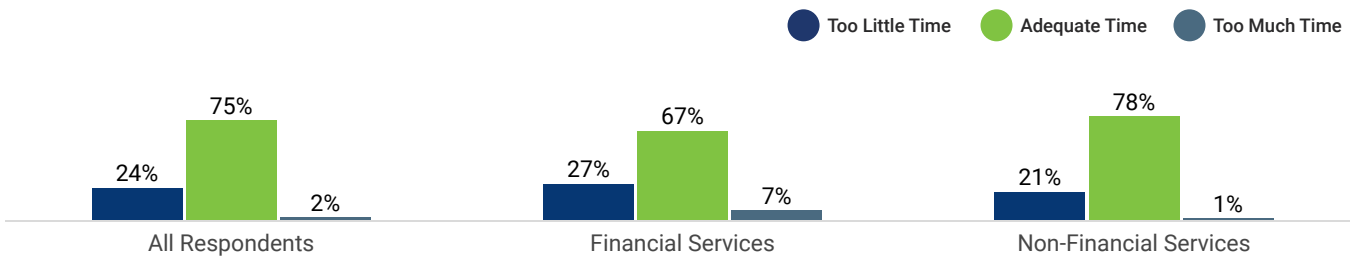
When asked who was responsible for oversight of ERM within their organizations, 47% of respondents indicated the audit committee, 35% the board, and 15% the risk committee. Financial services companies are less likely to assign audit committees primary oversight responsibility for enterprise risk (23%) than companies in other industries (54%). Instead, 43% of financial services respondents delegated this responsibility to the risk committee. More than three-quarters (85%) of respondents report some level of enterprise risk experience/expertise on the committee. This could be an indication of a high level of confidence in their committees' ability to oversee this area, as relatively few of those who stated a need for additional expertise prioritized ERM (20%).



Respondents indicated that ERM will be in the top-three priority areas for the audit committee in the next 12 months

Time spent discussing ERM by industry

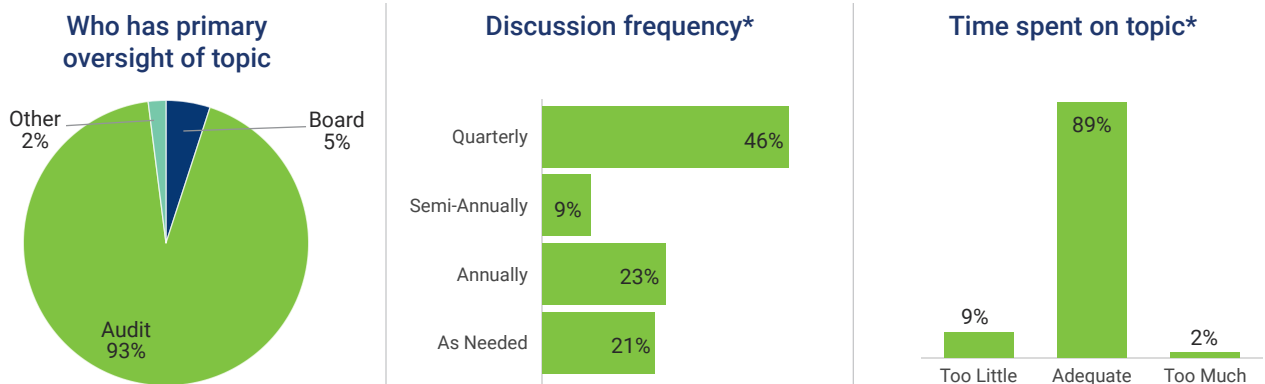
(n=266, Financial Services n=65, Non-Financial Services n=171²)



KEY INSIGHTS

- + To monitor the emergence of new risks, audit committees can adapt their models, starting by considering high-impact, low-likelihood risks alongside high-impact, high-likelihood risks. Such an approach is becoming ever more valuable given that events once deemed black swans—pandemics, large natural disasters and climate disasters, and global conflict—have become more prevalent.
- + Audit committee responsibility for ERM oversight may well have increased this year, owing to the introduction of new disclosure requirements in a variety of areas. That said, ERM oversight is not restricted to the audit committee—there is ample opportunity for the board to receive periodic updates, evaluate risk appetite, and identify new or emerging risks.
- + The audit committee has a role to play in advising management in identifying and monitoring material risks and seeing that they are brought to the attention of the full board and/or appropriate committee. Directors should encourage management to assess risks on a continuous basis, instead of relying on the outdated approach of conducting a risk assessment on an annual basis and setting it aside until the next year.

Finance and Internal Audit Talent



*Only includes responses where the audit committee has primary oversight of finance and internal audit talent.

Finance and internal audit talent is a priority for audit committees, with 37% of respondents indicating that it is one of their top-three priorities over the next 12 months; 9% suggested it's the top issue. Forty-six percent noted that their committee addressed the topic quarterly, whereas 23% discussed the matter once in the past 12 months.

We also asked respondents to share perspectives on their internal audit functions. Overall, the majority of respondents view internal audit as both an effective function and one that adds demonstrable value. That suggests internal audit can bring the appropriate business acumen to its activities and provide dynamic internal audit risk assessments, not only in its role as an assurance provider but also to help anticipate and advise on the

risks ahead. Yet almost 80% of respondents agreed or strongly agreed that there is opportunity for internal audit to add more value. This view may be more a reflection of the talent crunch and rapidly changing business environment than of any discontent with the internal audit function itself, but it is still a point worthy of consideration.

Respondents' concern about internal audit's talent issues is bolstered by the fact that a large percentage of them—89%—agree or strongly agree that internal audit demonstrates a high level of understanding of the company's operations.

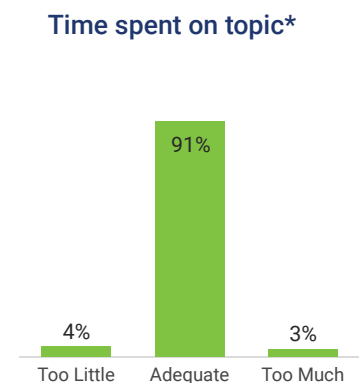
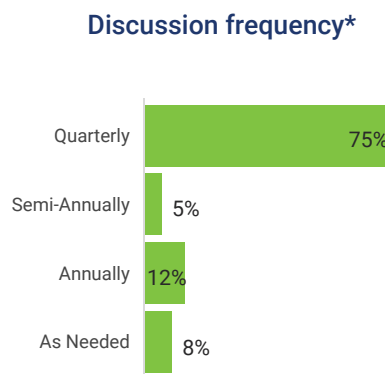
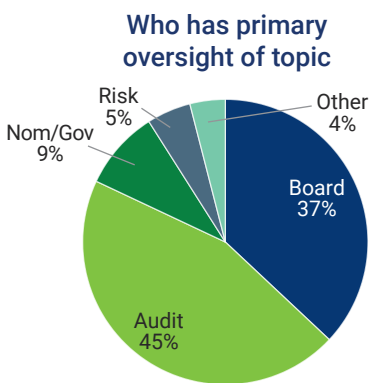


Respondents indicated finance and internal audit talent will be in the top-three priority areas for audit committees in the next 12 months

KEY INSIGHTS

- + *Audit committees should cultivate and promote strong relationships with both the finance and internal audit teams.*
- + *In addition to overseeing succession planning for both those teams, the audit committee should consider how the teams will be affected by developing and evolving technologies (e.g., generative artificial intelligence). Management should be considering if certain skills will become redundant and whether there are opportunities to upskill talent.*
- + *To maintain a strong finance team and work product, the audit committee should maintain regular and robust contact with the CFO to understand the ongoing changes in talent needs and roles within finance.*
- + *Internal audit continues to be a critical resource for the audit committee. The function should be encouraged to adopt dynamic risk assessments to stay focused on the greatest areas of risk. In addition to providing assurance, consider whether internal audit could add further value by advising on and anticipating risks ahead.*

Compliance with Laws and Regulations

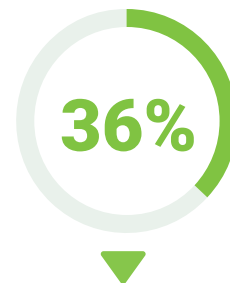


*Only includes responses where the audit committee has primary oversight of compliance with laws and regulations.

More than one-third (36%) of respondents cited compliance with laws and regulations as one of the top-three priorities for audit committees in the next 12 months; a significant increase from last year. Seventeen percent suggested it's the top issue. The heightened complexity of the regulatory environment may account for the increased priority assigned to this area this year. Forty-five percent of respondents indicated their company allocated oversight of compliance to the audit committee, 37% to the board, and 5% to the risk committee.

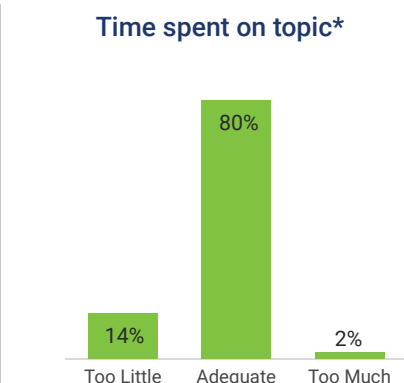
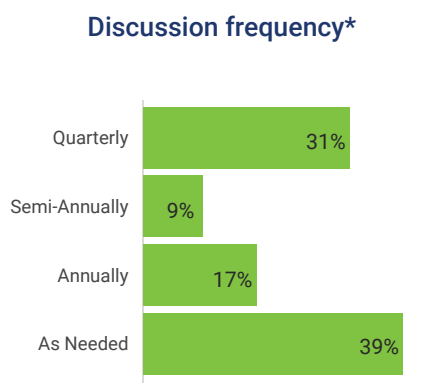
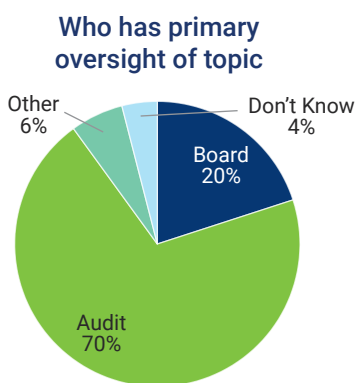
KEY INSIGHTS

- + As new compliance risks emerge, it's critical for management to update the risk assessment processes and risk methodologies.
- + Open lines of communication with the board and audit and risk committees are essential and take on added meaning depending on the degree of regulation of a given industry. Heavily regulated industries, such as aviation and food services, invariably face greater compliance issues.
- + Audit committees should understand the laws and regulations the organization is subject to, management's efforts to comply, and the risk that noncompliance poses. This can help them better assess which risks have the greatest potential for legal, financial, operational, or reputational damage.
- + In 2023, the PCAOB proposed "Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations," or NOCLAR. This proposal has generated significant discussion among auditors, attorneys, and other stakeholders as the proposal would expand the auditor's obligation to identify and communicate an entity's noncompliance with laws and regulations. Audit committees should stay informed about this proposed rule and its impact as the PCAOB considers next steps.



Respondents indicated compliance with laws and regulations will be in the top-three priority areas for audit committees in the next 12 months

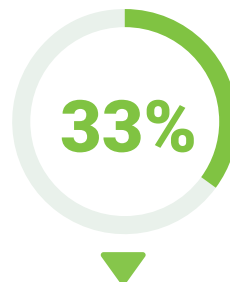
Finance Transformation



*Only includes responses where the audit committee has primary oversight of finance transformation.

Thirty-three percent of respondents indicated that finance transformation is in the top-three priorities for their audit committee in the next 12 months, and almost half of those respondents (15%) selected this as the top issue. The matter of finance transformation is complex given that it can be affected by a number of external forces including market shocks, industry consolidation and convergence, technology acceleration, and new regulatory requirements. These factors, along with the talent issues discussed earlier, make the audit committee's role in overseeing finance transformation challenging.

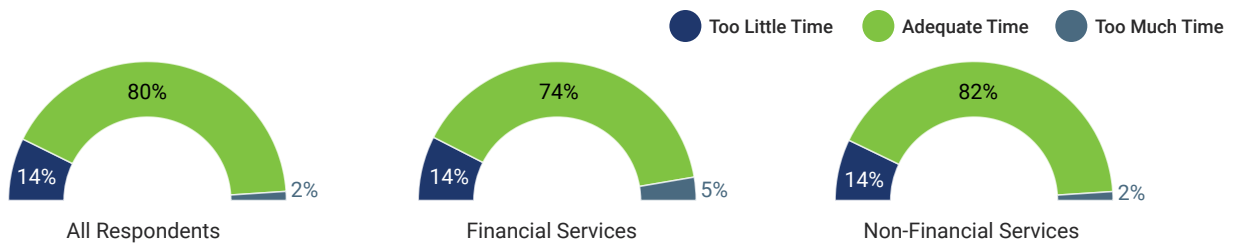
Additionally, the rapid rise of generative AI is raising important questions about when and how to invest in appropriate technologies that may have an impact on the finance organization and the speed of transformation. It's rather striking in that regard that 66% of respondents indicated their audit committee has spent insufficient time in the past 12 months discussing AI governance. Beyond that, the regulatory frameworks for AI are still in the works while some companies explore various use cases for AI—from financial planning to financial close and financial risk sensing.



Respondents indicated finance transformation will be in the top-three priority areas for audit committees in the next 12 months

Time spent discussing finance transformation by industry*

(n=254, Financial Services n=63, Non-Financial Services n=170)



*Figures do not sum to 100% as "Don't Know" responses have been excluded.

KEY INSIGHTS

- + Audit committees should understand emerging finance technologies and how they are being considered and implemented within the organization. Absent any immediate adoption of technologies such as generative AI, management should work with the board to outline governance structures and controls for new technologies.
- + Finance transformation may require new skills and expertise in the finance organization and therefore is naturally linked to the talent issues previously discussed.
- + Audit committees have an important role to play in a company's successful finance transformation by supporting the finance team and helping to understand the resources needed—both human and technological.

Audit Committee Practices and Effectiveness

Beyond understanding what priorities audit committees will focus on over the next year, we asked a number of questions about audit committee practices and effectiveness. Eighty-nine percent of respondents feel there is adequate meeting time for addressing all items on the audit committee agenda. Yet most respondents (65%) also indicated there was at least one strategy that might improve the committee's effectiveness. Of those believing there were opportunities for improvement, three areas emerged.

Increased discussion and/or engagement from members during meetings—29% of respondents identified this as an area for improvement

- + Audit committee members are accountable for reading all materials in advance of meetings so they come to meetings informed and prepared to participate in discussions.
- + In addition to reading the materials, committee members should stay informed on emerging risks, regulatory shifts, and industry events, understanding how they may have an impact on the organization. This level of engagement throughout the year, not just in advance of meetings, is important as organizations navigate increasingly complex reporting requirements and rapidly evolving changes in the external environment on multiple fronts. This will allow for more robust discussions during meetings.
- + Open dialogue and candid discussions are critical for audit committees to operate effectively. It is important for committee members, management, and auditors to feel comfortable posing questions and openly expressing their views.
- + Audit committee members should focus on constructive challenge with questions to management and auditors such as: Where were the hard calls? What were the gray areas? What keeps you up at night?
- + Committee members should follow up if they don't get satisfactory answers.

Improved quality of pre-read materials—28% of respondents identified this as an area for improvement

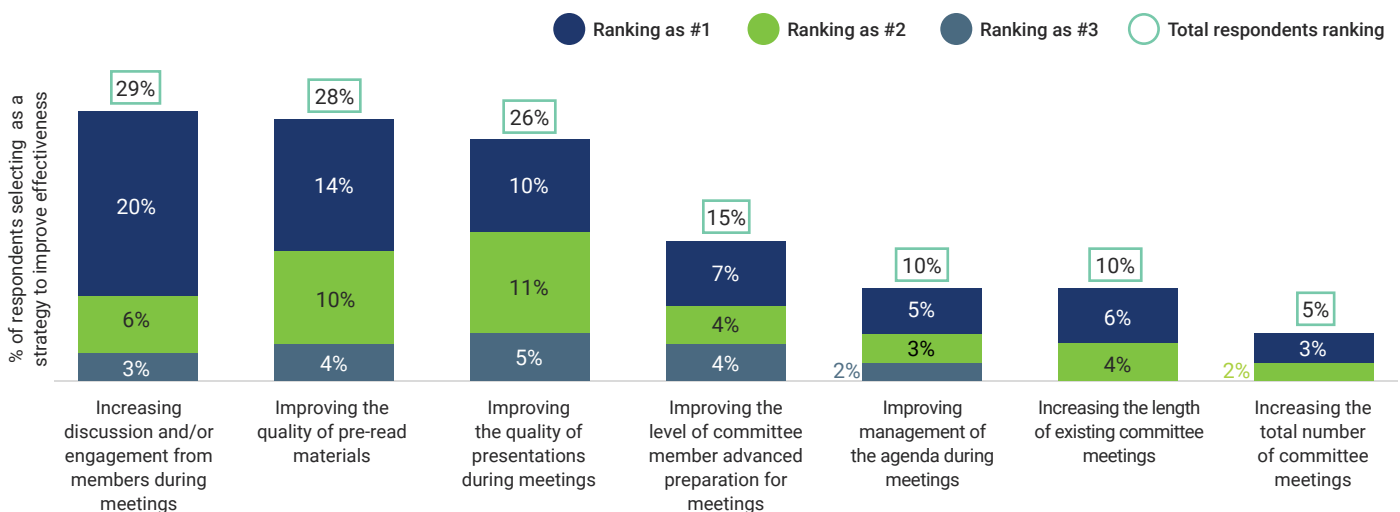
- + Pre-reads should be comprehensive, but not exhaustive, with respect to operational details.
- + The audit committee chair should consider assigning a single point of contact to coordinate pre-read materials and address committee members' questions as they review pre-read materials.
- + Meeting materials should be aligned to priority areas, with executive summaries for each section highlighting critical issues and discussion points, key metrics, and decisions needed.
- + The materials should clearly identify the nature of the information being presented (e.g., informational, decision needed) and what actions are expected of the committee.
- + The materials should contain not only information on past performance but also insight on future issues of importance.
- + Publishing pre-read materials on a portal is a leading practice, and all materials should be provided to the committee with sufficient time to review prior to the meeting.

Improved quality of presentations during meetings—26% of respondents identified this as an area for improvement

- + Limiting the number of slides or pages presented during meetings can help the committee focus on key messages and takeaways while also allowing adequate time for questions and discussion.
- + To promote dialogue, presenters should assume that everyone has read the pre-read materials (i.e., the discussion begins where pre-reads end) and should be discouraged from presenting and reviewing each slide during the meeting.
- + Presenters should generally limit presentations to one-third of the allotted time, leaving two-thirds of the time for discussion and questions.
- + Management and others presenting financial information should highlight key changes from the prior period, as well as balances involving judgment, to focus the discussion on areas that warrant the audit committee's attention. They should also identify areas involving close calls or more subjectivity.

Ranking of top strategies to enhance audit committee effectiveness

(n = 154), Note: Excludes respondents stating their committee was already at full effectiveness.



Additional Observations

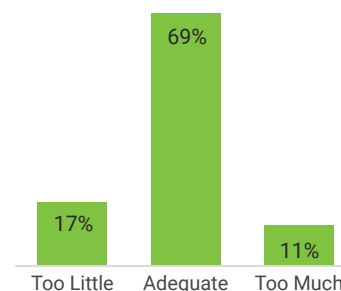
ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Only 14% of respondents said that ESG reporting was overseen by the audit committee. Forty percent indicated that the nominating and governance committee had oversight of ESG reporting, while 30% said the board did. The bulk of respondents said the audit committee devoted adequate time (69%) to this topic over the past year. Interestingly, a notable minority felt that ESG reporting was an area where the committee spent too little (17%) or too much (11%) time.

Of note, last year's survey identified ESG disclosure and reporting as among the top-three audit committee priorities, with 39% indicating it as such—behind cybersecurity (63%) and ERM (45%). This year, only 22% of respondents included ESG reporting in their top-three priorities for the next 12 months, dropping it to sixth on the list, behind cybersecurity, ERM, finance and internal audit, compliance with laws and regulations, and finance transformation. ESG reporting was the only item where any material proportion of respondents (11%) said the committee spent too much time (the next highest, at 3%, was compliance with laws and regulations).

This drop may be attributed to several factors, but considering climate-related rulemaking, audit committees should keep an eye on this area. The [SEC's final rule](#) on climate disclosures was released on March 6, 2024. The new rule requires registrants to provide comprehensive climate-related information in their annual reports and registration statements, including those for IPOs, beginning with annual reports for the year ending December 31, 2025, for calendar-year-end large accelerated filers. Additionally, two [California laws](#), effective in late 2023, established the first industry-agnostic U.S. regulations that require the corporate reporting of greenhouse gas emissions and climate risks, among other things. Finally, in the summer of 2023, the European Commission adopted the [European Sustainability Reporting Standards](#) that will provide supplementary guidance for companies and increase the breadth of nonfinancial information they report. All these developments seem to have prompted a need to reassess ESG strategies and measurement processes. Last year, 34% of respondents indicated ESG disclosure and reporting was under the audit committee's oversight versus just 14% this year.

Time spent on ESG reporting*



*Only includes responses where the audit committee has primary oversight of ESG reporting.

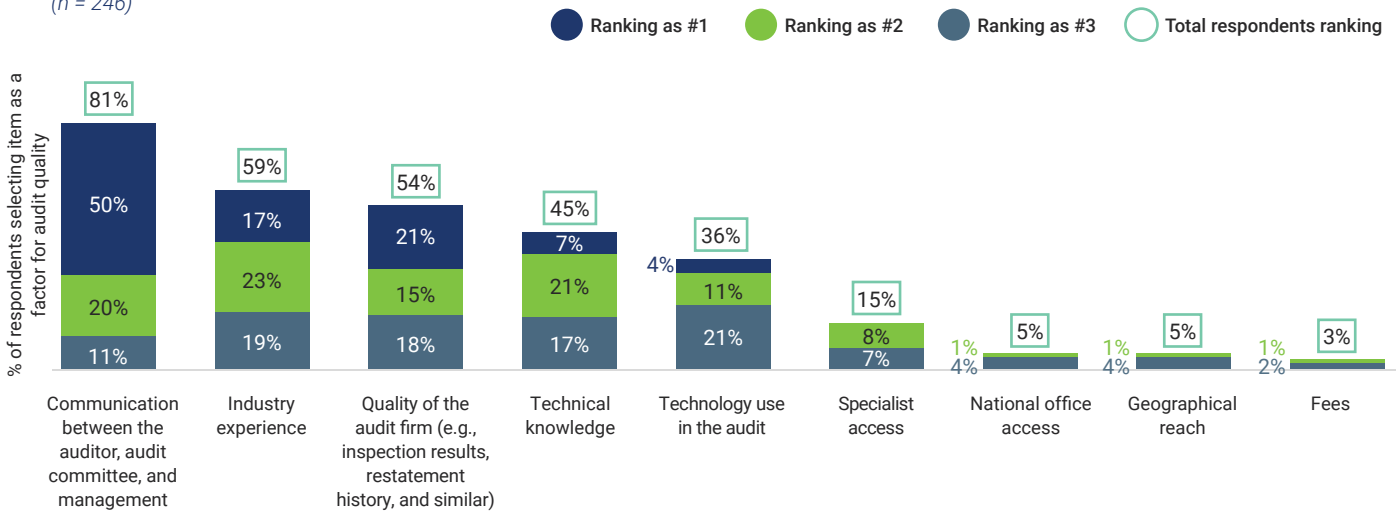
AUDIT QUALITY

Communications were front and center when it came to audit quality. Eighty-one percent of respondents cited communications as a top factor affecting audit quality, most of whom ranked it as *the* top factor (50%). Industry experience was cited as second-most critical for audit quality, with 59% of respondents naming it. When the audit committee fosters an environment of trust and transparency, complex issues are easier to discuss and potential disputes or matters of interpretation are resolved.



Ranking of factors most likely to impact overall audit quality

(n = 246)



AUDIT COMMITTEE TURNOVER AND ROTATION

Respondents do not expect to have high turnover on their audit committees this year. About 16% of respondents expect their audit committee chair to rotate. More (32%) anticipate rotating one or more members. These numbers decreased considerably from the prior year. While the nominating and governance committees may hold formal responsibility for board succession practices, the audit committee chair should provide input into the process, considering the skills and expertise needed on the audit committee to effectively carry out its responsibilities.

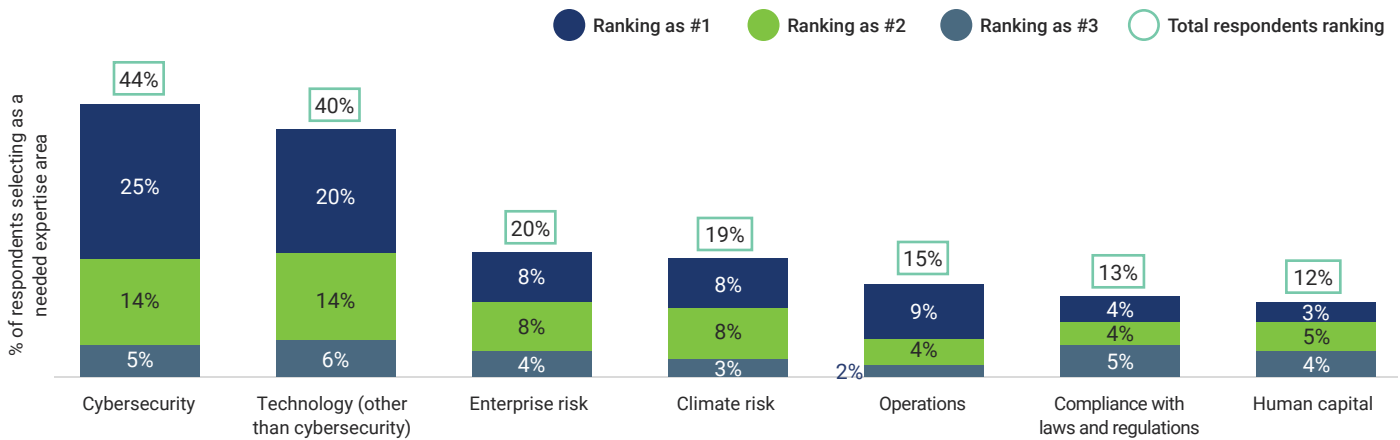


AUDIT COMMITTEE EXPERTISE

Audit committees are well aware of the need for the right kind of expertise to execute their oversight responsibilities. When asked what additional expertise would enhance the audit committee’s effectiveness in the next 12 months, almost one-quarter of respondents indicated they have the expertise they need. Of those suggesting they needed additional expertise, cybersecurity and technology ranked the highest (44% and 40%, respectively), with ERM (20%) and climate risk (19%) rounding out the top four areas. As the audit committee’s role further expands, it is essential for boards to monitor the committee members’ skill sets so that they have appropriate expertise to effectively carry out their oversight responsibilities.

Ranking of additional expertise needed by the audit committee

(n = 182), Note: Excludes respondents stating no additional expertise areas were needed.



Detailed Survey Results³

1. Please indicate how primary oversight of the following areas is divided across the board of directors and its committees:

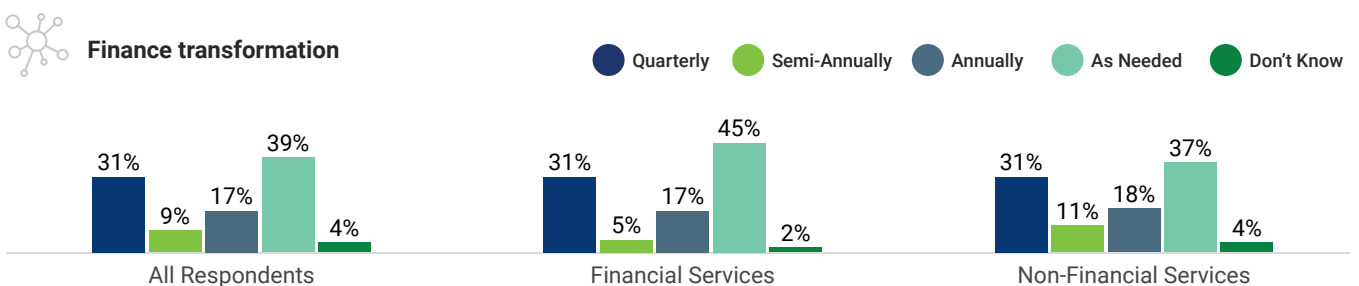
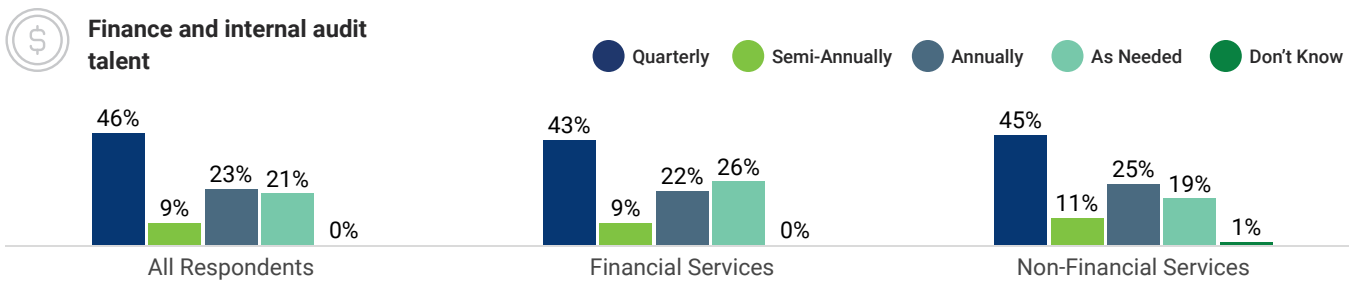
Survey Q3.1, n=266, Financial Services n=65, Non-Financial Services n=171

Area	Group	Board	Audit	Comp	Nom/Gov	Risk	Other	Don't Know
Finance and internal audit talent	All Respondents	5%	93%	2%	1%	0%	0%	0%
	Financial Services	8%	89%	3%	0%	0%	0%	0%
	Non-Financial Services	4%	94%	1%	1%	0%	0%	0%
Finance transformation	All Respondents	20%	70%	0%	0%	0%	6%	4%
	Financial Services	29%	65%	0%	0%	0%	0%	6%
	Non-Financial Services	18%	70%	0%	0%	1%	9%	3%
Cybersecurity	All Respondents	25%	58%	0%	1%	9%	7%	0%
	Financial Services	23%	38%	0%	2%	26%	11%	0%
	Non-Financial Services	26%	64%	0%	1%	3%	6%	0%
Data privacy	All Respondents	27%	52%	0%	3%	10%	6%	2%
	Financial Services	28%	34%	0%	5%	28%	6%	0%
	Non-Financial Services	29%	57%	1%	2%	2%	7%	2%
Third-party risk	All Respondents	35%	48%	0%	0%	14%	2%	0%
	Financial Services	20%	38%	0%	0%	42%	0%	0%
	Non-Financial Services	41%	52%	0%	1%	4%	2%	1%



2. How frequently did each of the following areas appear on the audit committee's agenda in the past 12 months?⁴

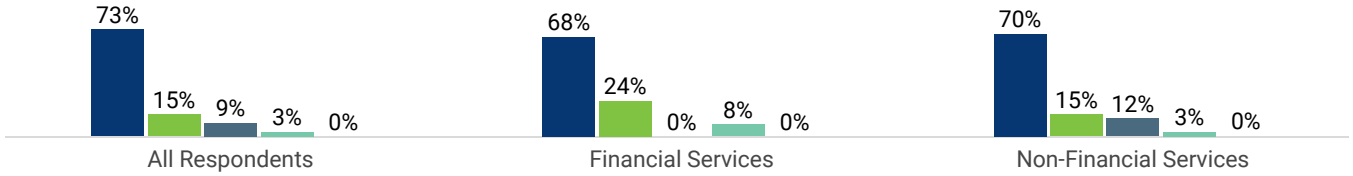
Survey Q3.2, n=258, Financial Services n=63, Non-Financial Services n=170





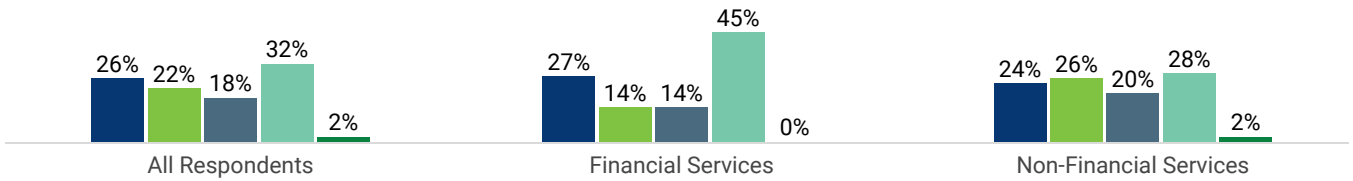
Cybersecurity

Quarterly Semi-Annually Annually As Needed Don't Know



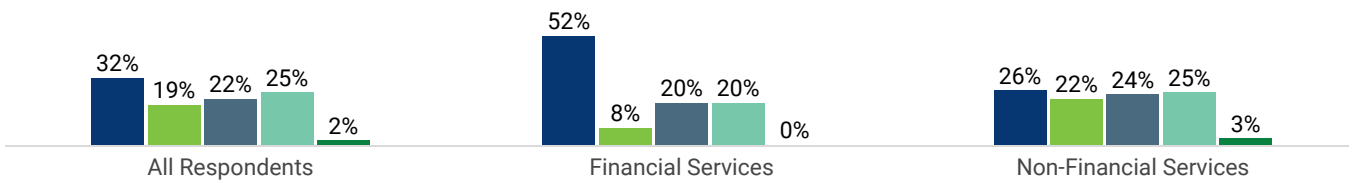
Data privacy

Quarterly Semi-Annually Annually As Needed Don't Know



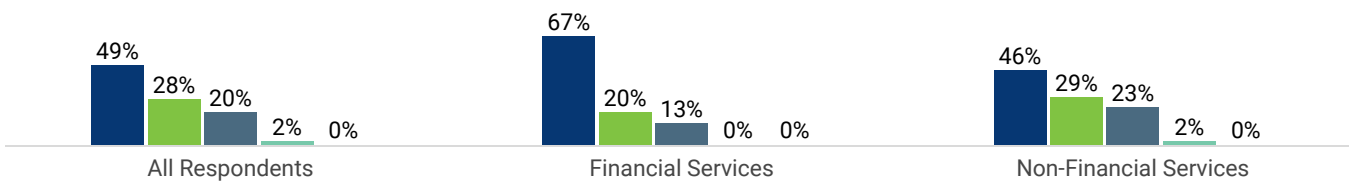
Third-party risk

Quarterly Semi-Annually Annually As Needed Don't Know



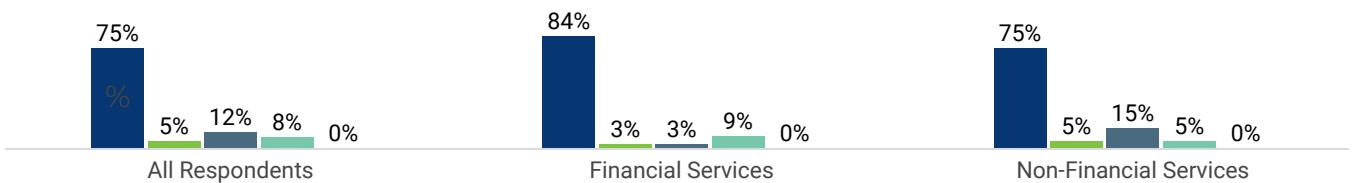
Enterprise risk management (ERM)

Quarterly Semi-Annually Annually As Needed Don't Know



Compliance with laws and regulations

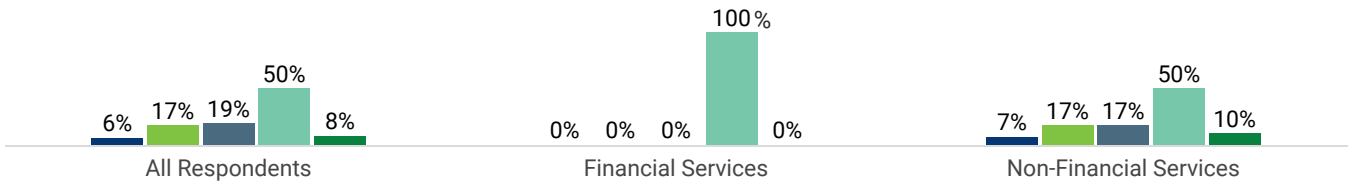
Quarterly Semi-Annually Annually As Needed Don't Know





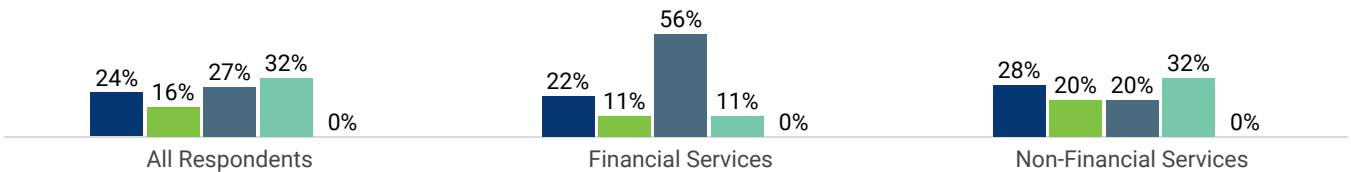
Artificial intelligence governance

Quarterly Semi-Annually Annually As Needed Don't Know



Environmental, social, governance (ESG) reporting

Quarterly Semi-Annually Annually As Needed Don't Know



3. How would you characterize the amount of time the audit committee spent on each of the following areas in the past 12 months?⁵

Survey Q3.3, n=254, Financial Services n=63, Non-Financial Services n=170

Area	Group	Too Little Time	Adequate Time	Too Much Time	Don't Know
Artificial intelligence governance	All Respondents	66%	26%	0%	9%
		26%	75%	0%	1%
	Financial Services	67%	33%	0%	0%
		4%	96%	0%	0%
	Non-Financial Services	67%	23%	0%	10%
		29%	70%	0%	1%
Third-party risk	All Respondents	24%	75%	2%	0%
		27%	67%	7%	0%
	Financial Services	27%	67%	7%	0%
		21%	78%	1%	0%
	Non-Financial Services	21%	78%	1%	0%
		17%	83%	0%	0%
Enterprise risk management (ERM)	All Respondents	18%	82%	0%	0%
		20%	80%	0%	0%
	Financial Services	20%	80%	0%	0%
		17%	83%	0%	0%
	Non-Financial Services	17%	83%	0%	0%
		17%	83%	0%	0%
Cybersecurity	All Respondents	18%	82%	0%	0%
		20%	80%	0%	0%
	Financial Services	20%	80%	0%	0%
		17%	83%	0%	0%
	Non-Financial Services	17%	83%	0%	0%
		17%	83%	0%	0%



Environmental, social, governance (ESG) reporting

All Respondents

17% Too Little Time
69% Adequate Time
11% Too Much Time
3% Don't Know

Financial Services

0% Too Little Time
78% Adequate Time
22% Too Much Time
0% Don't Know

Non-Financial Services

20% Too Little Time
68% Adequate Time
8% Too Much Time
4% Don't Know



Finance transformation

All Respondents

14% Too Little Time
80% Adequate Time
2% Too Much Time
3% Don't Know

Financial Services

14% Too Little Time
74% Adequate Time
5% Too Much Time
7% Don't Know

Non-Financial Services

14% Too Little Time
82% Adequate Time
2% Too Much Time
3% Don't Know



Data privacy

All Respondents

12% Too Little Time
85% Adequate Time
0% Too Much Time
3% Don't Know

Financial Services

14% Too Little Time
82% Adequate Time
0% Too Much Time
5% Don't Know

Non-Financial Services

11% Too Little Time
86% Adequate Time
0% Too Much Time
3% Don't Know



Finance and internal audit talent

All Respondents

9% Too Little Time
89% Adequate Time
2% Too Much Time
0% Don't Know

Financial Services

5% Too Little Time
93% Adequate Time
2% Too Much Time
0% Don't Know

Non-Financial Services

11% Too Little Time
88% Adequate Time
2% Too Much Time
0% Don't Know



Compliance with laws and regulations

All Respondents

4% Too Little Time
91% Adequate Time
3% Too Much Time
1% Don't Know

Financial Services

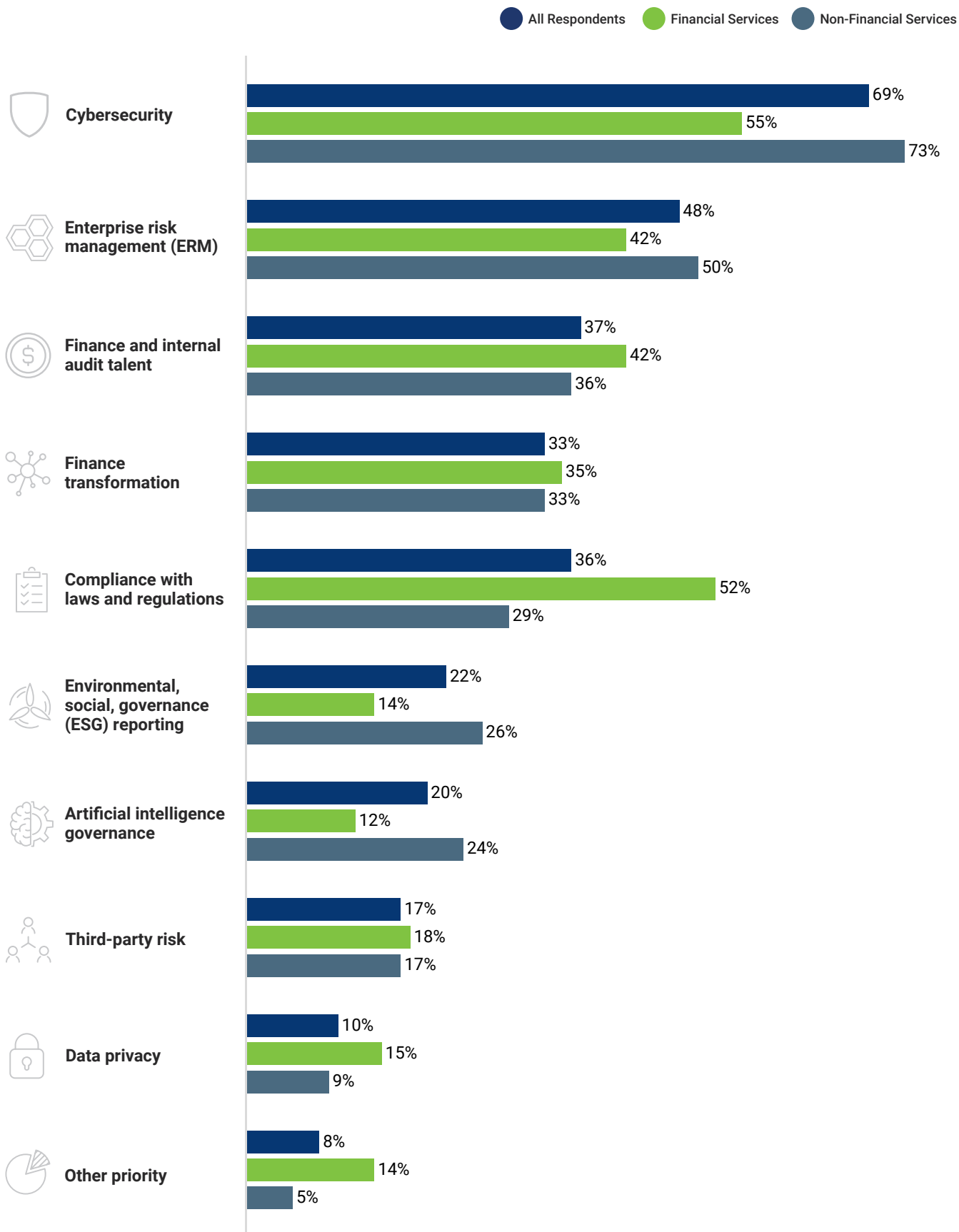
3% Too Little Time
84% Adequate Time
9% Too Much Time
3% Don't Know

Non-Financial Services

5% Too Little Time
93% Adequate Time
1% Too Much Time
0% Don't Know

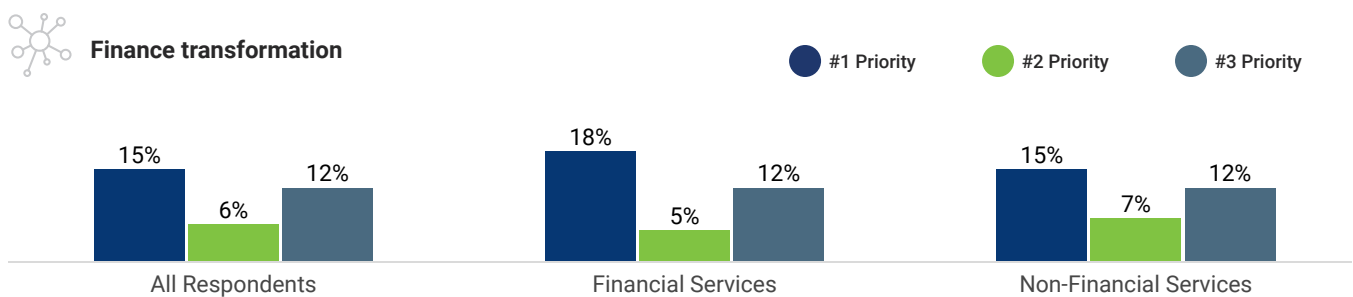
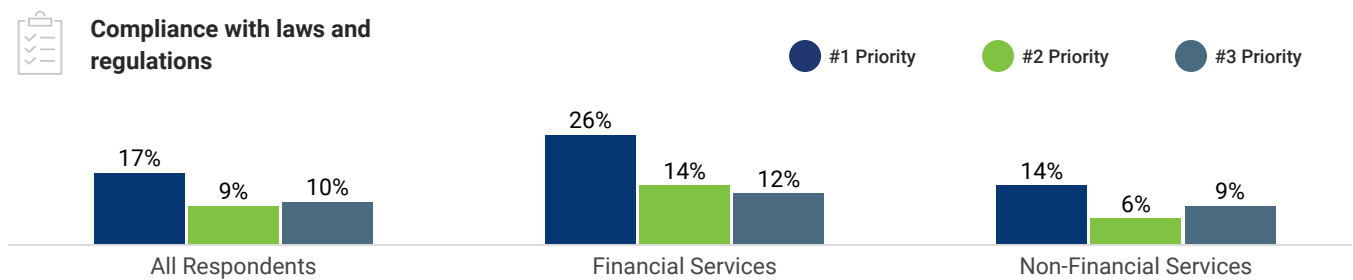
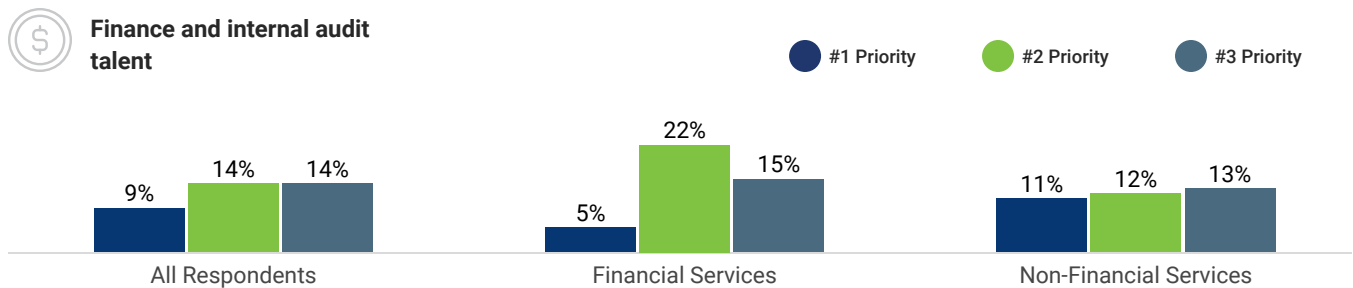
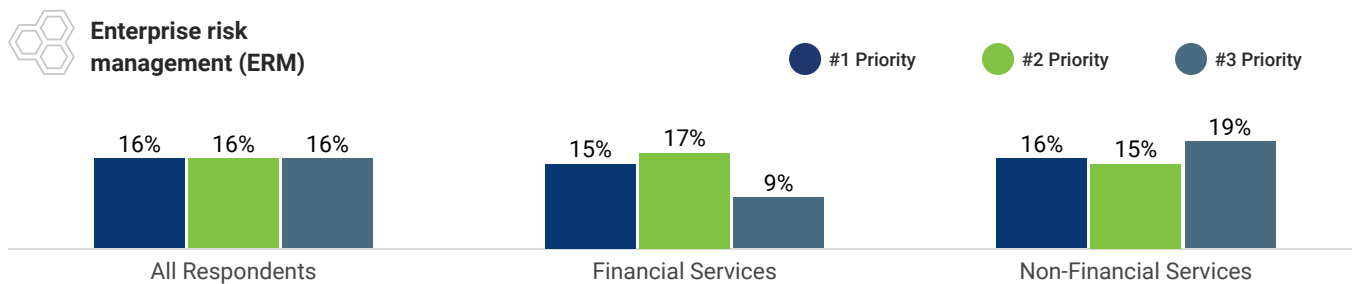
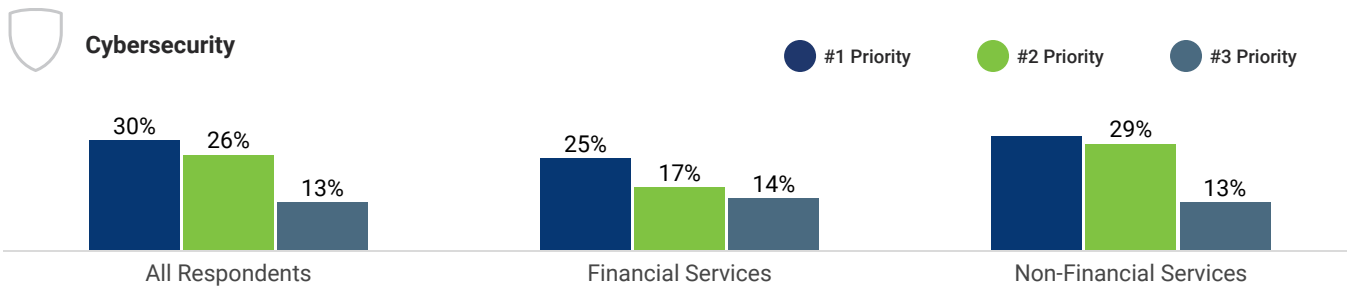
4. Given the current risk environment, what are the top three (3) priority areas (beyond financial reporting and internal controls) for the audit committee in the next 12 months?

Survey Q3.4, n=255, Financial Services n=65, Non-Financial Services n=171



5. Please rank the following priority areas, with "1" being the highest priority over the next 12 months:

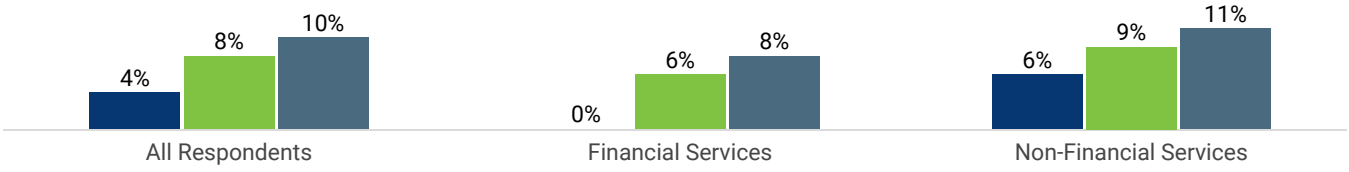
Survey Q3.5, n=255, Financial Services n=65, Non-Financial Services n=171





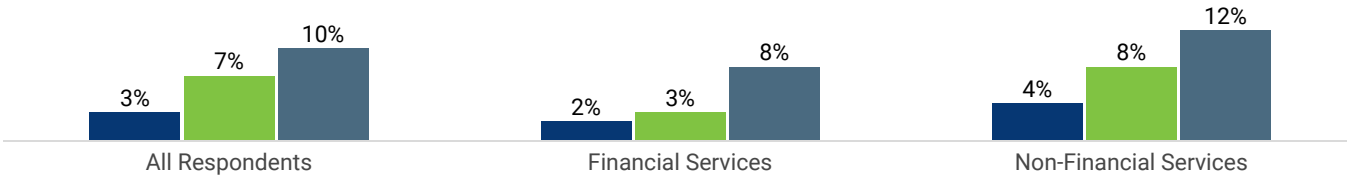
Environmental, social, governance (ESG) reporting

#1 Priority #2 Priority #3 Priority



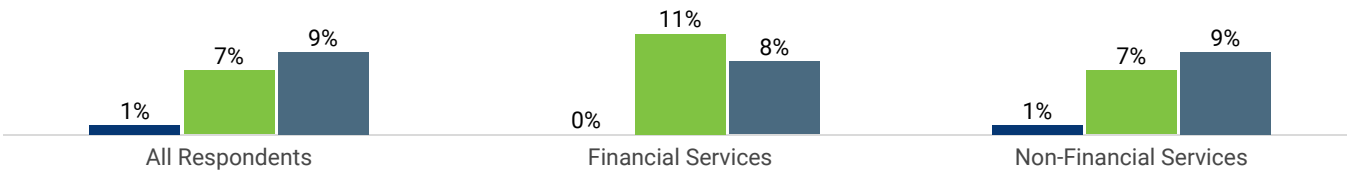
Artificial intelligence governance

#1 Priority #2 Priority #3 Priority



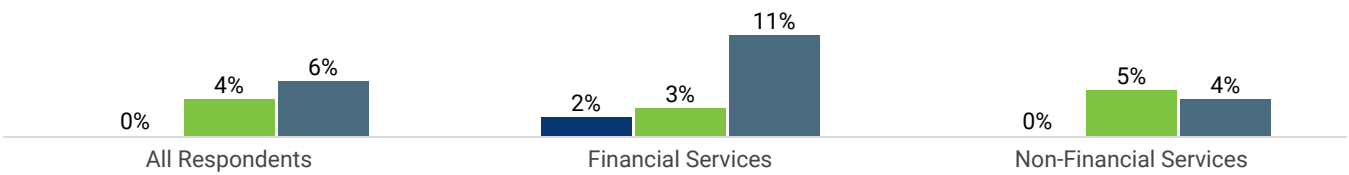
Third-party risk

#1 Priority #2 Priority #3 Priority



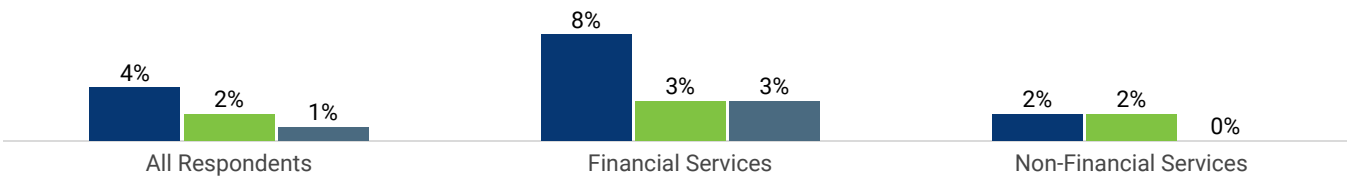
Data privacy

#1 Priority #2 Priority #3 Priority



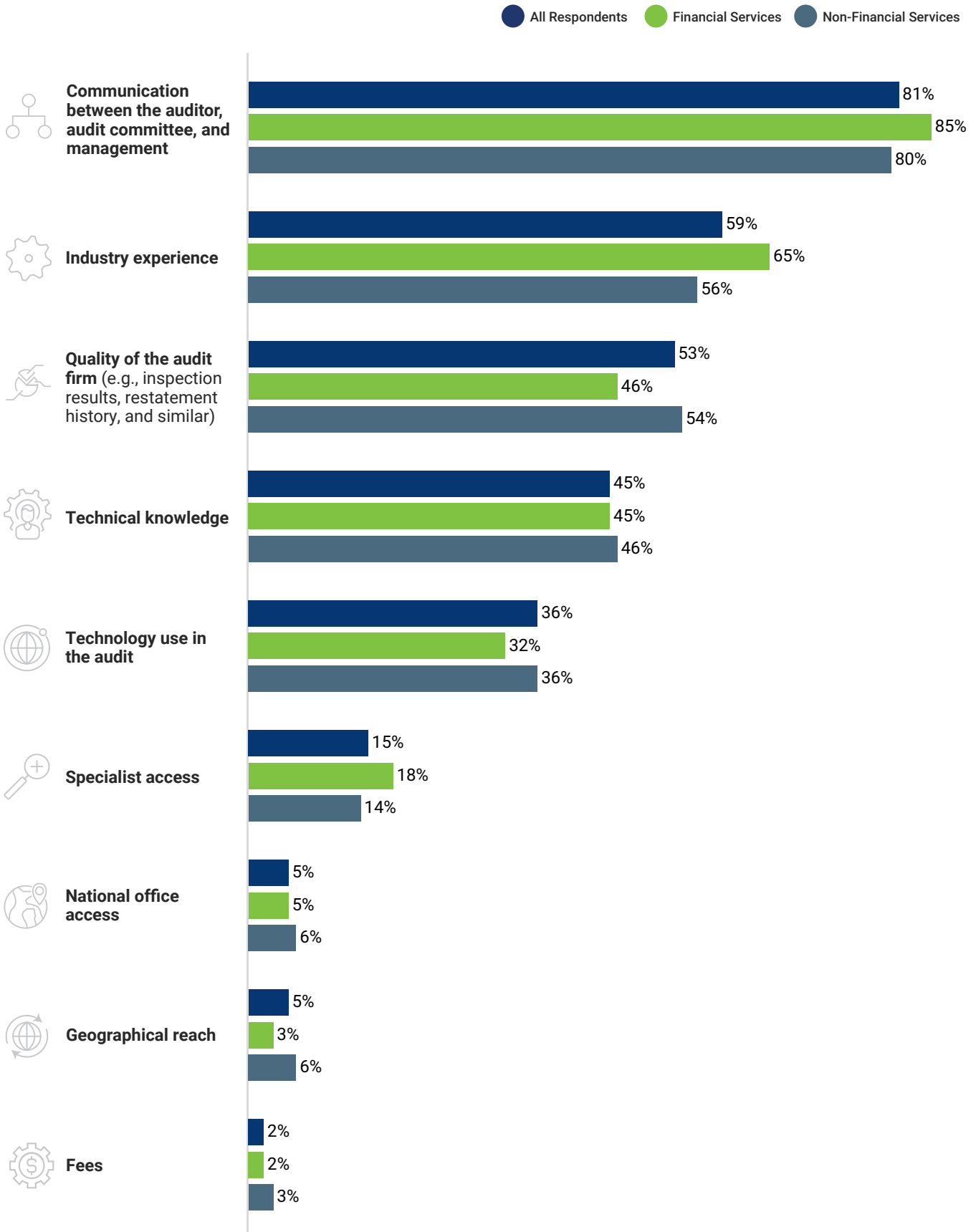
Other priority

#1 Priority #2 Priority #3 Priority



6. In your experience, which of the following are most likely to impact overall audit quality? Please select the top three (3) items from the following list.

Survey Q4.1, n=247, Financial Services n=65, Non-Financial Services n=171



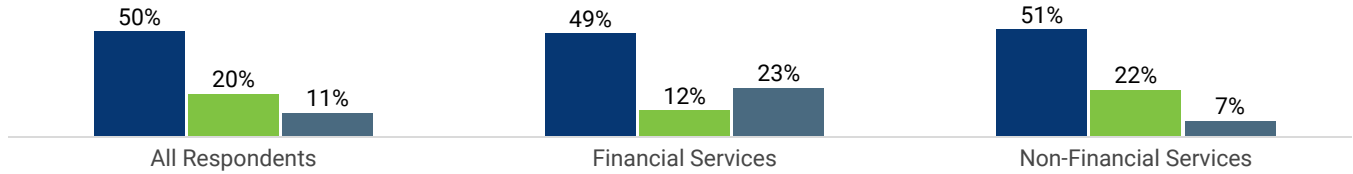
7. Please rank the following items, with “1” being most likely to impact overall audit quality:

Survey Q4.2, n=246, Financial Services n=65, Non-Financial Services n=171



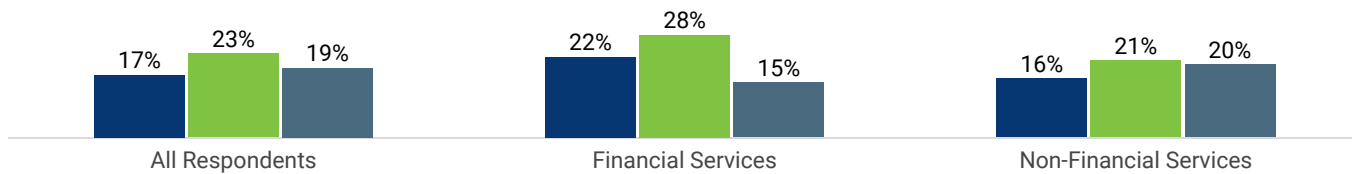
Communication between the auditor, audit committee, and management

● Ranking as #1 ● Ranking as #2 ● Ranking as #3



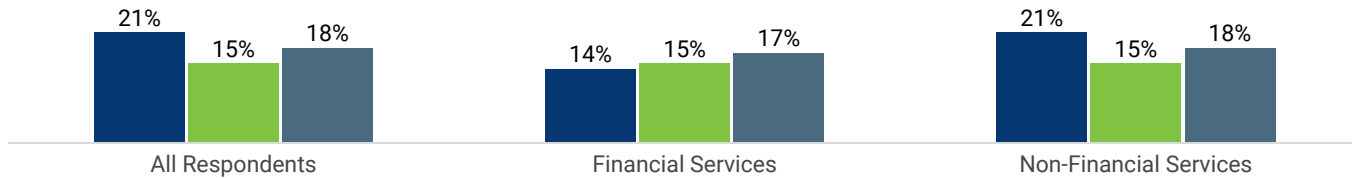
Industry experience

● Ranking as #1 ● Ranking as #2 ● Ranking as #3



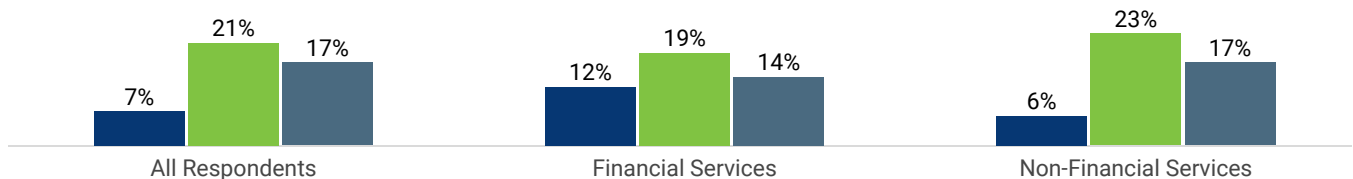
Quality of the audit firm (e.g., inspection results, restatement history, and similar)

● Ranking as #1 ● Ranking as #2 ● Ranking as #3



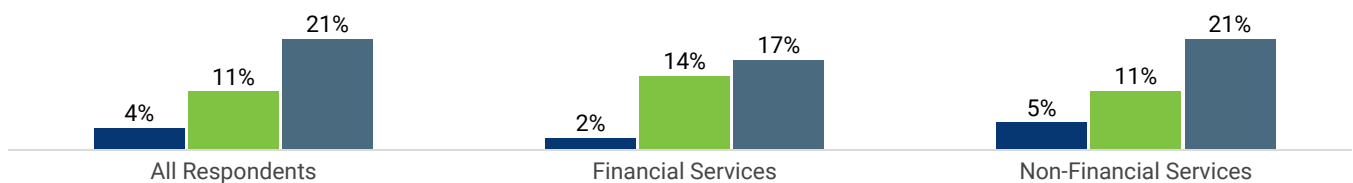
Technical knowledge

● Ranking as #1 ● Ranking as #2 ● Ranking as #3



Technology use in the audit

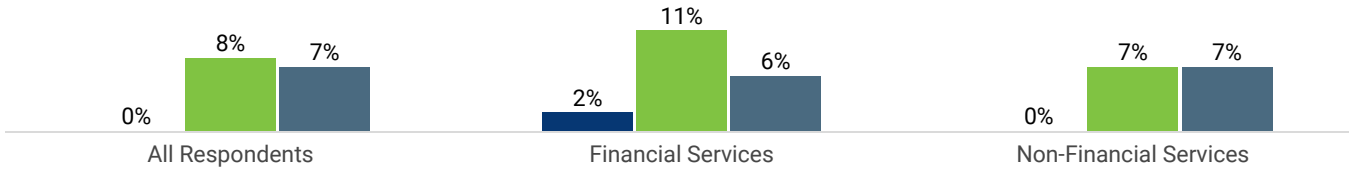
● Ranking as #1 ● Ranking as #2 ● Ranking as #3





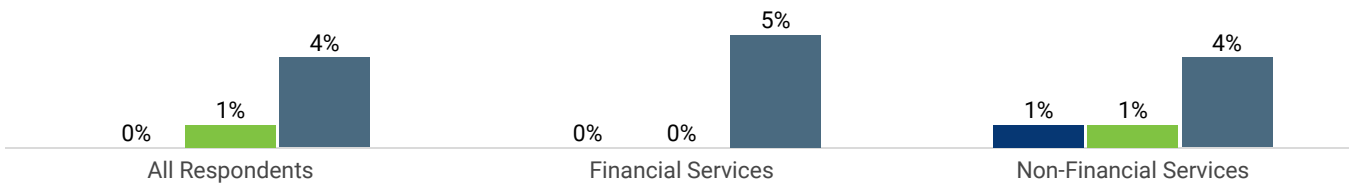
Specialist access

● Ranking as #1 ● Ranking as #2 ● Ranking as #3



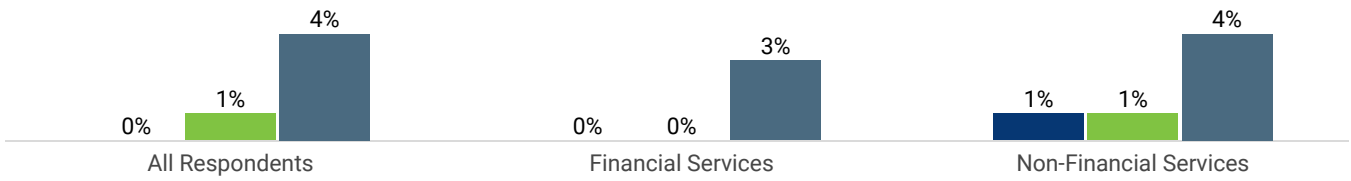
National office access

● Ranking as #1 ● Ranking as #2 ● Ranking as #3



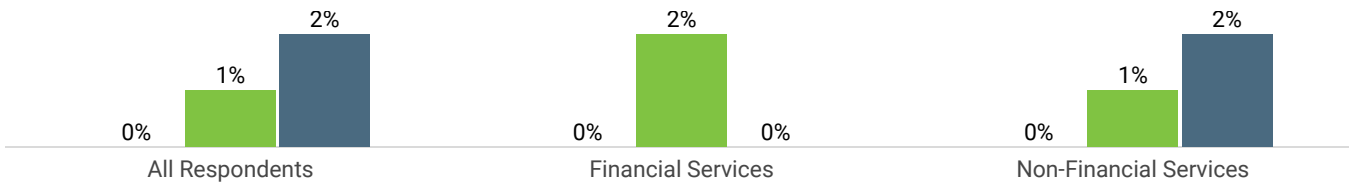
Geographical reach

● Ranking as #1 ● Ranking as #2 ● Ranking as #3



Fees

● Ranking as #1 ● Ranking as #2 ● Ranking as #3



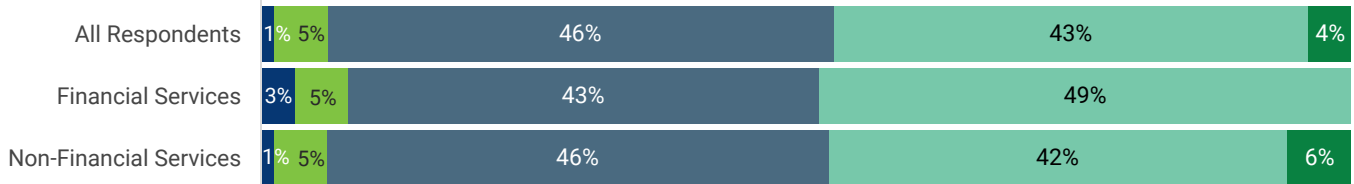
8. Please indicate your level of agreement or disagreement with the following statements about the company's internal audit function:

Survey Q4.3, n=242, Financial Services n=65, Non-Financial Services n=171



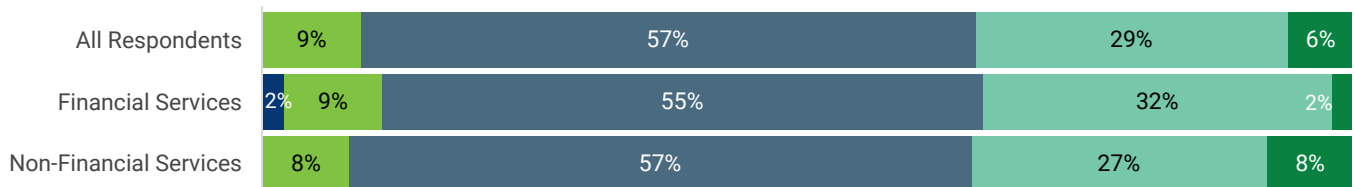
Internal audit has a high level of understanding about business operations

Strongly Disagree Disagree Agree Strongly Agree No Opinion



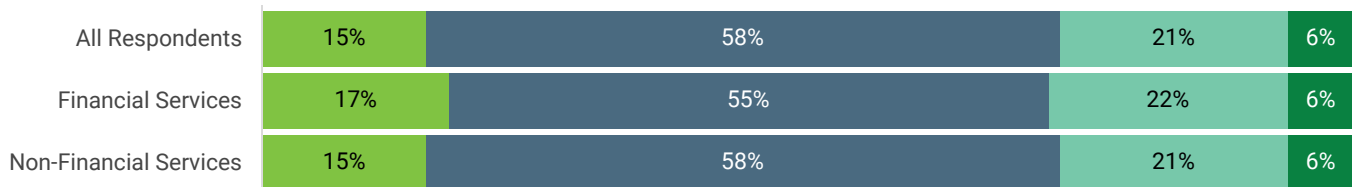
Internal audit is effective at assisting management in identifying new risks

Strongly Disagree Disagree Agree Strongly Agree No Opinion



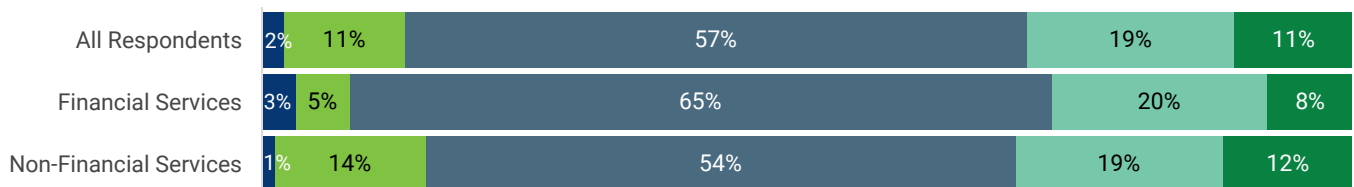
At my company, there is opportunity to extract more value from internal audit

Strongly Disagree Disagree Agree Strongly Agree No Opinion



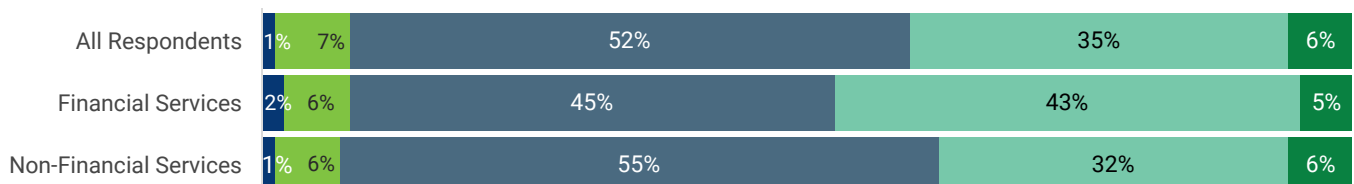
Internal audit professionals (other than the chief audit executive/internal audit director) bring needed insights to stakeholders

Strongly Disagree Disagree Agree Strongly Agree No Opinion



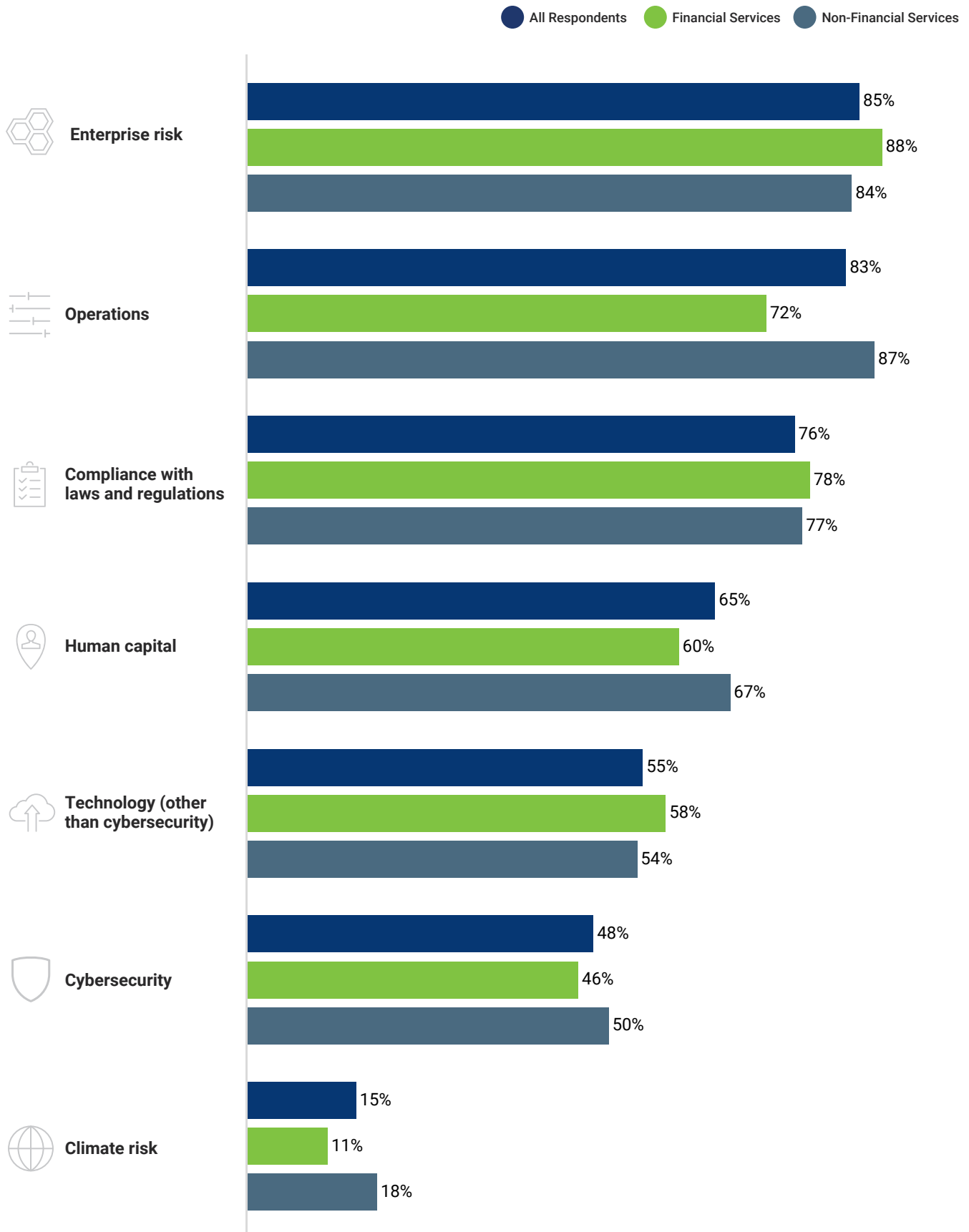
Internal audit plans are promptly updated in response to emergent risks

Strongly Disagree Disagree Agree Strongly Agree No Opinion



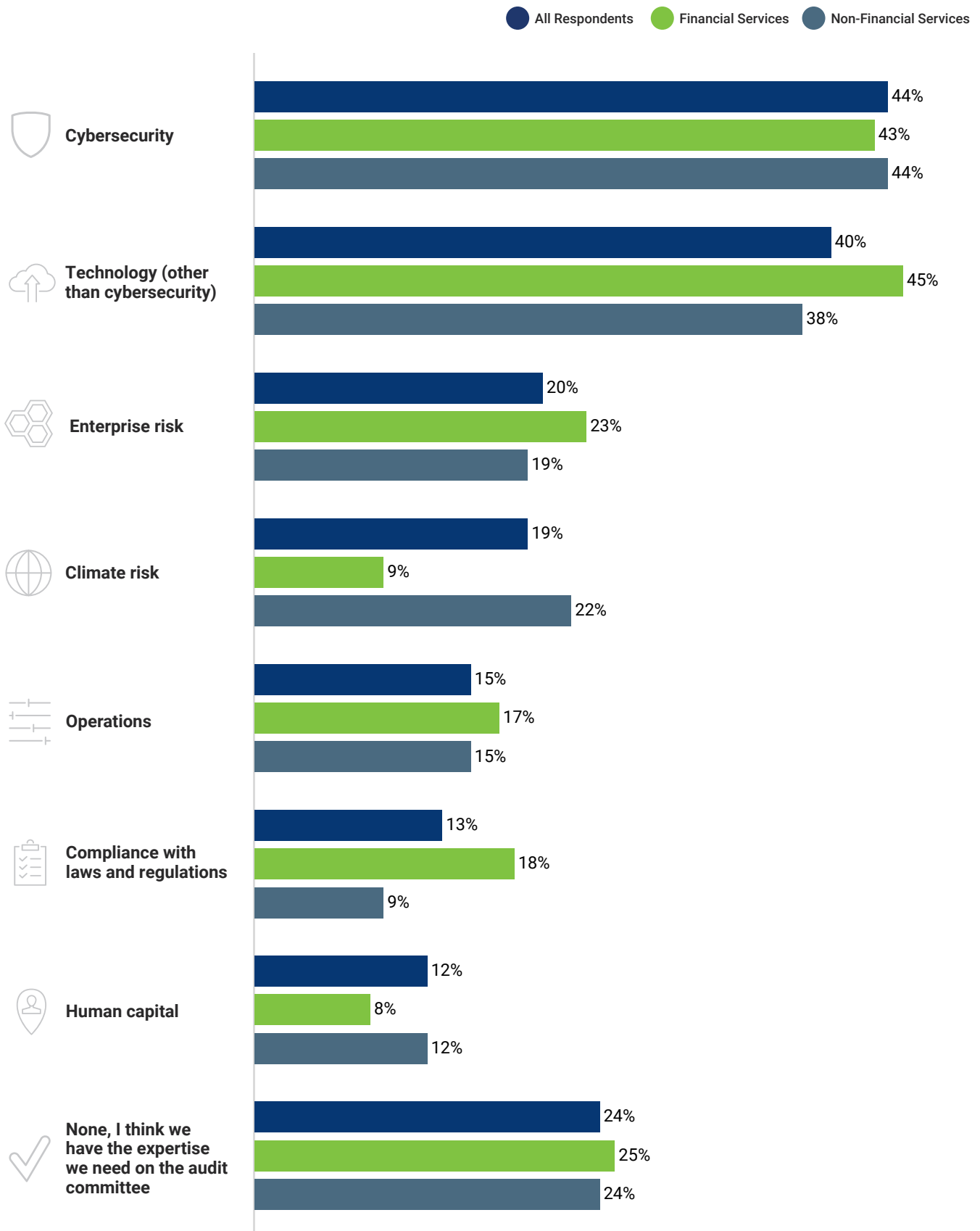
9. Including yourself, do one or more of your audit committee members have expertise in any of the following areas? Please select all that apply.

Survey Q5.1, n=240, Financial Services n=65, Non-Financial Services n=171



10. Considering the company's current risk environment, what additional expertise areas would enhance the audit committee's effectiveness in the next 12 months? Please select up to three (3) skills from the following list:

Survey Q5.2, n=240, Financial Services n=65, Non-Financial Services n=171



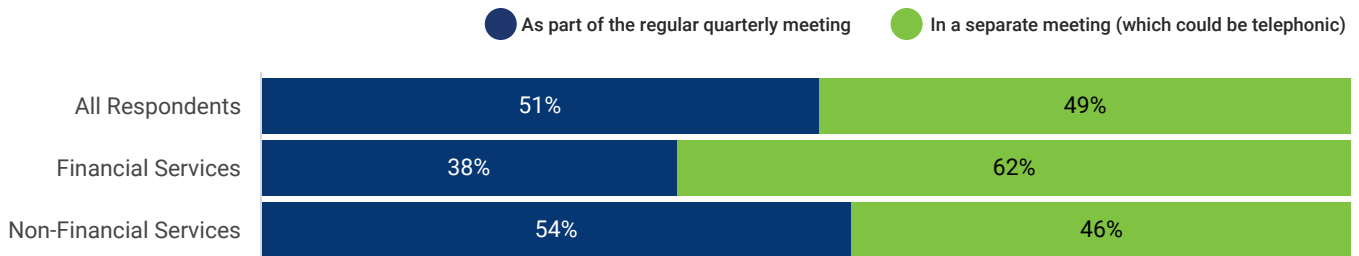
11. Please rank the following skills, with “1” being most likely to enhance the audit committee’s effectiveness over the next 12 months:⁶

Survey Q5.3, n=182, Financial Services n=49, Non-Financial Services n=130

Skill	Group	Rank #1	Rank #2	Rank #3
Cybersecurity	All Respondents	25% Ranking as #1	14% Ranking as #2	5% Ranking as #3
	Financial Services	25% Ranking as #1	14% Ranking as #2	5% Ranking as #3
	Non-Financial Services	26% Ranking as #1	13% Ranking as #2	5% Ranking as #3
Technology (other than cybersecurity)	All Respondents	20% Ranking as #1	14% Ranking as #2	6% Ranking as #3
	Financial Services	23% Ranking as #1	18% Ranking as #2	3% Ranking as #3
	Non-Financial Services	19% Ranking as #1	13% Ranking as #2	6% Ranking as #3
Enterprise risk	All Respondents	8% Ranking as #1	8% Ranking as #2	4% Ranking as #3
	Financial Services	5% Ranking as #1	9% Ranking as #2	9% Ranking as #3
	Non-Financial Services	9% Ranking as #1	8% Ranking as #2	2% Ranking as #3
Climate risk	All Respondents	8% Ranking as #1	8% Ranking as #2	3% Ranking as #3
	Financial Services	2% Ranking as #1	6% Ranking as #2	2% Ranking as #3
	Non-Financial Services	10% Ranking as #1	8% Ranking as #2	4% Ranking as #3
Operations	All Respondents	9% Ranking as #1	4% Ranking as #2	2% Ranking as #3
	Financial Services	11% Ranking as #1	6% Ranking as #2	0% Ranking as #3
	Non-Financial Services	9% Ranking as #1	4% Ranking as #2	3% Ranking as #3
Human capital	All Respondents	3% Ranking as #1	5% Ranking as #2	4% Ranking as #3
	Financial Services	5% Ranking as #1	0% Ranking as #2	3% Ranking as #3
	Non-Financial Services	2% Ranking as #1	6% Ranking as #2	4% Ranking as #3
Compliance with laws and regulations	All Respondents	4% Ranking as #1	4% Ranking as #2	5% Ranking as #3
	Financial Services	5% Ranking as #1	8% Ranking as #2	5% Ranking as #3
	Non-Financial Services	2% Ranking as #1	2% Ranking as #2	4% Ranking as #3

12. How is the earnings release discussed?

Survey Q6.1, n=213, Financial Services n=50, Non-Financial Services n=161



13. How much time (in hours) is currently allocated to the quarterly audit committee meeting? Please include any time spent in executive session.⁷

Survey Q6.2, Total n=239, Financial Services n=65, Non-Financial Services n=171

2.73 hrs

All Respondents

2.98 hrs

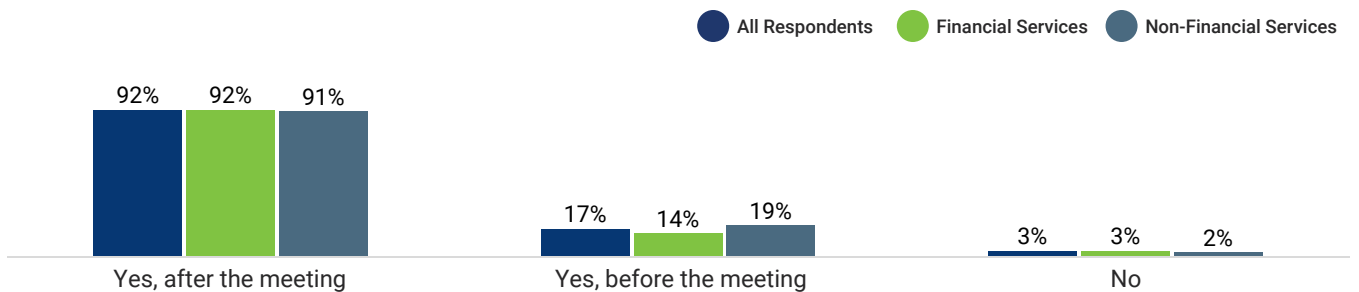
Financial Services

2.63 hrs

Non-Financial Services

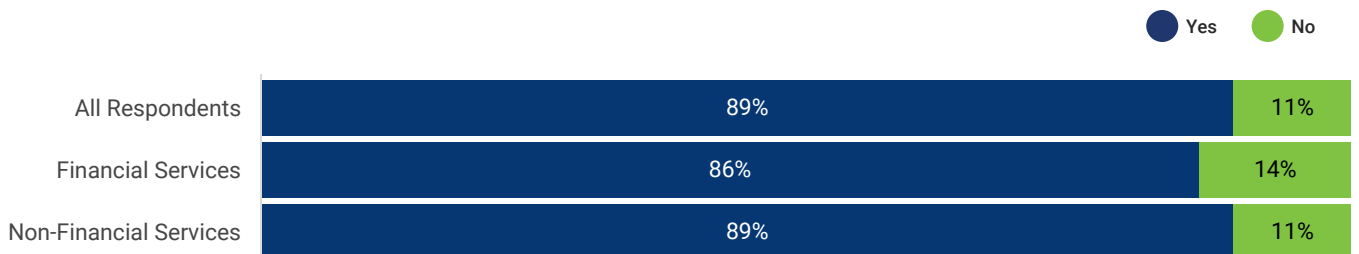
14. Does the audit committee meet separately, without management and non-independent directors present, as part of their regular meeting? Select all that apply.

Survey Q6.3, Total n=239, Financial Services n=65, Non-Financial Services n=171



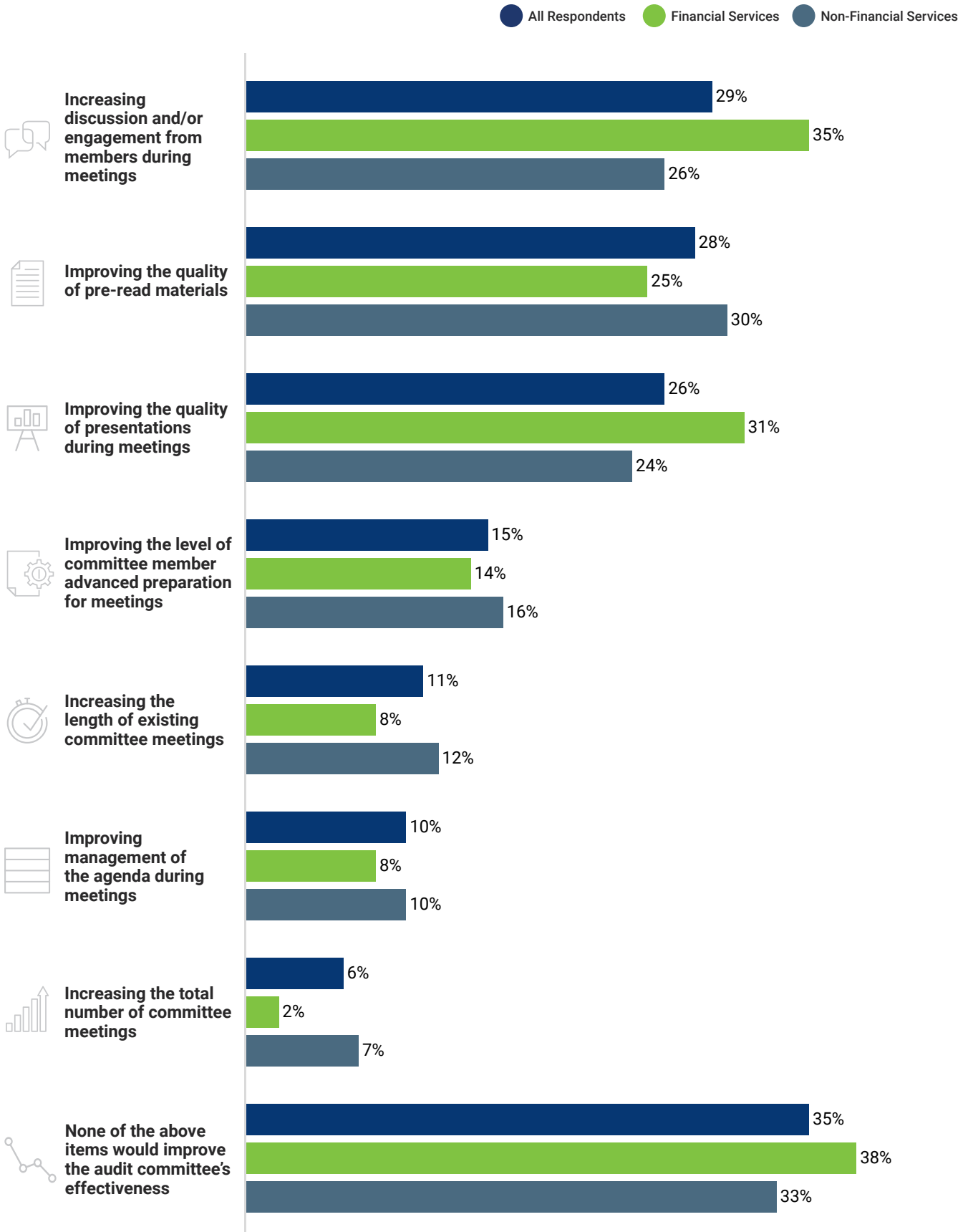
15. In general, is there sufficient time to fully address all agenda items in audit committee meetings?

Survey Q6.4, Total n=239, Financial Services n=65, Non-Financial Services n=171










16. Which of the following would likely enhance the audit committee's effectiveness during meetings? Please select up to three (3) items from the following list:

Survey Q6.5, n=236, Financial Services n=65, Non-Financial Services n=171



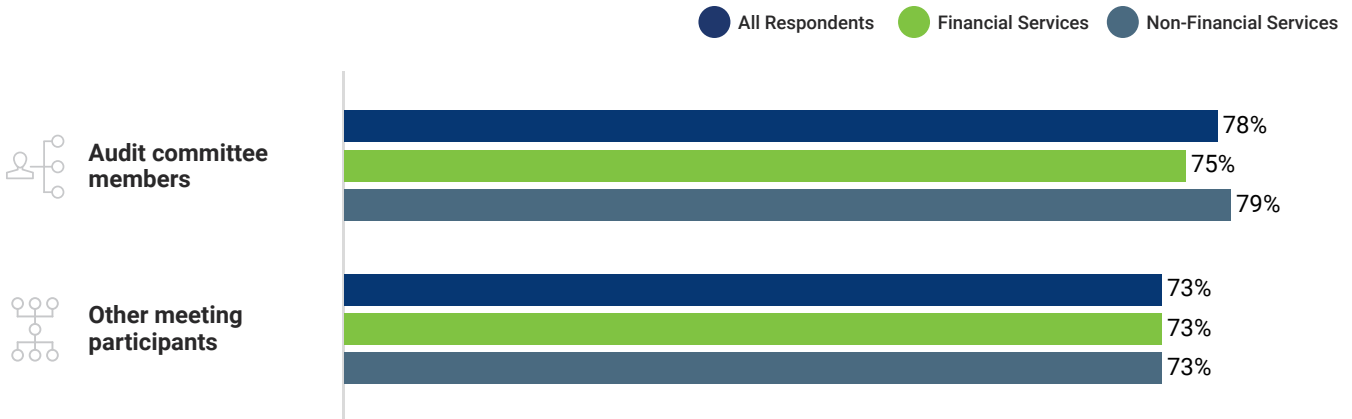
17. Please rank the following items, with “1” being most likely to enhance audit committee meeting effectiveness:⁸

Survey Q6.6, n=154, Financial Services n=40, Non-Financial Services n=115

	Increasing discussion and/or engagement from members during meetings	All Respondents	20% Ranking as #1 6% Ranking as #2 3% Ranking as #3	Financial Services	20% Ranking as #1 8% Ranking as #2 8% Ranking as #3	Non-Financial Services	20% Ranking as #1 5% Ranking as #2 1% Ranking as #3
	Improving the quality of pre-read materials	All Respondents	14% Ranking as #1 10% Ranking as #2 4% Ranking as #3	Financial Services	9% Ranking as #1 11% Ranking as #2 5% Ranking as #3	Non-Financial Services	16% Ranking as #1 9% Ranking as #2 4% Ranking as #3
	Improving the level of committee member advanced preparation for meetings	All Respondents	7% Ranking as #1 4% Ranking as #2 4% Ranking as #3	Financial Services	8% Ranking as #1 3% Ranking as #2 3% Ranking as #3	Non-Financial Services	7% Ranking as #1 5% Ranking as #2 4% Ranking as #3
	Improving management of the agenda during meetings	All Respondents	5% Ranking as #1 3% Ranking as #2 2% Ranking as #3	Financial Services	3% Ranking as #1 5% Ranking as #2 0% Ranking as #3	Non-Financial Services	5% Ranking as #1 3% Ranking as #2 2% Ranking as #3
	Improving the quality of presentations during meetings	All Respondents	10% Ranking as #1 11% Ranking as #2 5% Ranking as #3	Financial Services	15% Ranking as #1 12% Ranking as #2 3% Ranking as #3	Non-Financial Services	8% Ranking as #1 11% Ranking as #2 5% Ranking as #3
	Increasing the length of existing committee meetings	All Respondents	6% Ranking as #1 4% Ranking as #2 0% Ranking as #3	Financial Services	6% Ranking as #1 2% Ranking as #2 0% Ranking as #3	Non-Financial Services	6% Ranking as #1 5% Ranking as #2 1% Ranking as #3
	Increasing the total number of committee meetings	All Respondents	3% Ranking as #1 2% Ranking as #2 0% Ranking as #3	Financial Services	0% Ranking as #1 2% Ranking as #2 0% Ranking as #3	Non-Financial Services	5% Ranking as #1 2% Ranking as #2 0% Ranking as #3

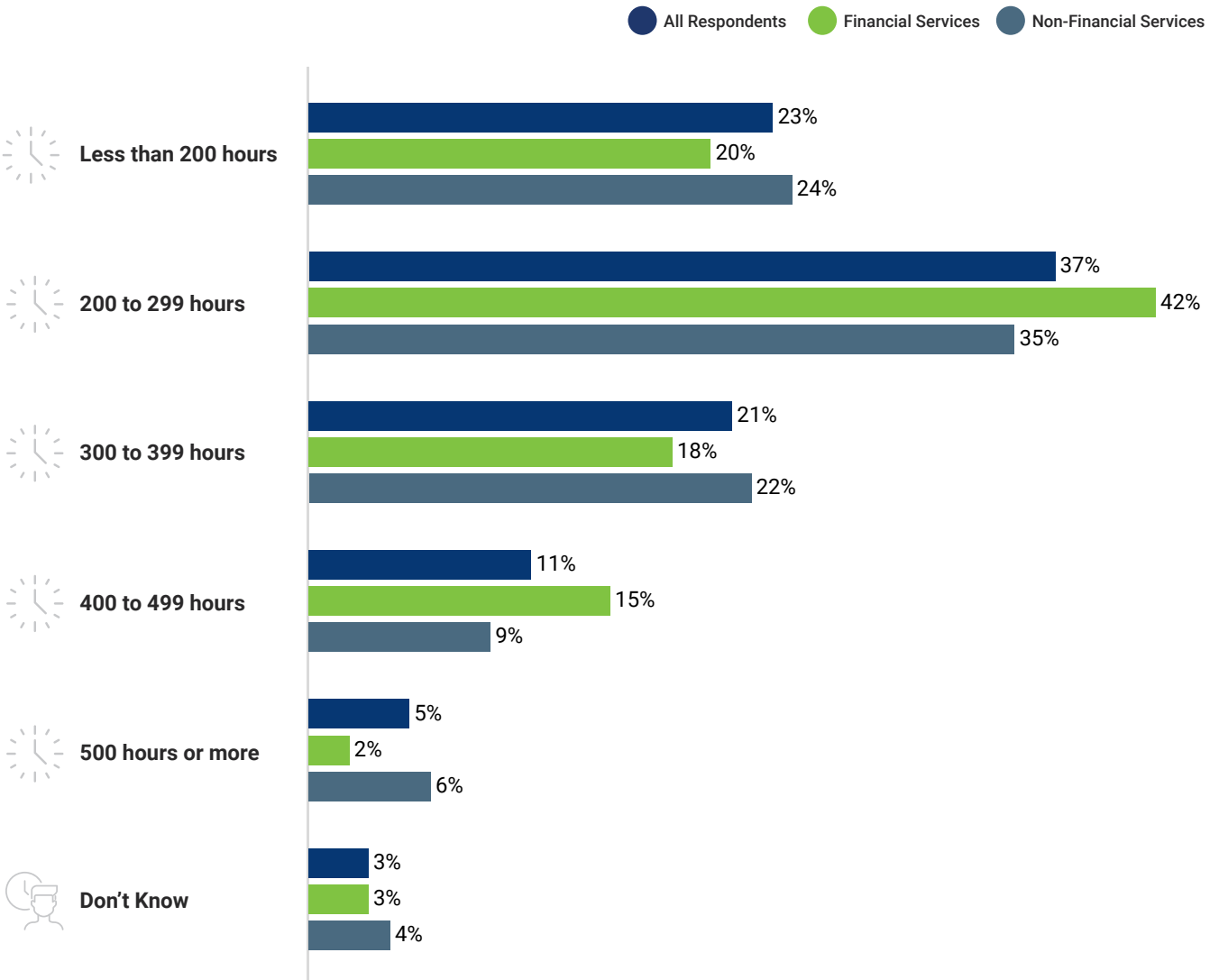
18. What percentage of audit committee meetings were attended in-person over the past 12 months? Please exclude any meetings involving separate earnings calls from your answer.

Survey Q6.7, n=236, Financial Services n=65, Non-Financial Services n=171



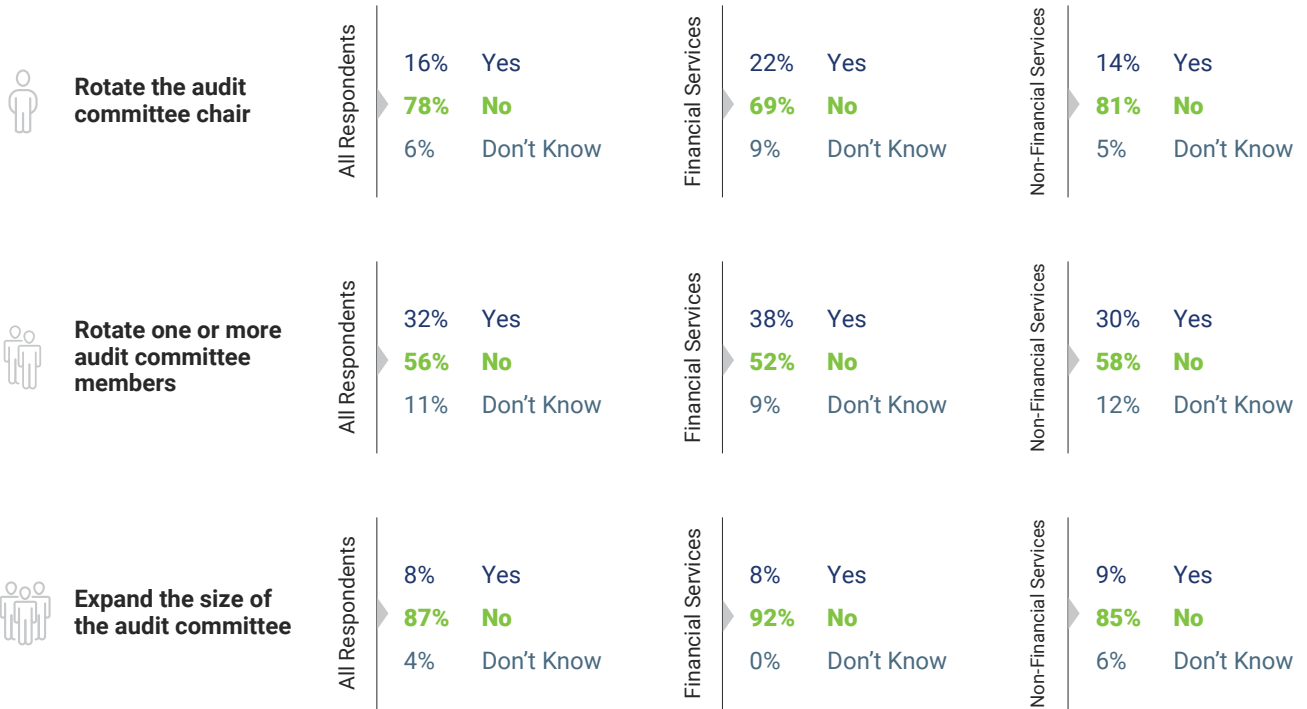
19. How many hours did you spend fulfilling your duties as a member of the board in the past 12 months? Be sure to count all time related to travel, reviewing materials, attending meetings, and any other related board/committee activities.

Survey Q6.8, n=236, Financial Services n=65, Non-Financial Services n=171



20. Does the audit committee intend to make any of the following changes in the next 12 months?

Survey Q6.9, n=236, Financial Services n=65, Non-Financial Services n=171



Demographics & Methodology

1. Which statement best describes your role at the largest company where you currently serve on the audit committee?

Survey Q1.1, n=266

Audit Committee Role



Company Type⁹



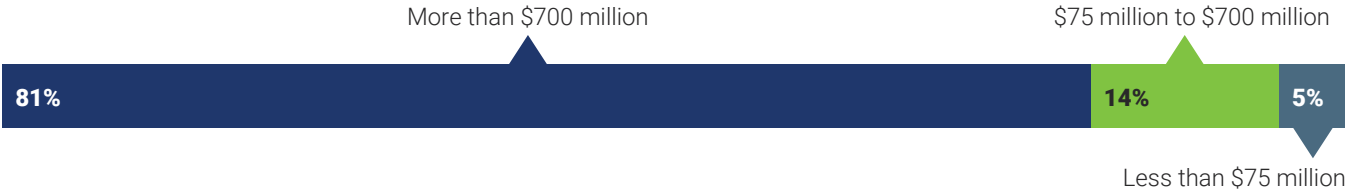
2. Are you responding for a company that primarily operates in the financial services industry?

Survey Q8.1, n=236



3. Based on the most recent fiscal year, which range fits the company's market capitalization in dollars (\$)??¹⁰

Survey Q8.2, n=211



4. What is the location of the company's primary operations?

Survey Q8.4, n=236



5. Which best describes your employment status?

Survey Q8.5, n=235

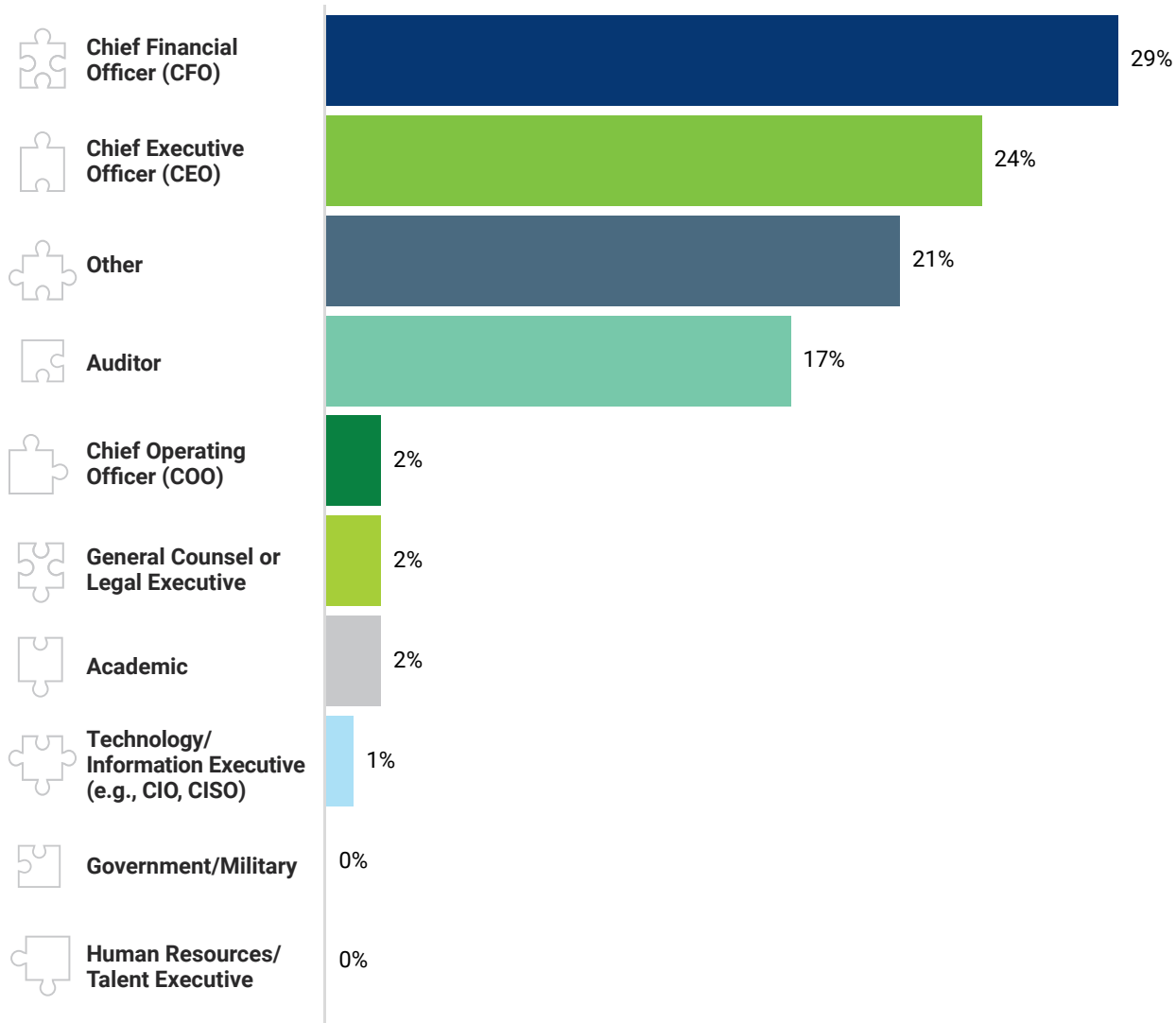
Retired from primary occupation while serving as a corporate board member



Working at primary occupation while serving as a corporate board member

6. Which of the following best describes your current primary job (or most recent, if retired)?

Survey Q8.6, n=235



METHODOLOGY

Deloitte’s Center for Board Effectiveness and the Center for Audit Quality provide research that audit committees can use to effectively perform their oversight responsibilities. For that reason, the Audit Committee Practices survey is refined each cycle.¹¹ The below provides an overview of the distribution process and data analysis approach for the 3rd edition of survey. If you have questions or feedback about our approach, please contact the Research Manager at Deloitte’s Center for Board Effectiveness.

The survey was opened on September 28, 2023 and closed on November 12, 2023. Audit committee members at public and private companies were invited to complete the questionnaire. After the survey closed, the data were cleansed to remove (1) respondents who indicated they did not serve on an audit committee and (2) partial responses with less than three questions completed.¹² There were 266 total unique responses, inclusive of 232 full and 34 partially complete surveys. Use of partial responses means cross-tabulations may not match overall results.¹³

The first 200 qualifying responses triggered a charitable contribution. Respondents could select [Braven](#) and/or [New Profit](#) as the recipient of a \$100 donation at the end of the survey. A total of \$20,000 was donated and apportioned based on selected preferences.

Endnotes

1. Respondents were asked to think about audit committee priorities beyond financial reporting and internal controls throughout the survey.
2. Overall response counts are displayed at the bottom of each question and labeled as *n*. Cross-tab responses by industry are labeled as Financial Services and Non-Financial Services *n* counts. The sum of industry responses does not equal the overall response count due to partially complete surveys. If a respondent did not progress to the question about industry, that questionnaire is excluded from industry cross-tabs.
3. Questions may not sum to 100 due to rounding.
4. Respondents were only shown areas where they previously indicated the audit committee had primary oversight.
5. If respondents said they did not know how much time was spent on an item in the previous question, that item was hidden for purposes of answering this question.
6. Respondents were only shown this question if they selected two or three items in the previous question. For purposes of calculating priority, both overall and for industry cross-tabs, this table treats all selections of exactly one item in the previous question as a No.1 rank. The sum of rankings may not equal the overall figures in the previous question due to rounding.
7. Answers to this question used a slider that ranged from 1 to 6 hours, with half-hour increments.
8. Respondents were only shown this question if they selected two or three items in the previous question. For purposes of calculating priority, both overall and for industry cross-tabs, this table treats all selections of exactly one item in the previous question as a No.1 rank. The sum of rankings may not equal the overall figures in the previous question due to rounding.
9. If the respondent was on the audit committee at more than one company, they were asked to indicate the characteristics of the largest company where they serve.
10. This question was hidden from respondents at private companies.
11. Don A. Dillman, Jolene D. Smyth, and Leah Melani Christian, *Internet, Phone, Mail, and Mixed-Mode Surveys: The Tailored Design Method* (John Wiley & Sons, 2014); Morgan Millar and Don A. Dillman, “[Encouraging survey response via smartphones](#),” *Survey Practice* 5, no. 3 (2012); Stephen R. Porter and Michael E. Whitcomb, “[The impact of contact type on web survey response rates](#),” *Public Opinion Quarterly* 67, no. 4 (2003): pp. 579–88; Michael J. Stern, Ipek Bilgen, and Don A. Dillman, “[The state of survey methodology: Challenges, dilemmas, and new frontiers in the era of the tailored design](#),” *Field Methods* 26, no. 3 (2014): pp. 284–301.
12. Sean F. Reardon and Stephen W. Raudenbush, “[3. A partial independence item response model for surveys with filter questions](#),” *Sociological Methodology* 36, no. 1 (2006): pp. 257–300.
13. Qualtrics saves answers to the user’s browser cache, which enables respondents to close a survey window and return later. Due to both partial completions and use of display logic, total responses per question will vary.

About this publication

This publication contains general information only and neither Deloitte nor the Center for Audit Quality (CAQ) is, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As with all other CAQ resources, this publication is not authoritative, and readers are urged to refer to relevant rules and standards. The CAQ makes no representations, warranties, or guarantees about, and assumes no responsibility for, the content or application of the material contained herein. The CAQ expressly disclaims all liability for any damages arising out of the use of, reference to, or reliance on this material. This publication does not represent an official position of the CAQ, its board, or its members.

About Deloitte's Center for Board Effectiveness

Deloitte's Center for Board Effectiveness helps directors deliver value to the organizations they serve through a portfolio of high-quality, innovative experiences throughout their tenure as board members. Whether an individual is aspiring to board participation or has extensive board experience, the Center's programs enable them to contribute effectively and provide focus in the areas of governance and audit, strategy, risk, innovation, compensation, and succession.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (DTTL), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the U.S. member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States, and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

About the Center for Audit Quality

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of U.S. public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by U.S. public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, U.S. public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of U.S. public company auditors and audits to dynamic market conditions.

CAQ

www.thecaq.org

Deloitte.

www.deloitte.com