

Center for Audit Quality Research Findings

Survey of Institutional Investors

February 2025

CAQ |  **KRC RESEARCH**



About KRC Research

KRC Research is a global opinion research and insights consultancy that specializes in designing research to support effective public affairs, advocacy, engagement and communications initiatives. For over 30 years, we have helped nonprofits, governments, and corporations execute on their strategic imperatives and meet their organizational goals.

Our team draws from the worlds of global health, consumer and social marketing, journalism and academia, and public policy arenas. Not only are we passionate about the work we do for clients, but we also pride ourselves on being flexible, practical, creative, and knowledgeable, combining sophisticated research tools with real-world intelligence and communications experience.

We understand the needs and challenges of diverse target audiences and complex objectives. This breadth of experience and depth of knowledge positions KRC to deliver the highest quality insights needed to inform your organization's most pressing strategic decisions.

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.

Contents

- 4** Objectives & Methodology
- 5** Executive Summary
- 6** Detailed Findings
- 6** Outlook on Audited Financial Statements
- 18** Expanded Assurance
- 25** Regulatory Landscape and Fraud
- 32** Technology and AI
- 37** Appendix

Objectives & Methodology

Objectives

As part of the CAQ's efforts to engage a broad array of stakeholders of company-prepared information and serve as a trusted voice for the audit profession, KRC Research is conducting surveys throughout the year to inform the CAQ team on topics of interest to institutional investors.

Methodology

The survey research was conducted online from November 4-22, 2024 among 309 Institutional Investors in the US. In order to qualify for the study, respondents were screened to ensure:

- Employed as a professional investor with more than five years of experience
- At companies with a minimum of \$500M in assets under management
- Have appropriate job titles in investment banking, commercial banking, insurance, or other management firms
- Serve at the Director level or higher
- Closely follow information about the audit process and regulations related to public company financial statements

Related Resources

- [The Center for Audit Quality Critical Audit Matters Survey, Research Findings | Q3 Survey](#), CAQ (July 2024)
- [The Center for Audit Quality Institutional Investor Survey](#), CAQ (April 2024)
- [Research Findings | Q1 Survey](#), CAQ (February 2024)
- [Views on Public Company Auditors: Audit Committee Member and Institutional Investor Research Findings](#), CAQ (May 2023)
- [Perspectives on Corporate Reporting, the Audit, and Regulatory Environment: Institutional Investor Research Findings](#), CAQ (November 2023)

Email hello@thecaq.org for questions about this publication and its findings.

Executive Summary

This annual survey captures the perspectives of institutional investors on key areas including financial reporting and audited financial statements, expanded assurance, the regulatory landscape and fraud, and emerging technologies. Nearly all institutional investors agree that the current state of public company financial reporting is sufficient for investment decisions, and 90% express a high degree of reliance on, and trust in, audited financial statements. Similarly, most investors express satisfaction with the current level of transparency in the audit process, with 89% of investors indicating that they are “very” or “extremely” satisfied with the level of transparency.

While investors place the highest overall level of confidence in the quality of information provided by company audit committees and investor relations teams, institutional investors report that they most frequently utilize independent audits by an audit firm (75%), company annual reports (74%), and company sustainability reports (74%) in making investment decisions, highlighting the critical role of audited financial statements in their decision making.

Regarding new sources of company-prepared information, three-fourths of investors consider ESG, cybersecurity, and AI disclosures in their decisions. While investors find value in these new types of information, more than 80% cite a need for improvement in the quality of the information, with 40% saying significant enhancements are needed to improve reliability and usability. Key priorities include better standards, comparability, and consistency.

More than half of investors surveyed favor third-party assurance for these disclosures, and nearly 80% would trust such disclosures more if audited by a public company audit firm.

Most investors are familiar with the regulatory framework for public company audits and auditors and over 80% view the current regulations on public company audits as adequate in supporting audit quality.

Fraud concerns have grown for 46% of respondents over the past five years in general, yet 76% believe fraud risk in primary industries they invest in has remained stable or declined in the past year. When it comes to fraud prevention and identification, investors say internal audit teams and company management are the primary parties responsible.

Two-thirds of respondents view public company audit firms as technologically advanced. Six in ten believe AI is significantly integrated into audits, with benefits including better risk identification, expanded data processing, greater efficiency and enhanced fraud detection. Despite this, many investors express concerns over the lack of – or perceived lack of – human oversight, missed qualitative factors (e.g., potential conflicts of interest), and data security risks, highlighting the need for cautious AI adoption and human oversight to maintain trust in the audit of corporate information.

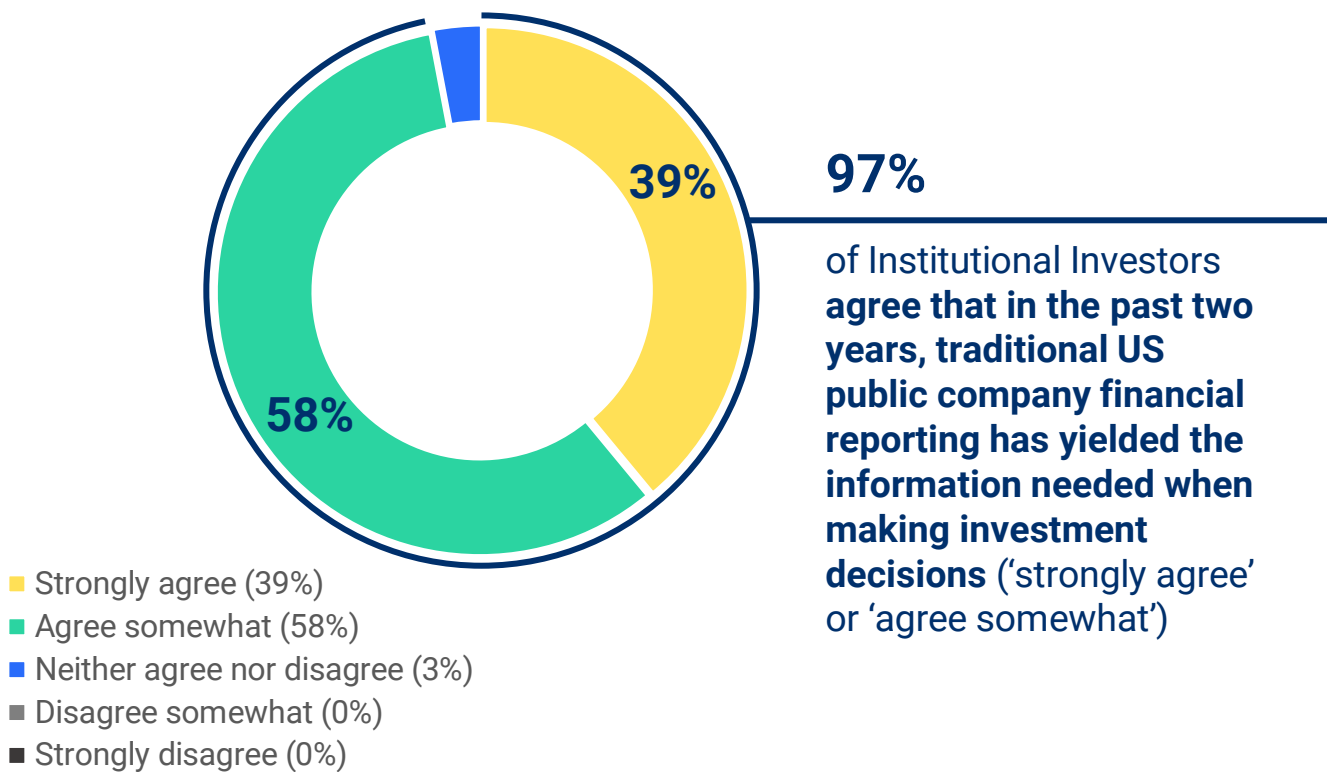
While institutional investors express confidence in financial reporting and oversight, they identify opportunities for improvement specifically in newer areas of corporate reporting and technology integration into the audit. Addressing these gaps will further bolster trust and strengthen the audit ecosystem.

Outlook on Audited Financial Statements

Detailed Findings

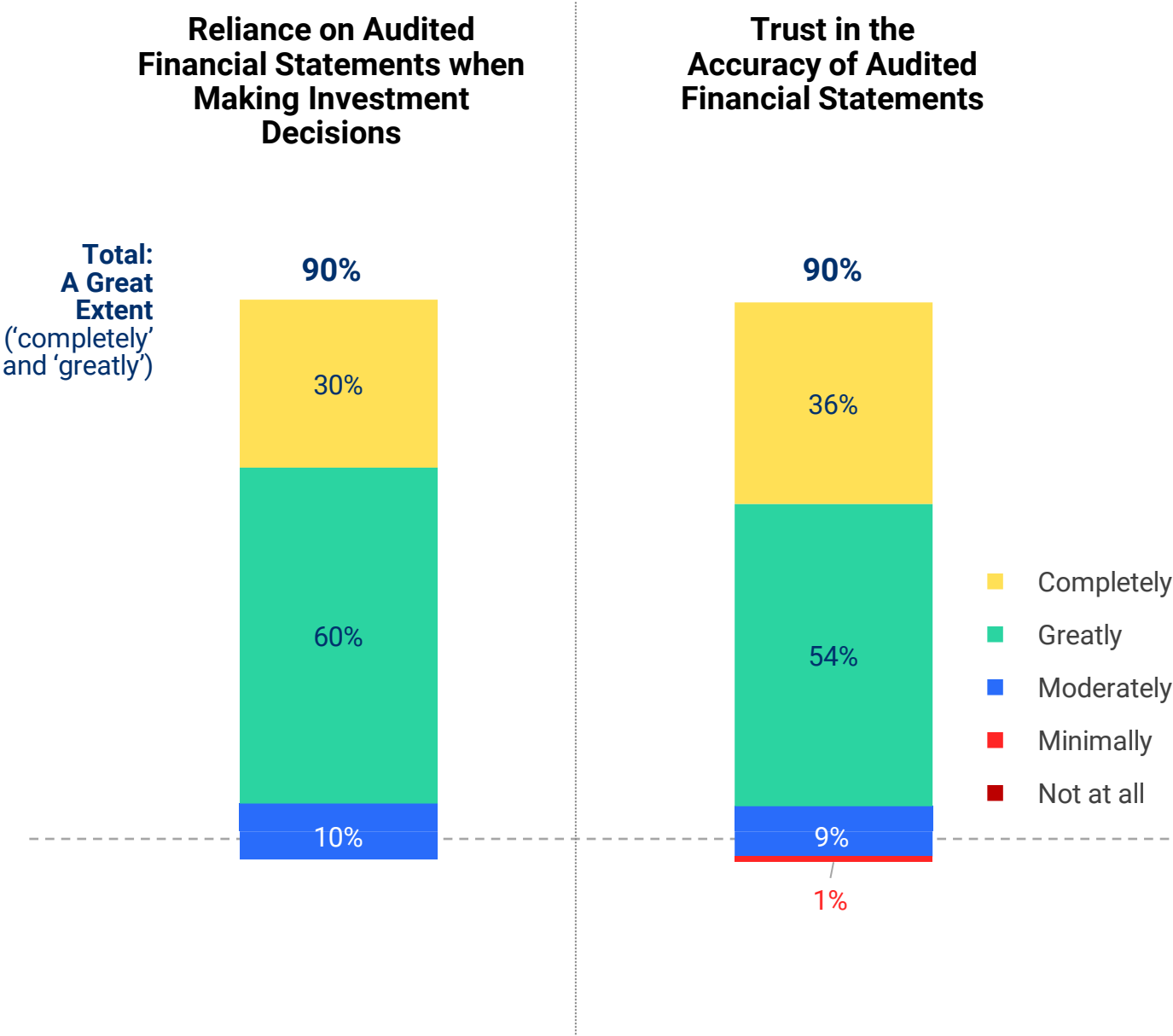
Nearly all Institutional Investors say the current state of public company financial reporting is sufficient for investment decisions but only 4 in 10 strongly agree.

Perspective on Public Company Financial Reporting Being Sufficient for Investment Decisions



Q1. In the past two years, traditional US public company financial reporting has yielded the information needed when making investment decisions. (Base: All respondents, n=309 Institutional Investors)

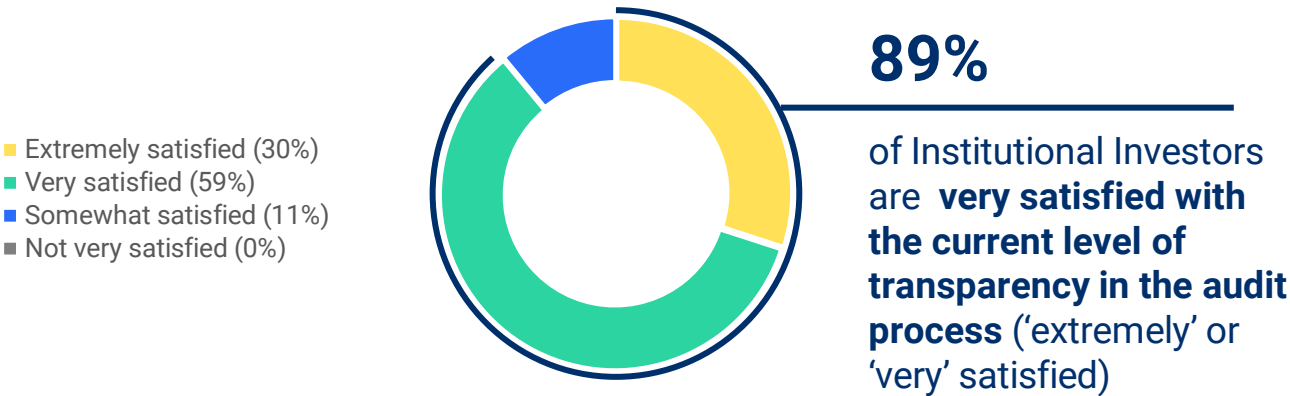
A third of respondents completely trust audited financial statements and 3 in 10 completely rely on them when making investment decisions.



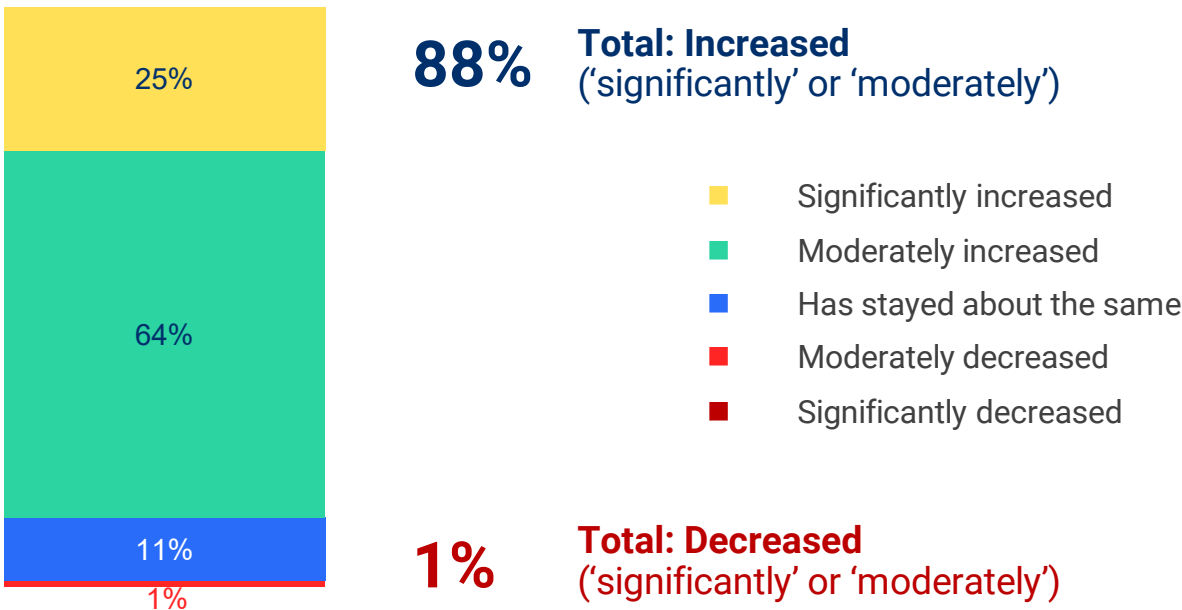
Q3. To what extent do you rely on audited financial statements when making investments decisions? | Q4. How much do you trust the accuracy of audited financial statements? (Base: All respondents, n=309 Institutional Investors)

Satisfaction with transparency in the audit process is high and trust in audited statements has increased.

Satisfaction with the Current Level of Transparency in the Audit Process



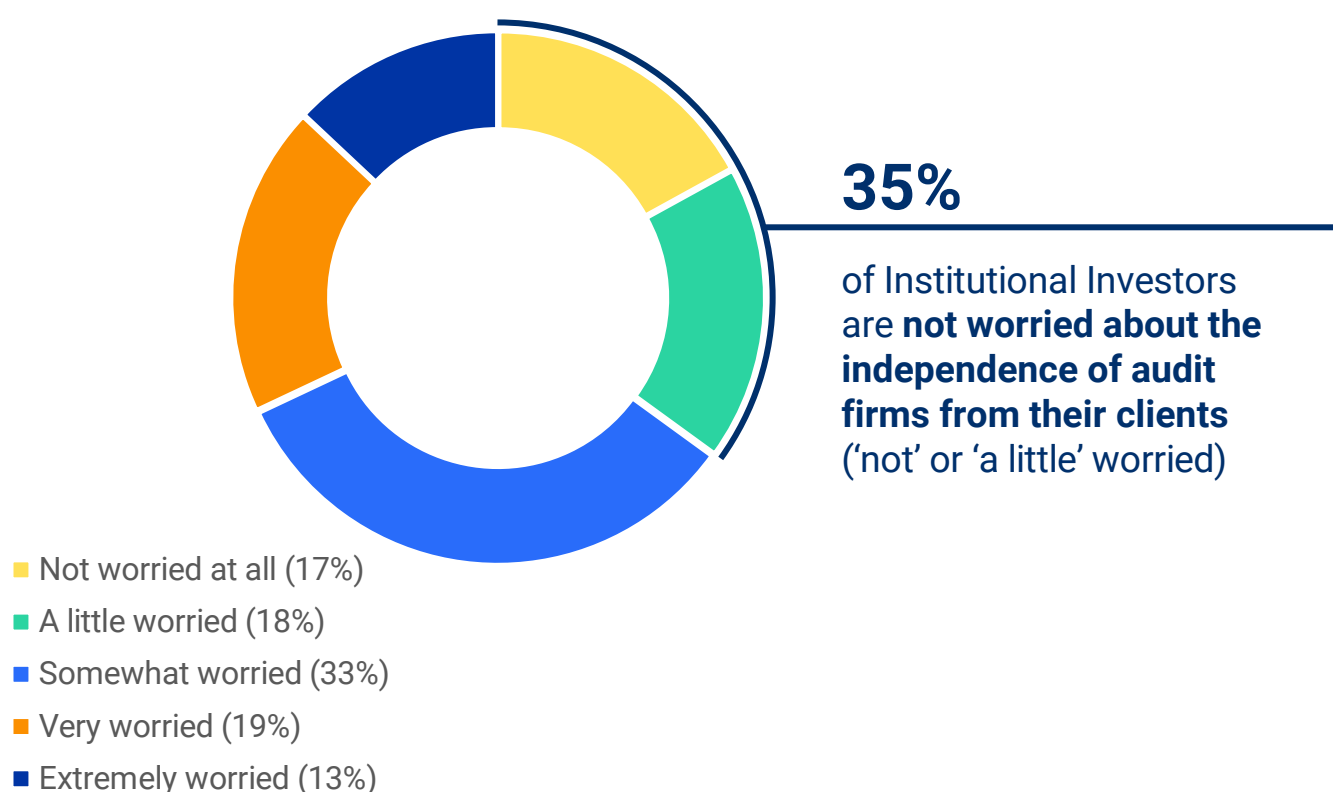
Change in Trust in Audited Financial Statements (Past 5 Years)



Q5. How satisfied are you with the current level of transparency in the audit process? | Q7. How has your trust in audited financial statements changed over the past five years? (Base: All respondents, n=309 Institutional Investors)

Less than 1 in 3 Institutional Investors say they are very concerned about the independence of audit firms from their clients.

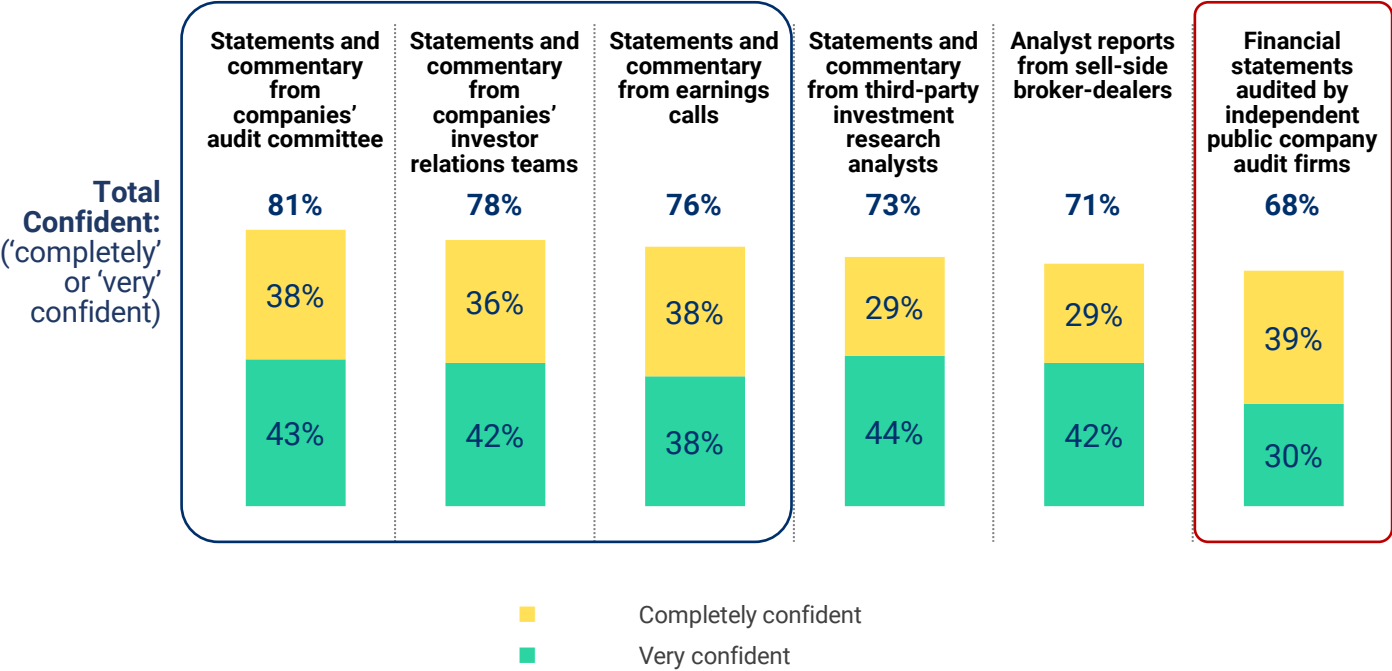
Level of Concern about the Independence of Audit Firms from their Clients



Q6. Do you presently have any concerns about the independence of audit firms from their clients? (Base: All respondents, n=309 Institutional Investors)

Investors place highest overall confidence in the quality of information provided by audit committees and company investor relations teams.

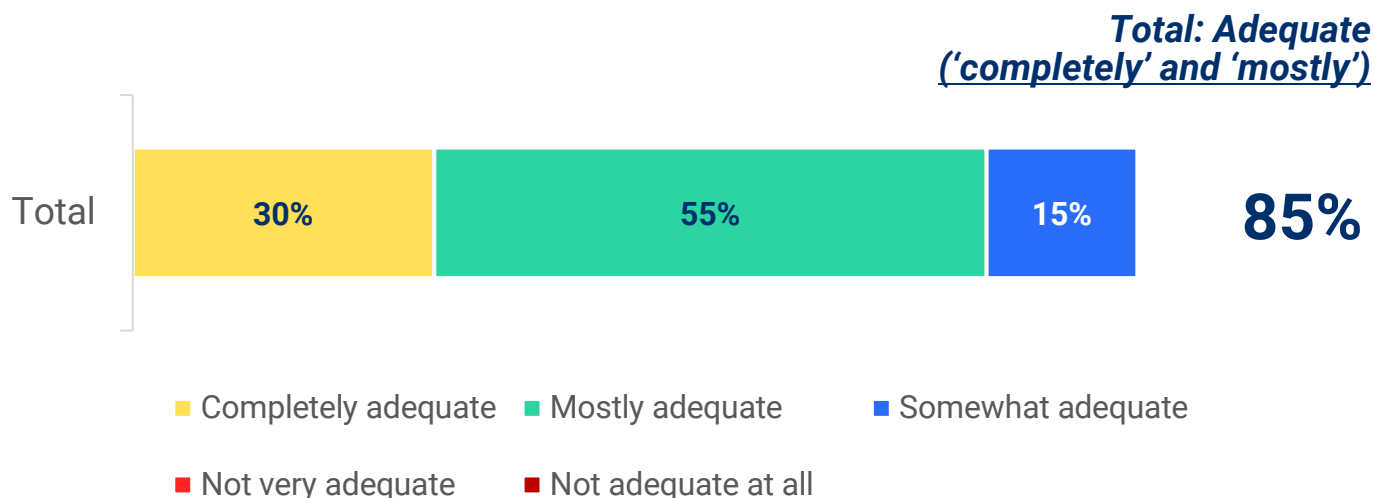
Confidence in the Quality of Information Provided by Specific Types of Sources for Investment Decisions



Q2. How confident are you in the quality of information provided by the following sources when you evaluate prospective investments and make buy, hold, and sell decisions? (Base: All respondents, n=309 Institutional Investors)

Most Institutional Investors indicate publicly available info enables them to assess the quality of an audit.

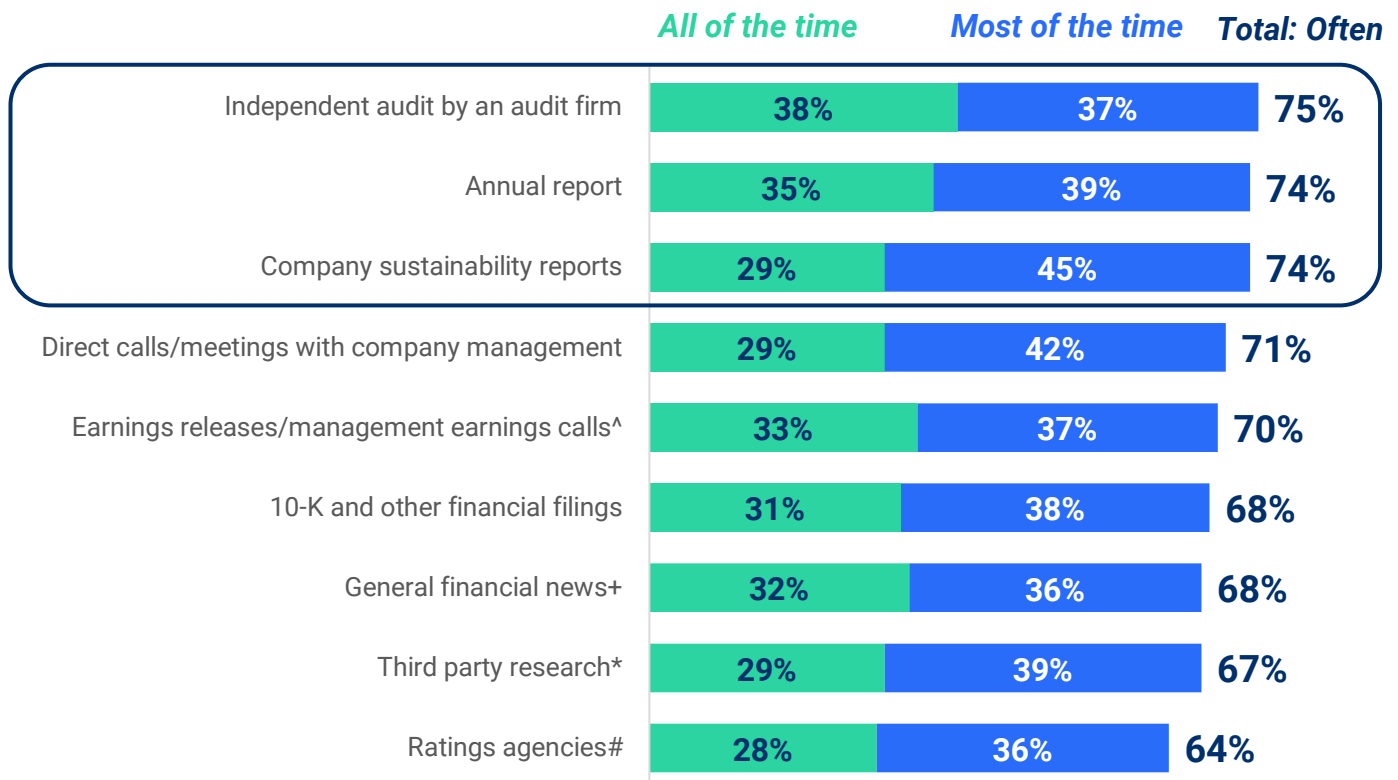
Perceived Adequacy of Publicly Available Information to Assess the Quality of an Audit



Q8. How adequate is the publicly available information available to you to assess the quality of the audit of a publicly traded company you invest in or follow? (Base: All respondents, n=309 Institutional Investors)

Institutional Investors most frequently utilize independent audits, annual reports, and sustainability reports in investment decisions.

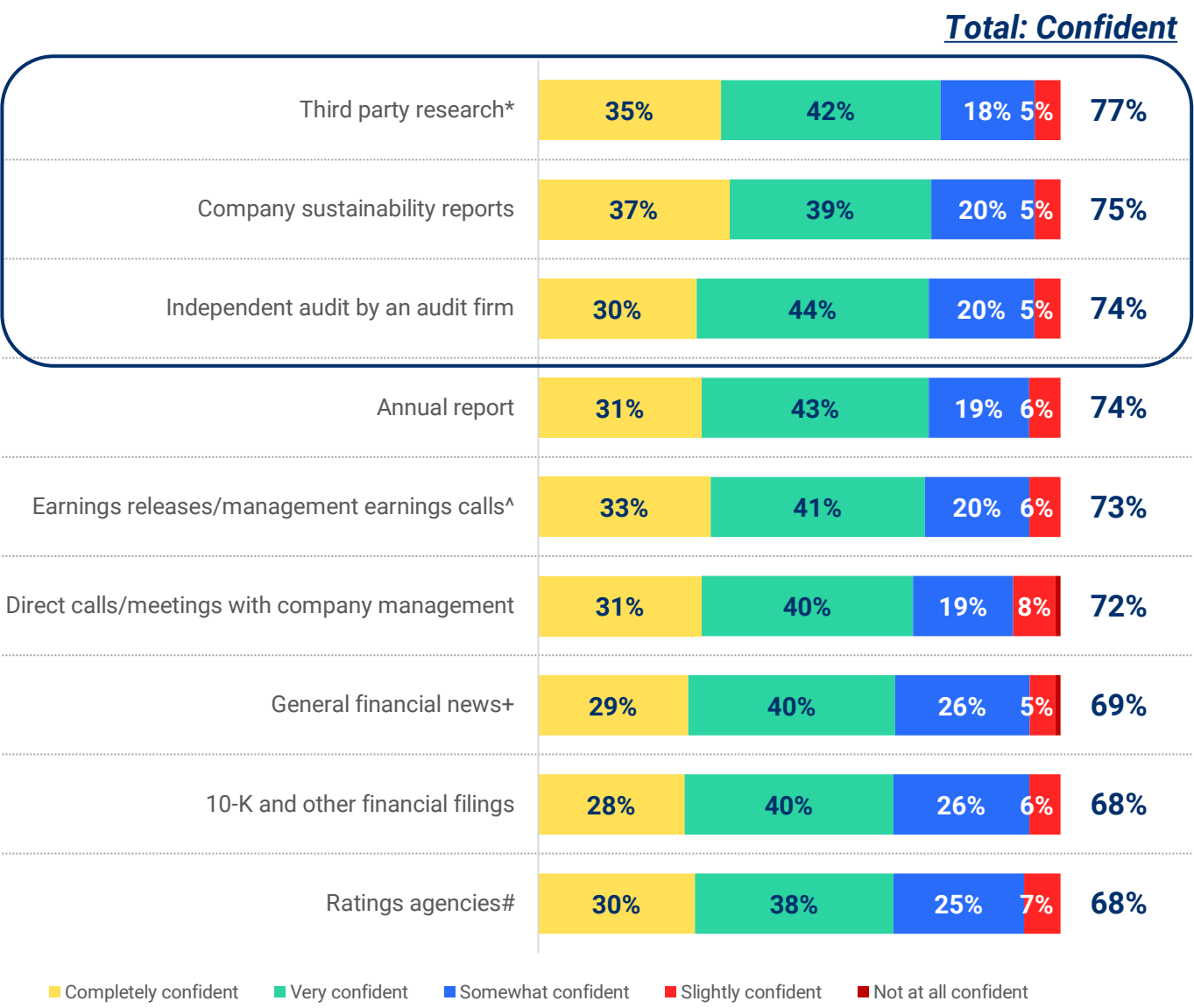
Frequency of Use of Specific Information Sources for Investment Decisions



Q10. How frequently do you use information from each of the following for investment decisions? (Base: All respondents, n=309 Institutional Investors; Included examples ^'earnings guidance,' + 'Wall Street Journal, Bloomberg' and *'Morningstar, FactSet, Thomas Reuters, Gartner, management consulting firms, and sell side research'; #Moody's, S&P Global, Fitch, etc.)

These oft-used sources are also among the most trusted by Institutional Investors for investment decisions.

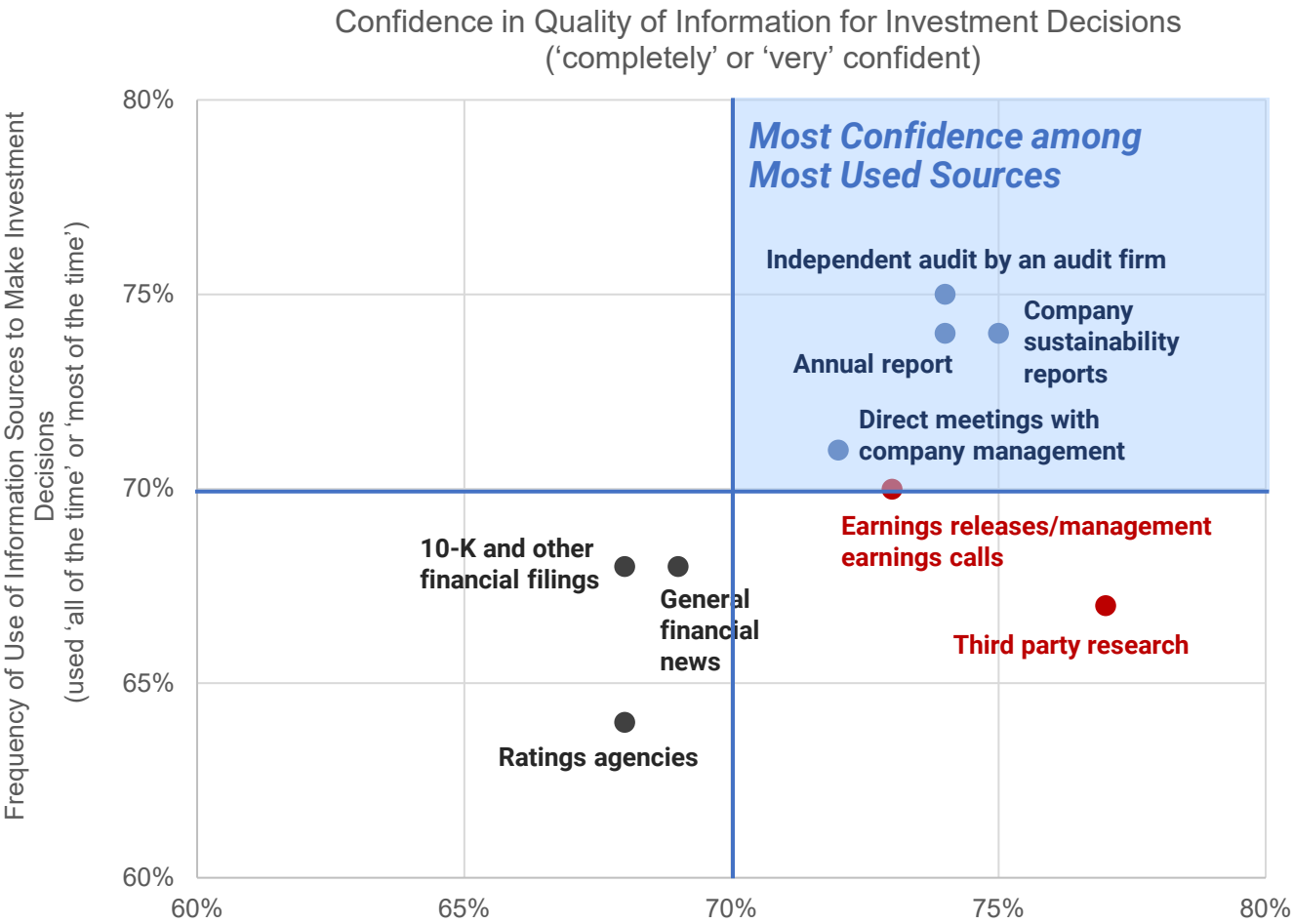
Confidence in the Quality of Information Provided by Specific Information Sources for Investment Decisions



*Q11. How confident are you in the quality of information provided by the following for your investment decisions? (Base: All respondents, n=309 Institutional Investors; Included examples ^earnings guidance, +Wall Street Journal, Bloomberg and *Morningstar, FactSet, Thomas Reuters, Gartner, management consulting firms, and sell side research, #Moody's, S&P Global, Fitch, etc.)*

Independent audits, annual reports, company sustainability reports, and information from company management are most utilized and seen as providing quality information in investment decisions.

Information Sources Used Most Often and with the Most Confidence in the Quality of Information

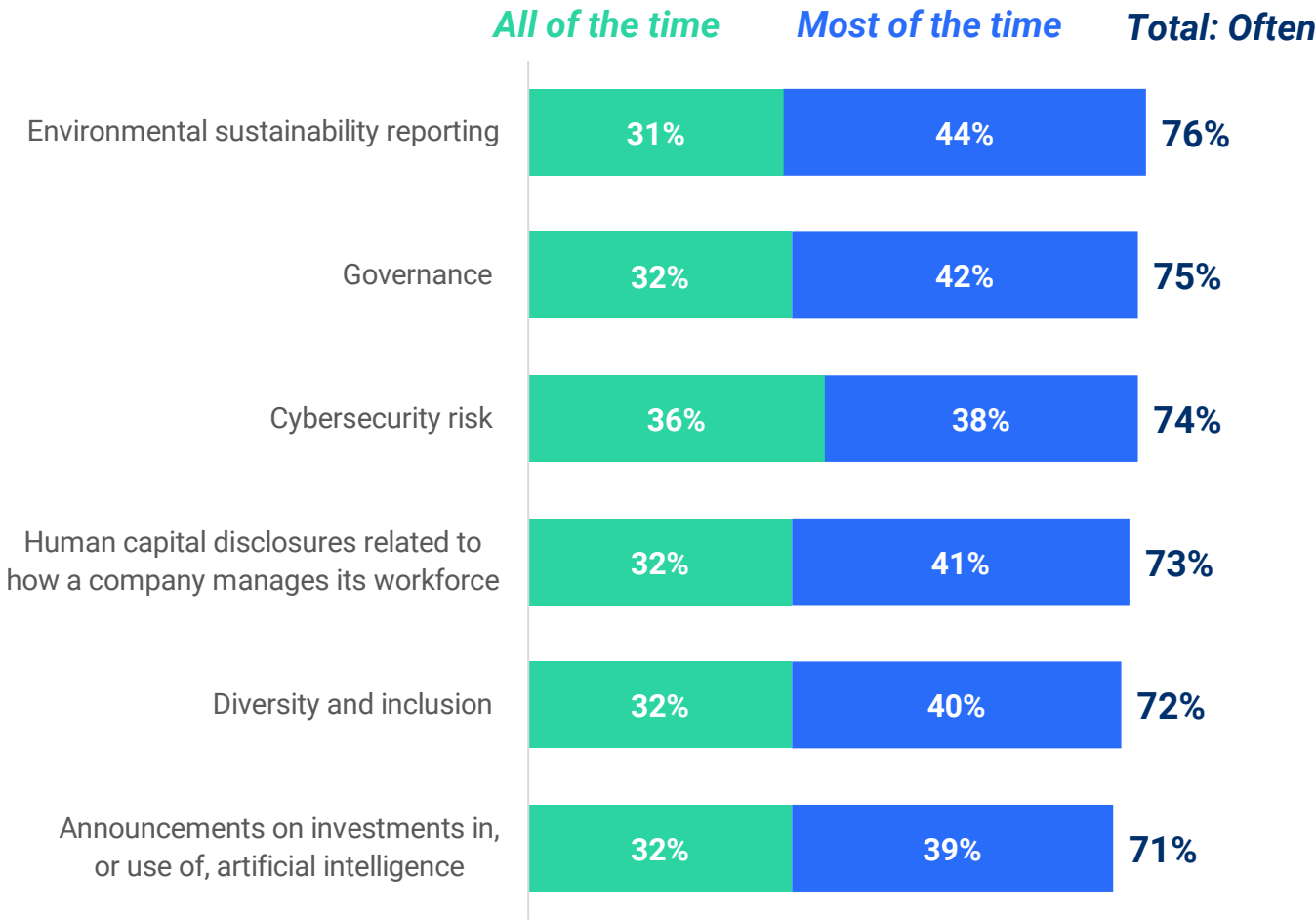


Q10. How frequently do you use information from each of the following for investment decisions? | Q11. How confident are you in the quality of information provided by the following for your investment decisions? (Base: All respondents, n=309 Institutional Investors)

Expanded Assurance Detailed Findings

At least 7 in 10 or more Institutional Investors rely on each type of company disclosure to make investment decisions.

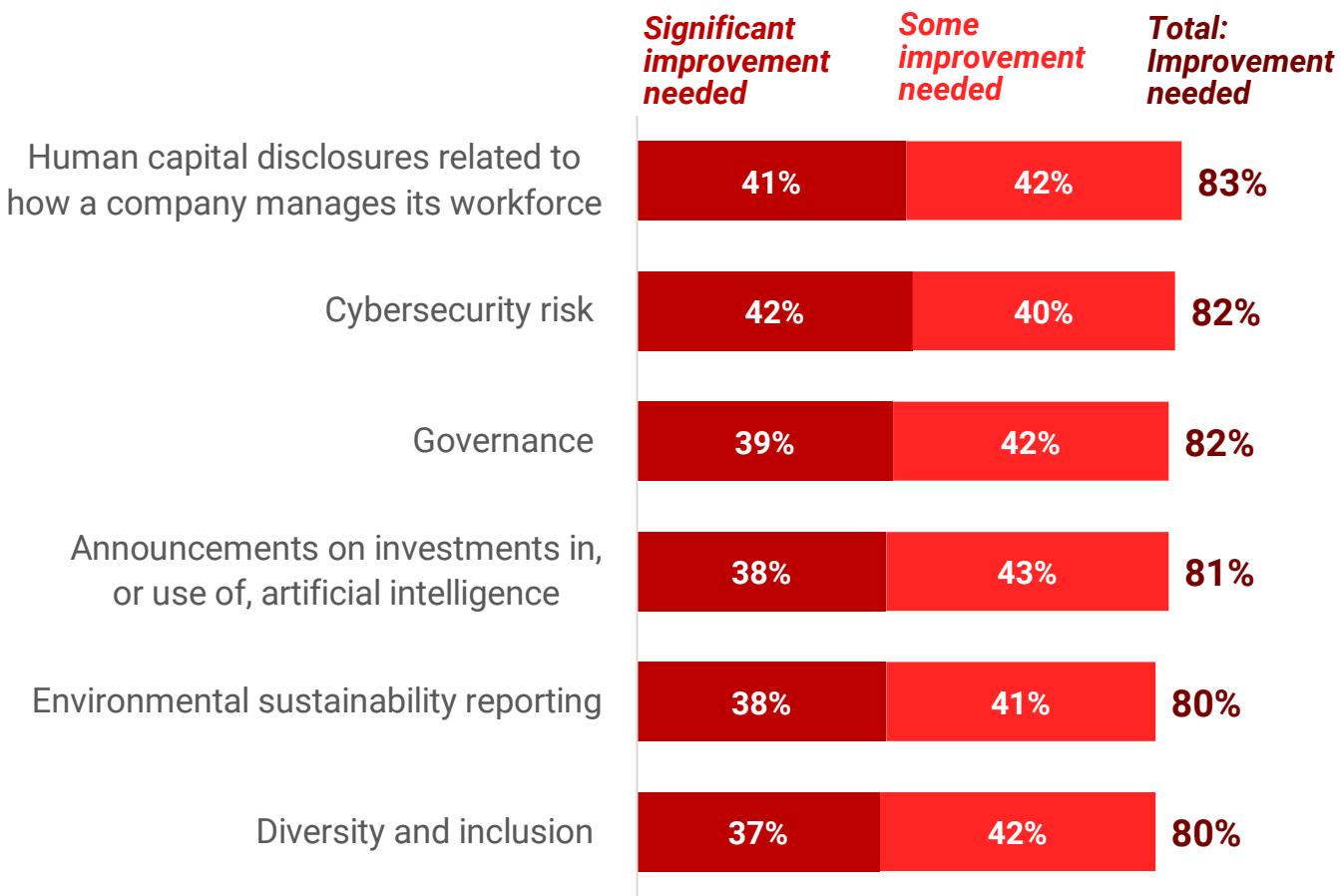
Frequency of Use of Company Disclosures to Make Investment Decisions



Q12. How often do you use each of the following types of company disclosures to make investment decisions?
(Base: All respondents, n=309 Institutional Investors)

At least 4 in 10 believe significant improvement is needed in expanded disclosure areas to give confidence in accuracy, and nearly all say these disclosures need at least some improvement.

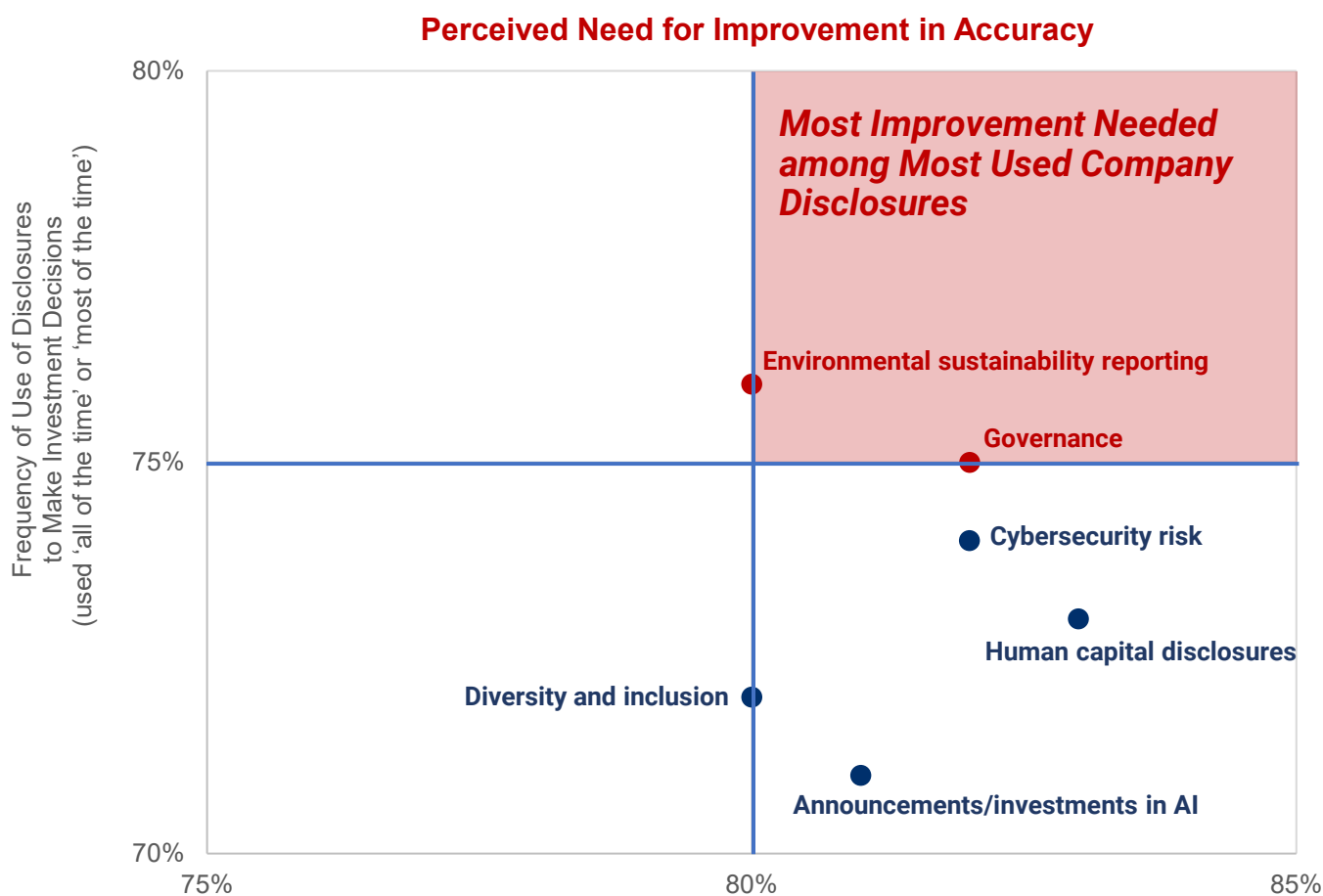
Perceived Improvement Needed in Company Disclosures for Confidence in Accuracy



Q13. How much improvement is needed in each of the following types of company disclosures to give you confidence in its accuracy? (Base: All respondents, n=309 Institutional Investors)

While all disclosures are flagged for improvement, environmental sustainability reporting and governance information are most utilized and are seen as needing improvement.

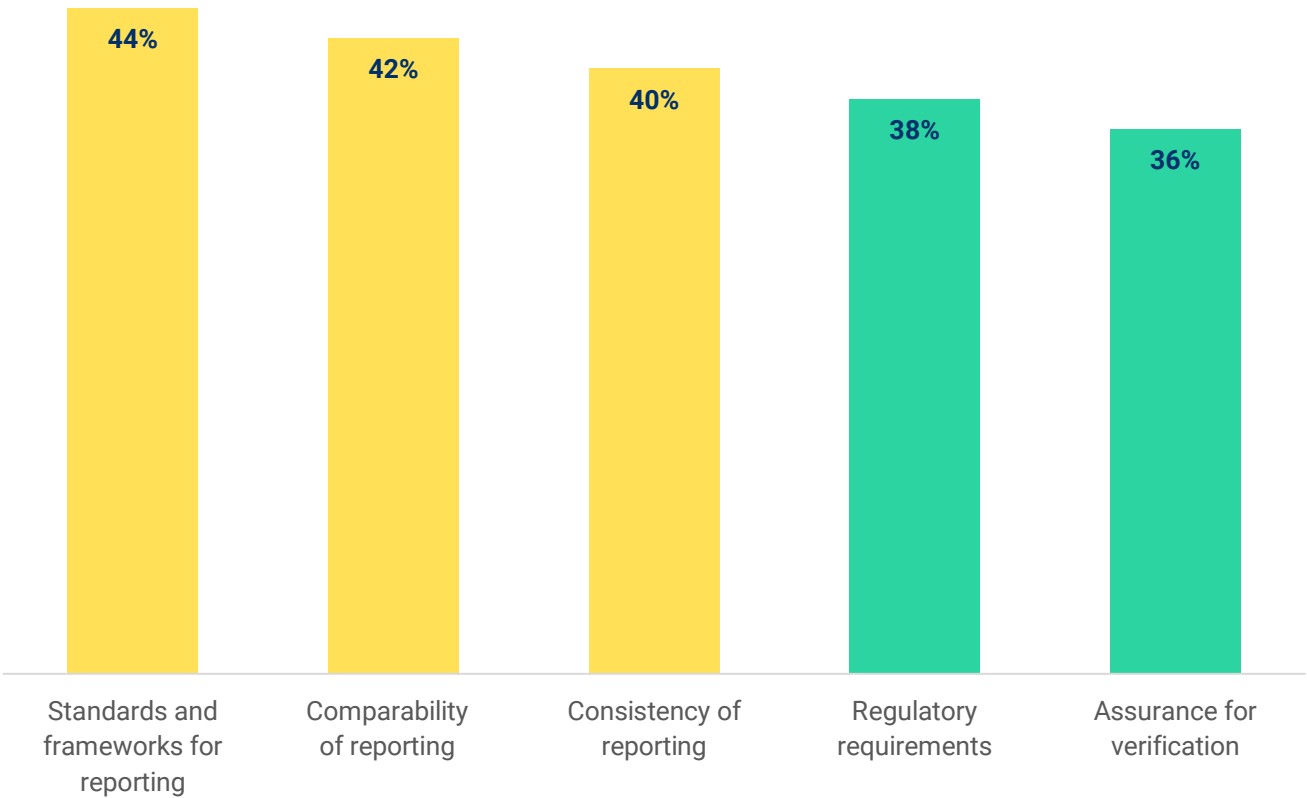
Company Disclosures Used Most Often and with Most Improvement Called for by Institutional Investors



Q12. How often do you use each of the following types of company disclosures to make investment decisions? / Q13. How much improvement is needed in each of the following types of company disclosures to give you confidence in its accuracy? (Base: All respondents, n=309 Institutional Investors)

Institutional Investors most commonly call for measures that increase the standards, comparability and consistency in information outside of audited financial statements.

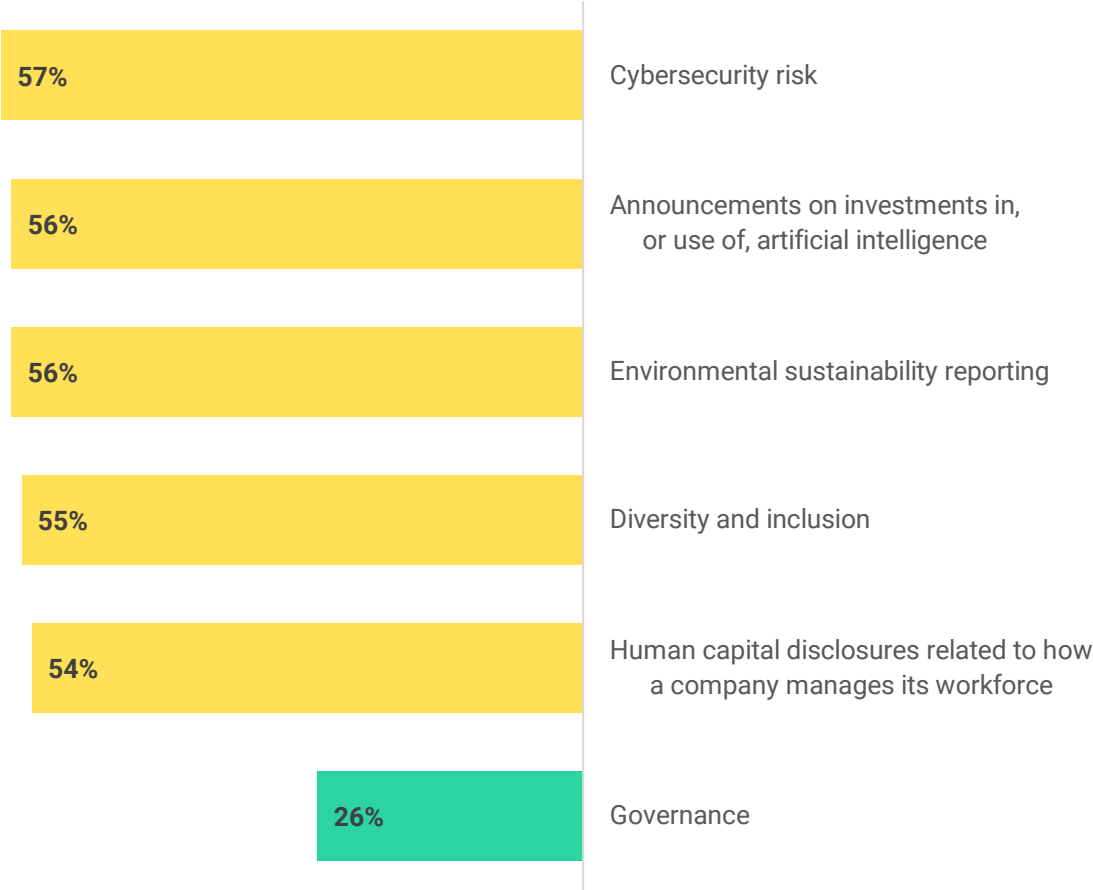
Measures that Would Improve Confidence in Accuracy of Information Outside of the Audited Financial Statements (Up to two selections allowed)



Q14. What would improve your confidence in the accuracy of information outside of the audited financial statements? Please choose your top two. (Base: All respondents, n=309 Institutional Investors)

With the exception of governance, more than half of Institutional Investors cite the need for each type of company disclosure to be assessed by a third-party assurance provider.

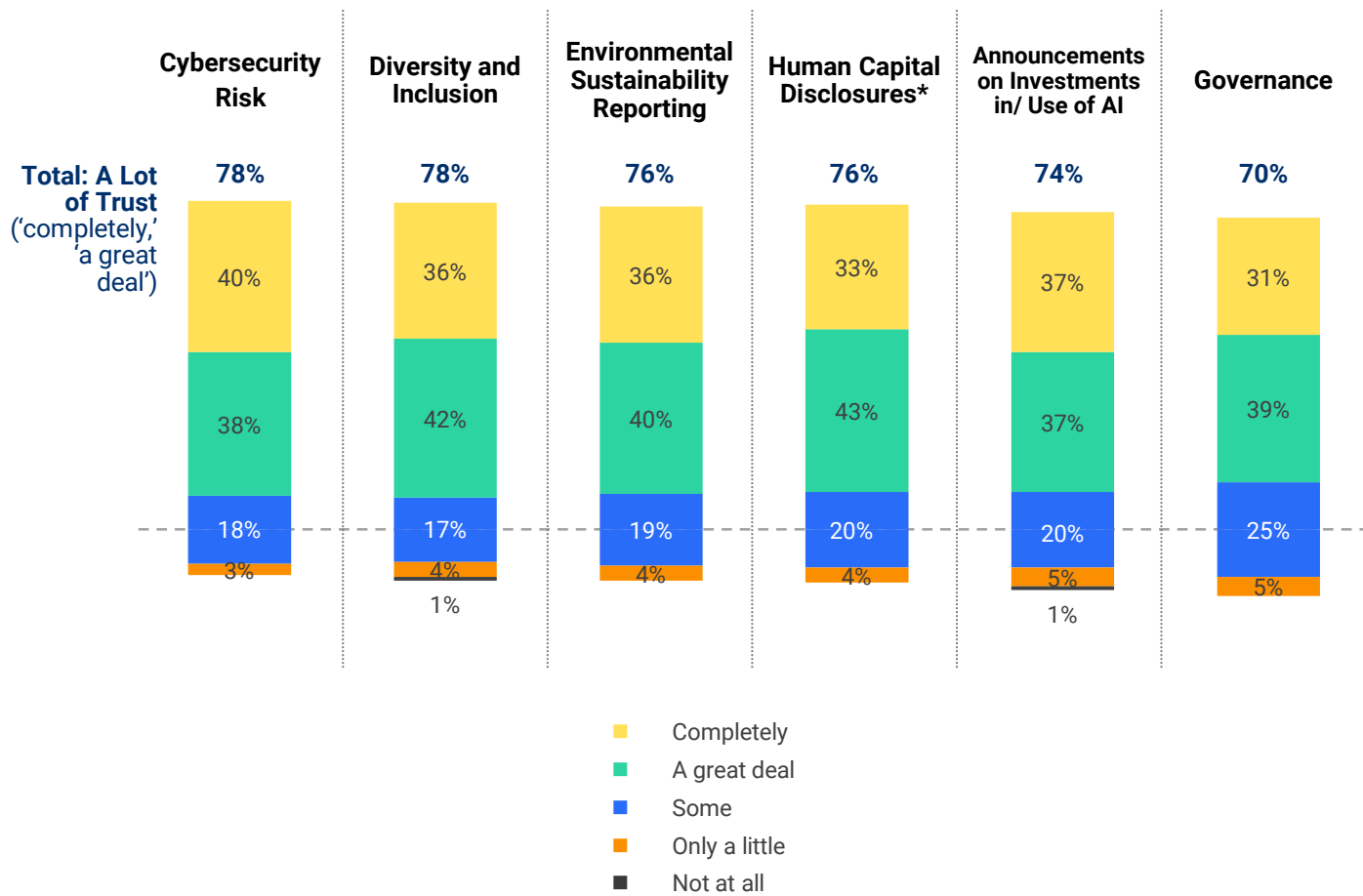
Company Information/Disclosures Institutional Investors Would Like Evaluated by Third-Party Assurance Provider (Multiple selections allowed)



Q15. Which of the following types of company information and disclosures would you like to see evaluated by a third-party assurance provider? Please choose all that apply. (Base: All respondents, n=309 Institutional Investors; Not shown above: 'none of the above,' <0.5%)

Assurance by a public company audit firm would engender trust in disclosure areas outside financial reporting.

Trust in the Accuracy of Disclosures if Audited by a Public Company Audit Firm

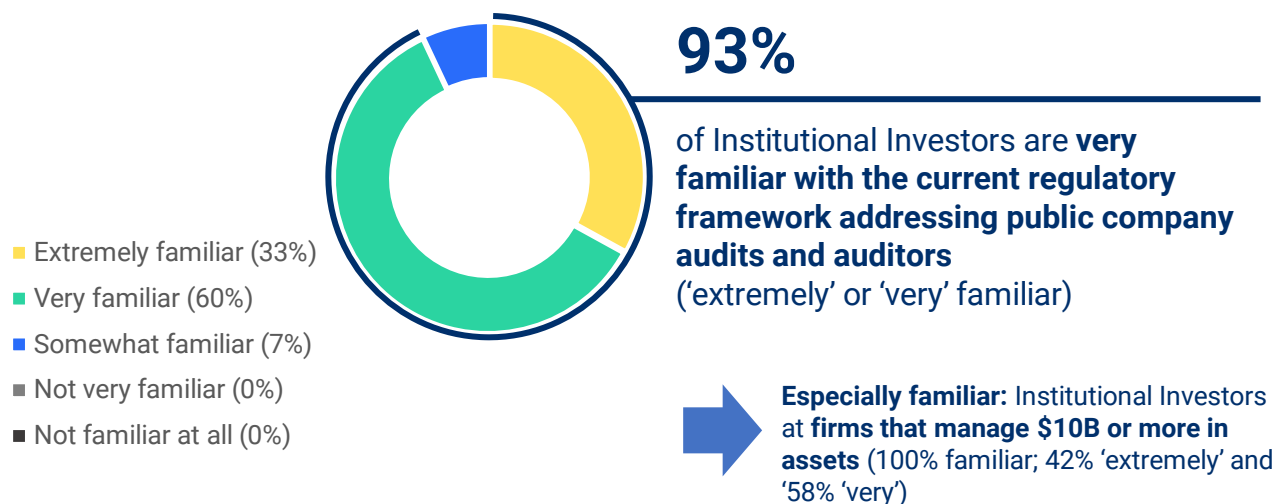


Q16. How much would you trust the accuracy of disclosures in each of the following areas if it were audited by a public company audit firm? (Base: All respondents, n=309 Institutional Investors; *Full phrasing included 'Human capital disclosures related to how a company manages its workforce')

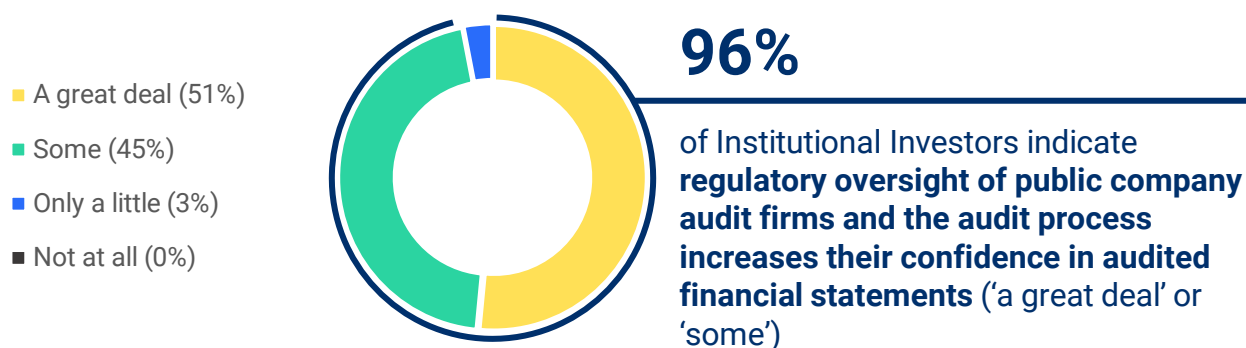
Regulatory Landscape and Fraud Detailed Findings

Nearly all Institutional Investors indicate familiarity with the current regulatory framework for public company audits and auditors.

Familiarity with Current Regulatory Framework Overseeing Public Company Audits/Auditors



Impact of Regulatory Oversight on Confidence in Audited Financial Statements

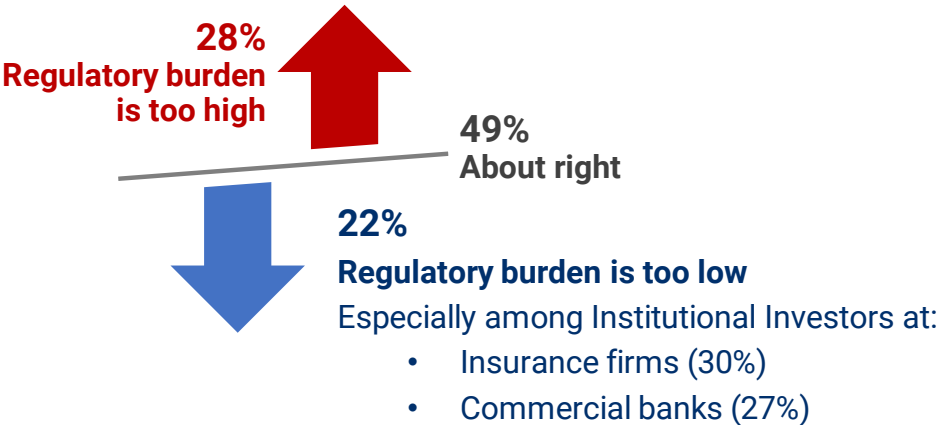


Q17. How familiar are you with the current regulatory framework overseeing public company audits and auditors? (Base: All respondents, n=309 Institutional Investors)

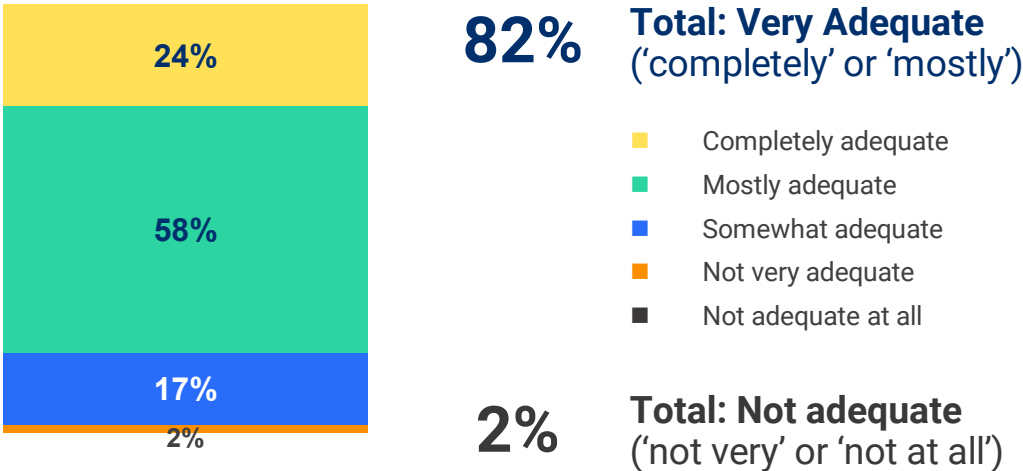
Q21. To what degree does the regulatory oversight of public company audit firms and the audit process increase your confidence in audited financial statements? (Base: All respondents, n=309 Institutional Investors)

Most feel current regulations on public company audits for quality are adequate, and about half think the existing regulatory burden is appropriate.

Perception of the Regulatory Burden on Public Company Audit Firms



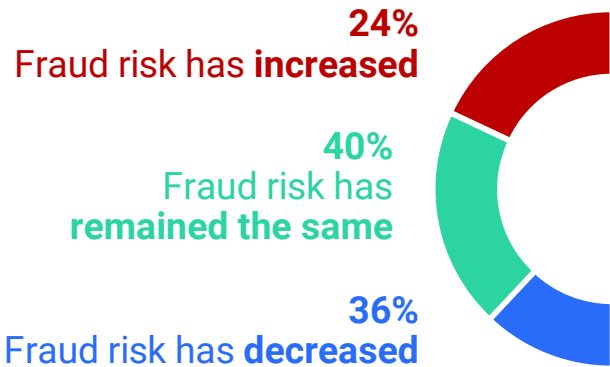
Perceived Adequacy of Current Regulations on Public Company Audits in Supporting Audit Quality



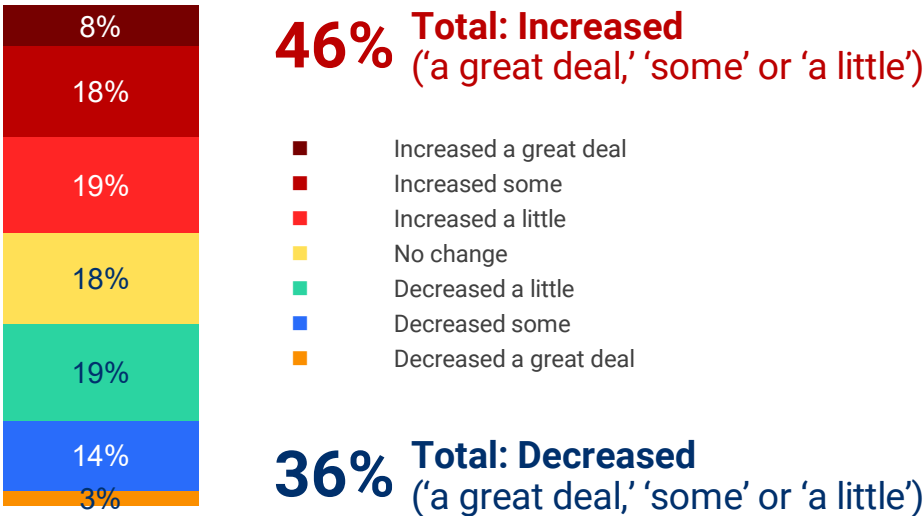
Q18. Do you believe the regulatory burden on public company audit firms is... (Not shown above: "not sure," 2%)
Q19. How adequate are current regulations on public company audits in supporting audit quality? (Base: All respondents, n=309 Institutional Investors)

While approximately half say their fraud concern has increased at least a little over the past five years, three-fourths say fraud risk has stayed the same or decreased over the past year.

**Perceived Change in Fraud Landscape for Primary Investment Industries
(Last 12 Months)**



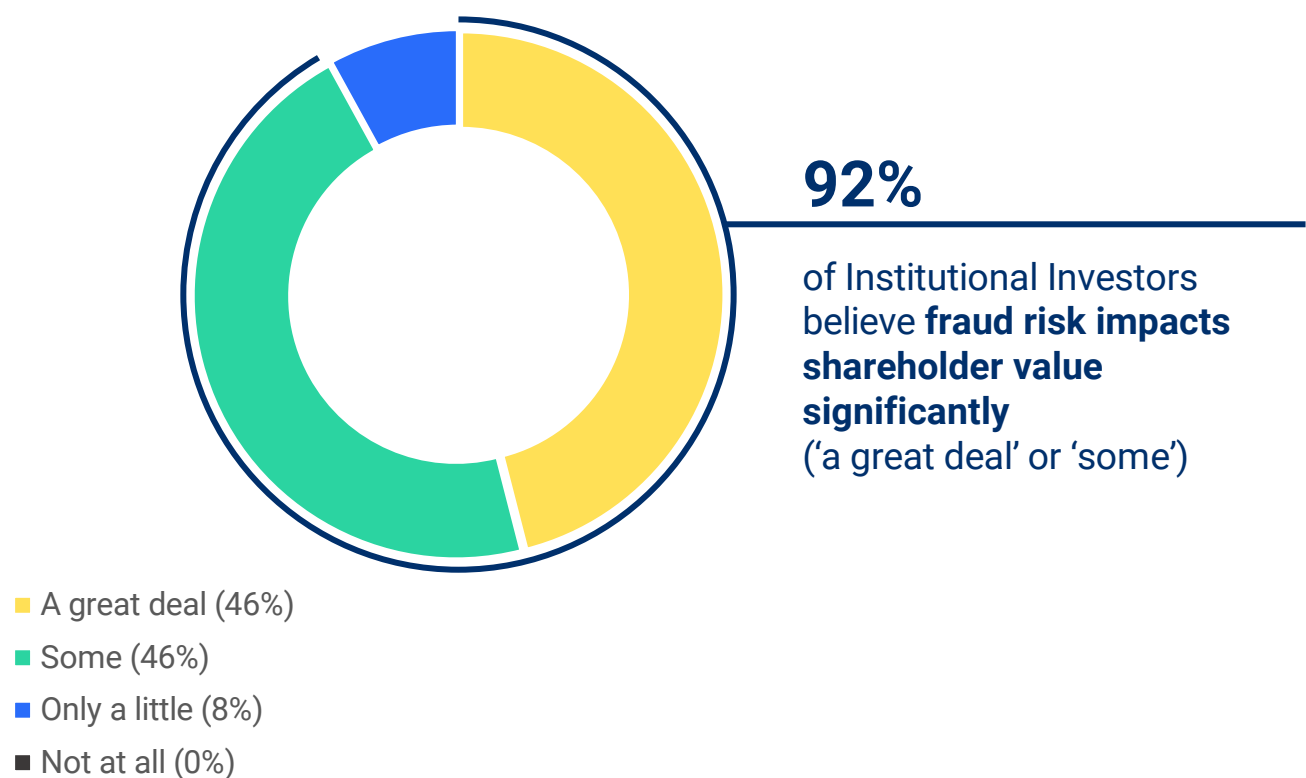
Change in Concern about Corporate Fraud (Last 5 Years)



Q22. How has the fraud landscape changed over the last 12 months for companies in the primary industry you invest in? (Not shown above: “Not sure,” <0.5%)
Q23. How has your concern about corporate fraud changed in the past five years? (Base: All respondents, n=309 Institutional Investors)

Nearly all Institutional Investors cite the significant impact of fraud risk on shareholder value, with nearly half saying it impacts it a great deal.

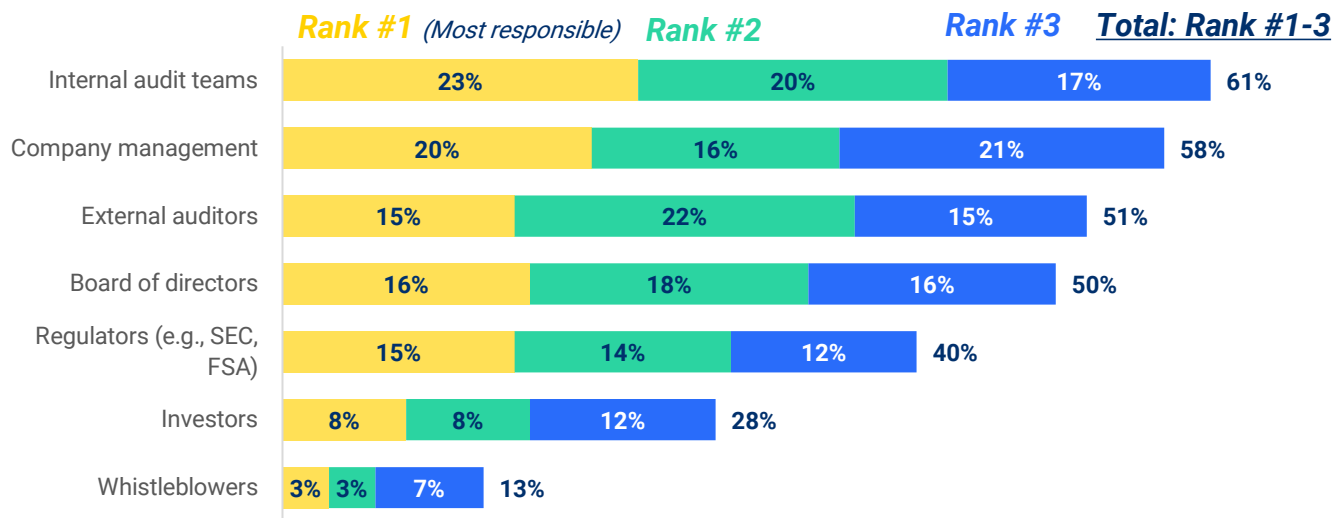
Perceived Impact of Fraud Risk on Shareholder Value



Q24. To what extent do you believe that fraud risk impacts shareholder value? (Base: All respondents, n=309 Institutional Investors)

Institutional Investors place the most responsibility on internal audit teams and company management for preventing and identifying fraud in companies.

Assignment of Primary Responsibility for Preventing and Detecting Fraud in Companies (Ranking in order of responsibility)



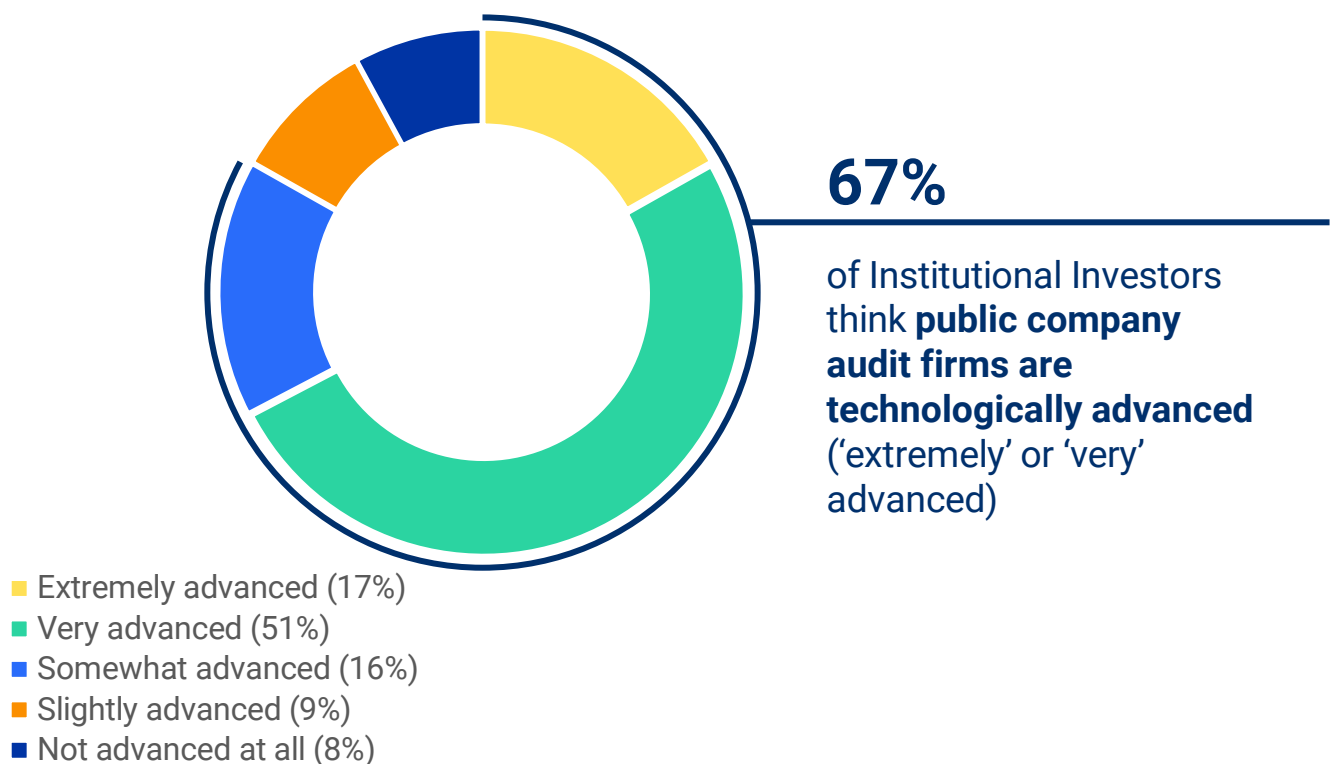
Q25. Who do you believe holds the primary responsibility for preventing and detecting fraud in companies? (Rank in order of responsibility) (Base: All respondents, n=309 Institutional Investors)

Technology and AI

Detailed Findings

Just over 2 in 3 Institutional Investors view public company audit firms as technologically advanced, while 1 in 3 cite less progress in this area.

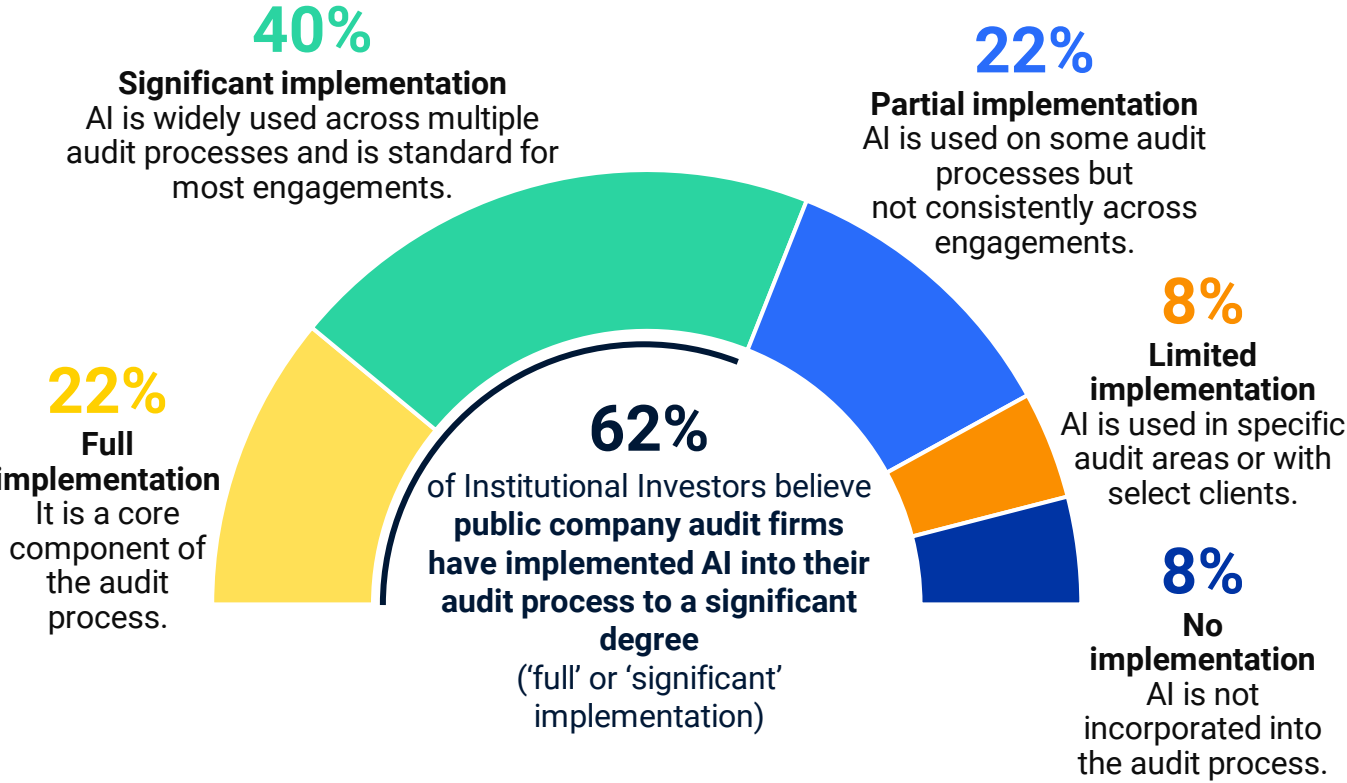
Perception of Public Company Audit Firms as Technologically Advanced



Q26. Overall, how technologically advanced do you think public company audit firms are? (Base: All respondents, n=309 Institutional Investors)

Nearly all Institutional Investors perceive at least some level of AI implementation among public company audit firms, with more than 6 in 10 saying it is to a significant extent.

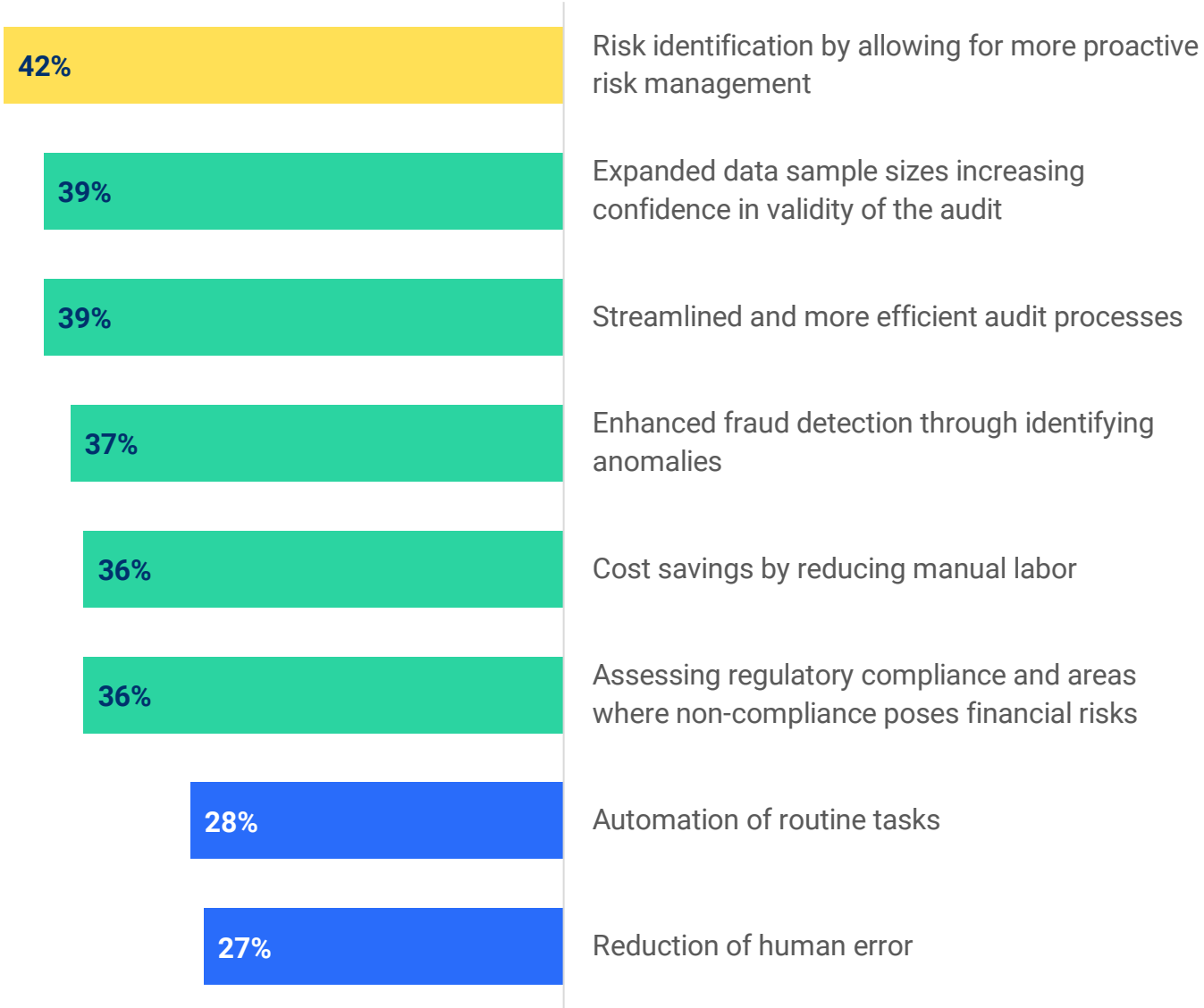
Perceived Integration of AI into the Audit Process of Public Company Audit Firms



Q27. To what degree do you think public company audit firms have implemented AI into their audit process?
(Base: All respondents, n=309 Institutional Investors)

Top advantages of AI integration in the audit process include risk identification, expanded data sample sizes, and efficiency.

Advantages of Integrating AI into the Audit Process (Multiple responses allowed, up to three)



Q28. What are the most important advantages in integrating AI into the audit process? Please select up to three. (Base: All respondents, n=309 Institutional Investors; "None of the above," <0.5%)

Perceived disadvantages of AI integration into the audit process highlight a lack of human oversight and insight, missed qualitative risk factors, and data security concerns.

Disadvantages of Integrating AI into the Audit Process (Multiple responses allowed, up to three)



Q29. What are the most important disadvantages in integrating AI into the audit process? Please select up to three. (Base: All respondents, n=309 Institutional Investors; "None of the above," 6%)

Appendix

Institutional Investors

Respondent Profile

Organization Type

Investment bank	21%
Commercial bank	20%
Retirement or pension fund	13%
Insurance company	12%
Mutual funds	9%
Real estate investment trusts	6%
Hedge fund	5%
Credit union	4%
Venture capital funds	3%
Foundation or endowment	1%
Multi-employer/Taft Hartley fund	1%
Family office	1%
Other investment management firm	3%

Company Assets

\$500 million to \$1 billion	30%
\$1 billion to \$5 billion	30%
\$5 billion to \$10 billion	27%
\$10 billion to \$50 billion	12%
\$50 billion or more	1%

Job Level

Owner	5%
Chief Financial Officer	19%
Chief Information Officer	3%
Treasurer	17%
Other C-Suite	10%
Vice President	17%
Director	29%

Years of Investment Experience

6 to 10 years	31%
11 to 15 years	46%
16 to 20 years	18%
Over 20 years	4%

Gender

Male	66%
Female	34%

Age

30 to 39	25%
40 to 49	55%
50 to 59	19%
60 or over	<0.5%

QS1. What type of organization/company do you work for?

QS6. Which of the following comes closest to your level in your company?

QS8. Which of the following represents the total assets your company has under management?

QS9. How many years of investment experience do you have?

QS11. What is your gender?

QS12. What age category are you? (Base: n=309 Institutional Investors)

Institutional Investors

Respondent Profile

Follow Info about Audit Process/ Regulations about Public Company Financial Statements

Extremely closely	48%
Very closely	49%
Somewhat closely	3%

Job Title (Investment Banking)

Credit Or Risk Analyst	36%
Chief Risk Officer	29%
Senior Banker	20%
ECM (Equity Capital Market)	8%
Ratings Advisor	3%
Sell Side Fixed Income Research	2%
Debt Capital Market Originator or Arranger	2%
Other	2%

Job Title (Insurance)

Risk Management	35%
Asset Management	32%
Compliance	11%
Product Development	11%
Data Science	5%
Underwriter	3%
Market Data	3%

Job Title (Commercial Banking)

Asset Management	34%
Investment Banking	24%
Risk Management	19%
Commercial Lending	12%
Compliance	5%
Data Science	4%
Market Data	1%

Job Title (Other Organizations)

Risk Management	27%
Investment Analyst (alternative asset class)	19%
Portfolio Manager	16%
Equity Analyst	14%
Credit Analyst	11%
Compliance	5%
Head of Fixed Income	4%
Data Science	3%
Head of Credit Research	2%

QS7. How closely do you follow information about the audit process and regulations related to public company financial statements? (Base: n=309 Institutional Investors)

QS2-4. Which of the following comes closest to your job title or description? (Base: n=66 investment banking, n=74 commercial banking, n=37 insurance, and n=132 other organizations)



www.thecaq.org

Please note that this publication is intended as general information and should not be relied on as being definitive or all-inclusive. As with all other CAQ resources, this publication is not authoritative, and readers are urged to refer to relevant rules and standards. If legal advice or other expert assistance is required, the services of a competent professional should be sought. 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.

We welcome your feedback!

Please send your comments or questions to hello@thecaq.org