



# The Center for Audit Quality Critical Audit Matters Survey

Research Findings | Q3 Survey

July 2024

# 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.

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# Objectives & Methodology

## OBJECTIVES

As part of the CAQ's efforts to engage a broader array of stakeholders who use company-prepared financial and non-financial information and serve as a prominent voice for the audit profession, KRC Research is conducting quarterly research to inform the research team on topics of interest related to what active institutional investors think about the audit process and assurance on other corporate reporting and other audit firm related matters.

- + The Q3 survey research is primarily designed to assess:
- + The use of CAMs in the investment decision making process;
- + Level of training or information investors received related to CAMs;
- + Satisfaction with CAMs; and
- + How CAMs could be improved.

## METHODOLOGY

The Q3 survey research was conducted online from July 9 – 22, 2024 among 100 U.S. institutional investors.

All qualified respondents were screened to ensure they are professional investors employed at companies with a minimum of \$500M in assets under management, have appropriate job titles, and serve at the Director level or higher with at least 5 years of experience.

## RELATED RESOURCES

### Prior CAQ Institutional Investor Surveys

- + [Research Findings | Q1 Survey](#), CAQ (February 2024)

### Additional Surveys

- + [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)
- + [The Center for Audit Quality Institutional Investor Survey](#), CAQ (April 2024)

Email [hello@thecaq.org](mailto:hello@thecaq.org) for questions about this publication and its findings.

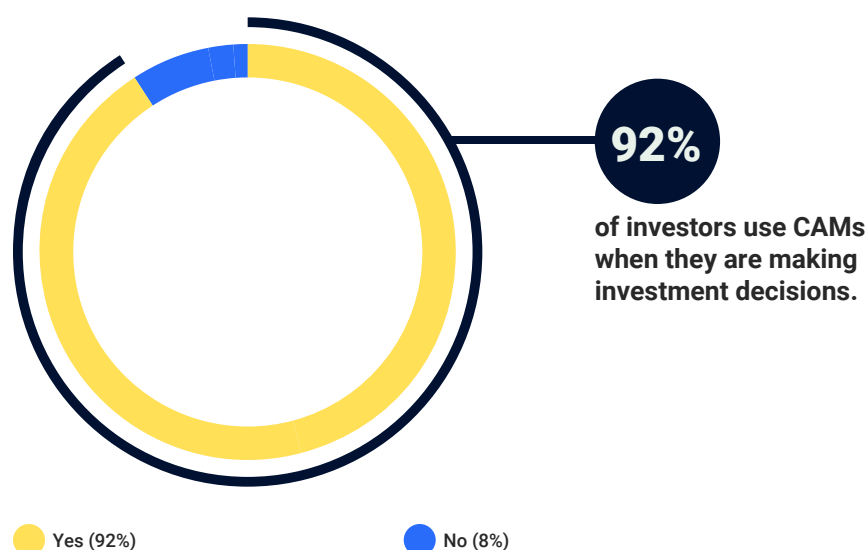
# Survey Findings

# Nine in ten investors say that they rely on Critical Audit Matters (CAM) when making investment decisions.

The following definition was shared with investors of a Critical Audit Matter [CAM] from the Public Company Accounting Oversight Board [PCAOB] Auditing Standard [AS] 3101, which went into effect for all audits of fiscal years ending on or after December 15, 2020:

Critical audit matter - Any matter arising from the audit of the financial statements that was communicated or required to be communicated to the audit committee and that: relates to accounts or disclosures that are material to the financial statements and involved especially challenging, subjective, or complex auditor judgment.

## DO YOU USE CAMs IN YOUR INVESTMENT DECISION-MAKING PROCESS?



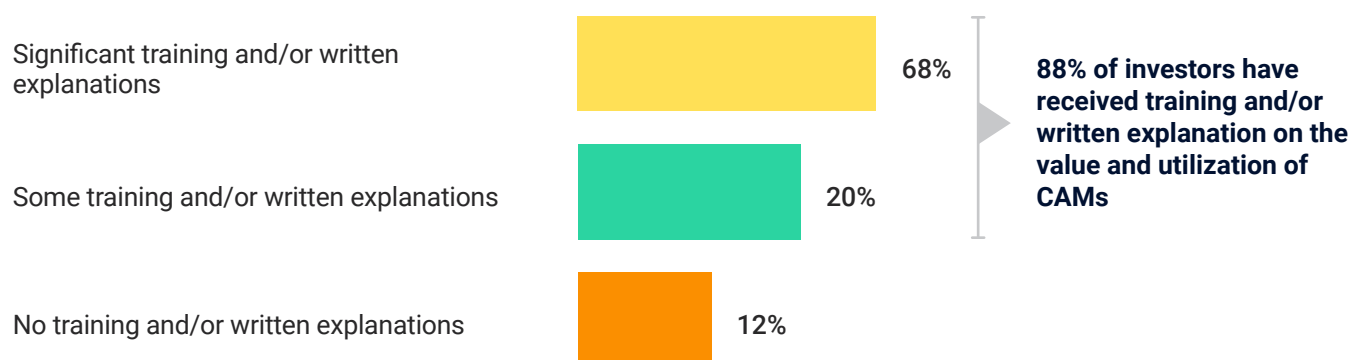
Specific Example CAMs that Impacted an Investment Decision*	%
Valuation of Assets / Goodwill Appraisal / Intangible Assets Eval.	22%
Financial Statement / Occurrence of Financial Misstatements	21%
Revenue Recognition	18%
Compliance Issues / Fraud	14%
Management Estimates / Management Judgment	12%

\*Only showing results with at least 10% responses

Q1a. Please provide a specific example of a Critical Audit Matter that impacted your investment decision. Please be specific. (Base: Investors using CAM in their decision-making process, n=92)

# Most investors have received training on the utility of CAMs in investment decision-making.

## LEVEL OF TRAINING REGARDING CAM UTILIZATION



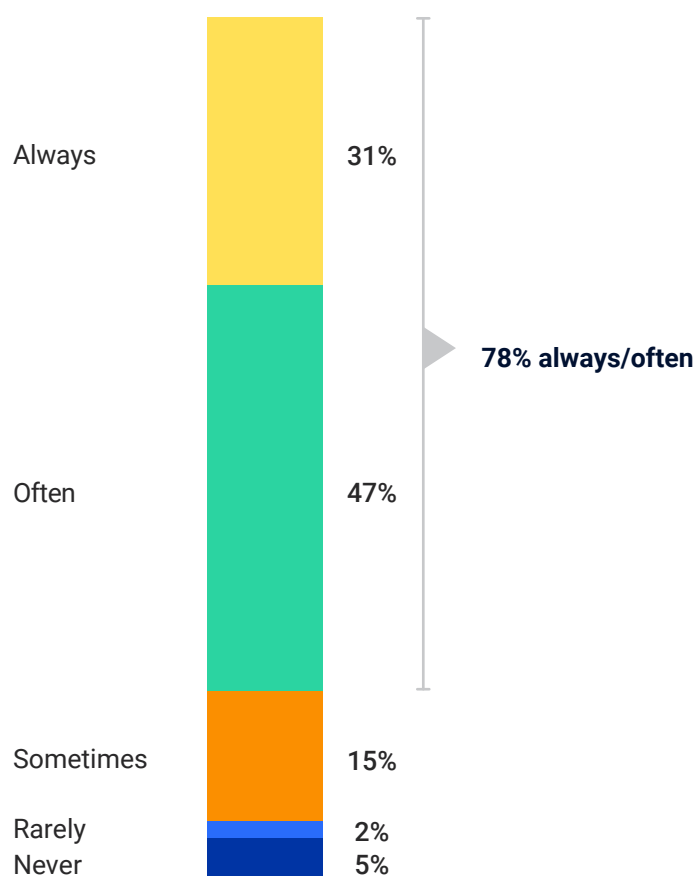
Where and/or from who did you receive training on CAMs?*	%
Seminar / Webinar / Conference	27%
University Courses / Online Courses	25%
Financial Experts / AICPA / Auditing Experts	24%
At Work / Company-Provided / In-House	24%
Written Material / Reports / Journals	22%

\*Only showing results with at least 10% responses

Q2. To what extent have you received training and/or written explanations regarding the utility and value of CAMs in investment decision-making? (Base: All respondents, n=100) / Q3. Where did you receive training or written explanations regarding the utility and value of CAMs? Please be as specific as possible. (Base: Investors who have received training, n=88)

# Nearly all investors read the CAMs section in 10-Ks, and nearly eight in ten do so often.

HOW OFTEN DO YOU READ THE CAMs SECTION IN THE AUDITOR'S REPORT OF THE 10-K OF COMPANIES YOU INVEST IN OR ARE RESEARCHING?



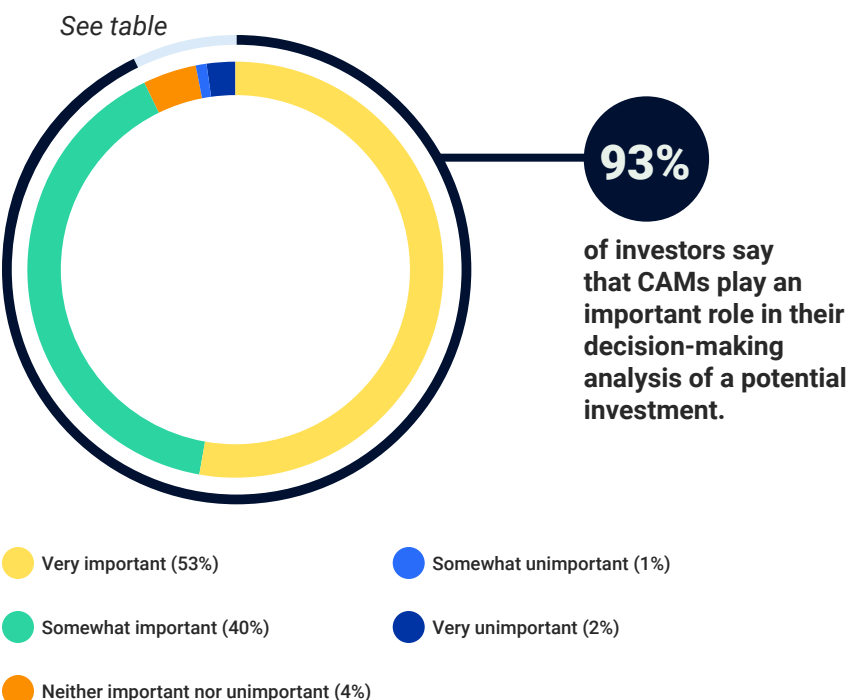
\*Only showing data points greater than 5%

Q4. How often do you read the CAMs section in the auditor's report of the 10-K of companies you invest in or are researching? (Base: All respondents, n=100)



# Nine in ten investors say that CAMs play an important role in their analysis of a potential investment.

## HOW IMPORTANT ARE CAMs TO YOUR INVESTMENT ANALYSIS?



## THE MINORITY OF INVESTORS WHO SAY CAMs ARE NOT AN IMPORTANT PART OF THEIR ANALYSIS CITE SEVERAL REASONS:

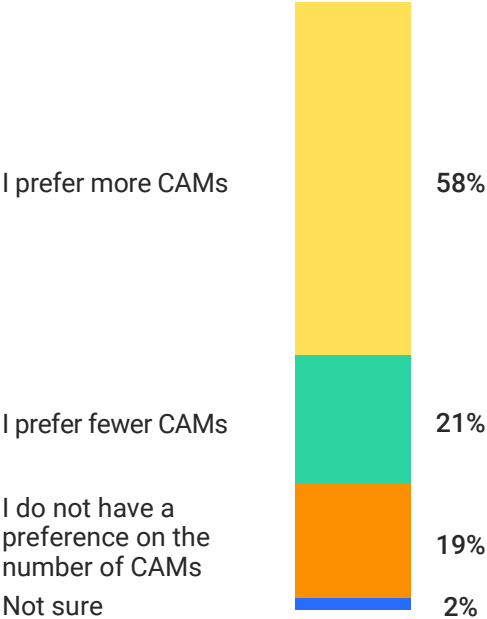
What are the reasons that CAMs do not play a significant role in your investment decision-making process?	Number of Investors
The information is overly standardized	4
It is relevant only to a subset of financial statement accounts/areas	3
The portfolio I manage does not have an investment policy on utilizing CAMs	2
Not enough information about connection between CAMs and how they can be used to value/price an investment opportunity	1
Other	1

Q5. When you consider all of the sources of information available to you for investment decision-making, what role do CAMs play in your analysis? (Base: All respondents, n=100) / Q6. What are the reasons that CAMs do not play a significant role in your investment decision-making process? Please select all that apply. (Base: Investors who say CAMs are not important, n=7)

# Over half of investors say that they prefer to see more CAMs in an auditor’s report to inform their decisions, but that industry/market conditions also play a role.



## PREFERRED NUMBER OF CAMs IN AUDITOR’S REPORT



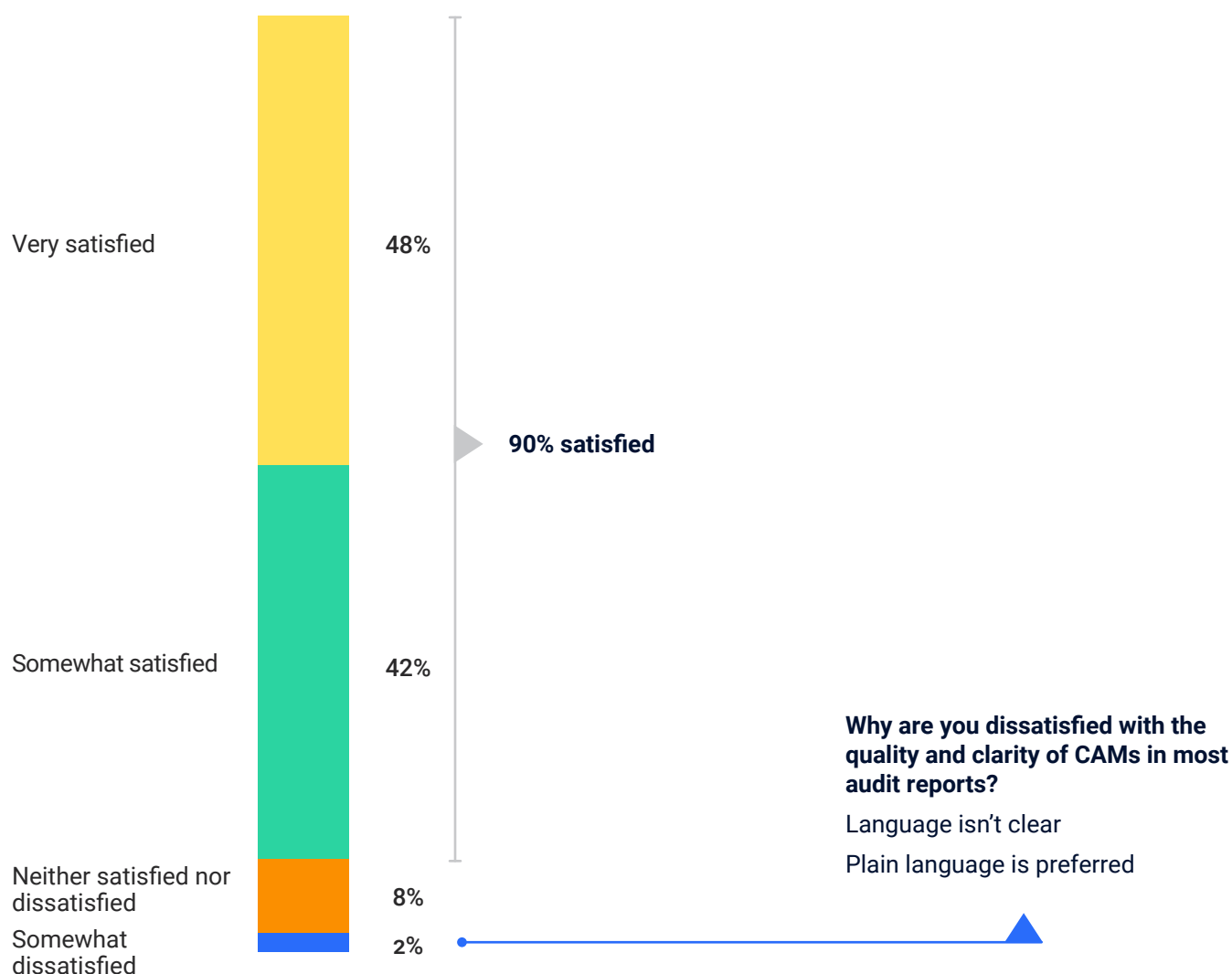
Expected Number of CAMs in Auditor’s Report	Total %
None	3%
One	7%
Two	28%
Three	23%
More than three	13%
It varies by industry/market conditions	21%
No preference/expectation	5%

\*Only showing data points greater than 5%  
Q4. How often do you read the CAMs section in the auditor’s report of the 10-K of companies you invest in or are researching? (Base: All respondents, n=100)

# Nine in ten investors state satisfaction with the quality and clarity of CAMs in audit reports, and only 2% express dissatisfaction.



## SATISFACTION OF CAMs IN AUDIT REPORTS

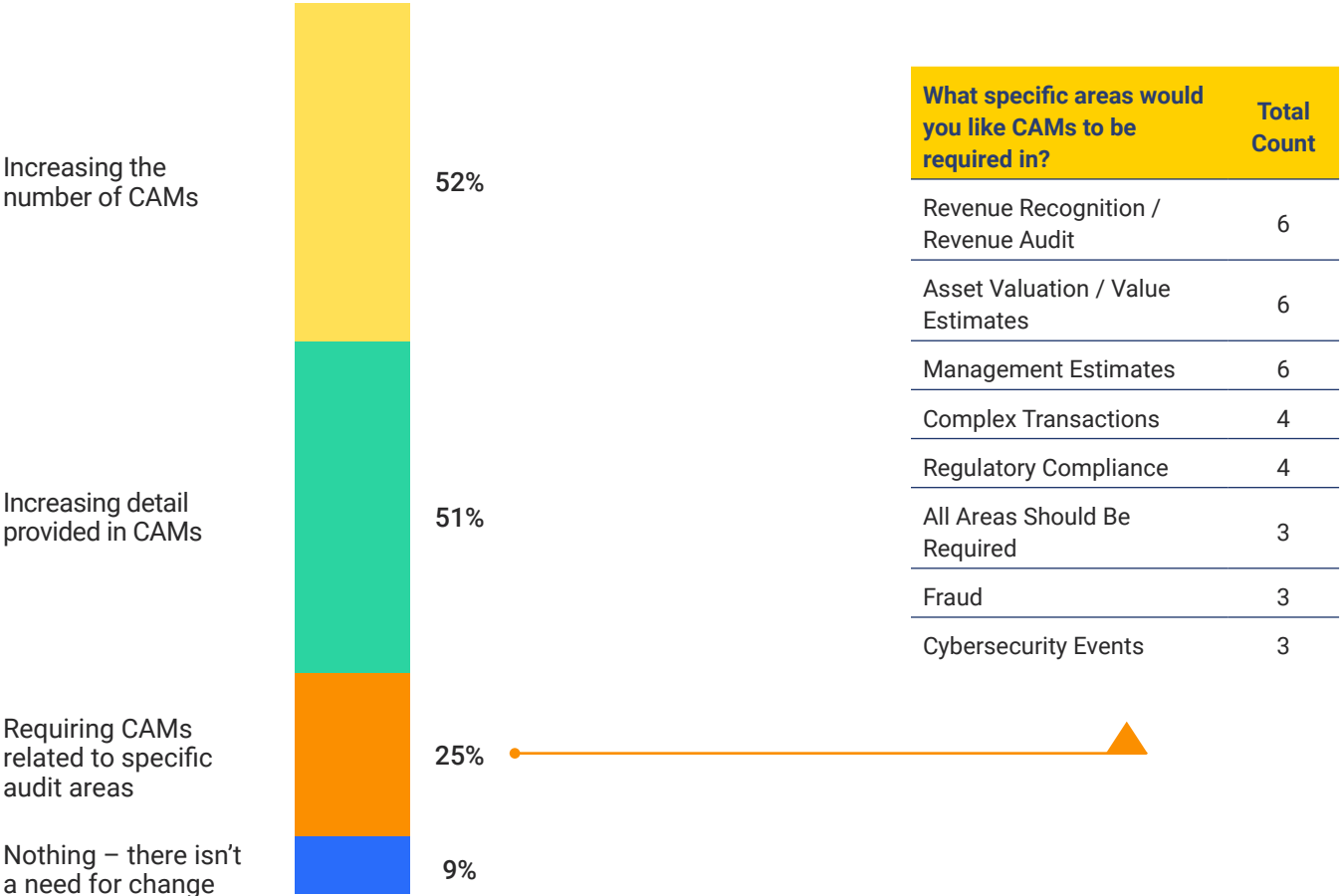


\*Only showing values greater than 2%

Q9. How satisfied are you in general with the quality and clarity of the CAMs disclosed in most audit reports? (Base: All respondents, n=100) / Q10. Why are you dissatisfied with the quality and clarity of CAMs in most audit reports? Please be as specific as possible. (Base: Investors dissatisfied with CAMs, n=2)

# Half of investors say that either increasing the number of CAMs or increasing the detail provided in CAMs would be beneficial for their investment decisions.

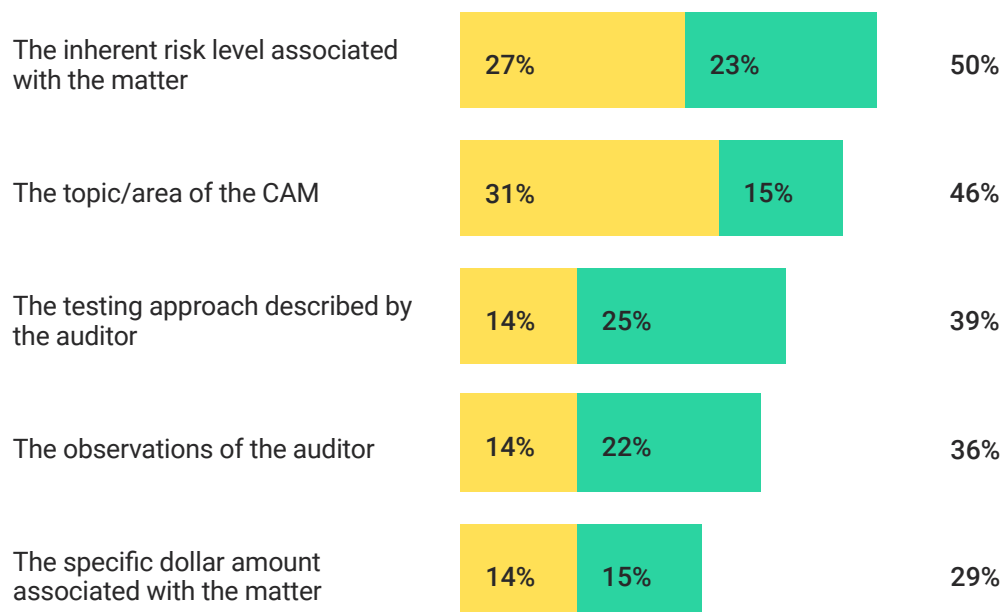
## BENEFICIAL CHANGES TO CAMs



\*Only showing responses with at least 10% response rate  
Q11. Based on your experience with CAMs, are there changes that would be beneficial for your investment decisions? Please choose all that apply. (Base: All respondents, n=100) / Q12. What specific audit area(s) would you like CAMs to be required in? Please be as specific as possible. (Base: Investors requesting CAMs related to specific audit areas, n=25)

# Investors are most interested in the risk associated with the CAM and the topic of the CAM.

## WHAT CAM-RELATED INFORMATION IS OR WOULD BE MOST IMPORTANT TO YOUR INVESTMENT DECISIONS? RANKED TOP 2



Q13. Of the following options, which information related to CAMs do/would you find most important to your investment decisions? Please rank them from most to least important. (Base: All respondents, n=100)

# Is there any other information related to CAMs you would find important to your investment decisions?



	Total Count
Financial Impact / Effect on Future Earnings / Reliability of Reports	16
Risk Profile / Understanding & Pinpointing Risks	10
Origins of CAMs / What Qualifies as a CAM / How Auditor Identified CAMs	9
Management Response & Reactions	4



Their significant and estimated judgments.



It is important to know how management reacted to CAMs and how risk assessment changed as a result that help us to make smart business choices.



Historical accuracy and outcomes of previous CAMs.



Monitoring changes in CAMs over time can highlight evolving financial and operational risks.



I find audit transparency critical to assessing a company's financial health. CAMs can reveal the most complex or judgmental areas of an audit, which helps me identify potential risk points, such as over-reliance on a single client or the use of complex financial instruments.



Evaluating how auditors navigate CAMs ensures they maintain independence and provide unbiased assessments of financial statement reliability.



CAMs potential impact on future earnings and financial stability.



In my opinion, the information about corporate material supply chains and risk management-related information in CAMS have a significant impact on investment decisions.



The auditor's rationale behind identifying specific CAMs as this provides insight into the areas of highest risk and complexity within the financial statements.



Understanding the regulatory environment around CAMs can anticipate future reporting requirements and compliance impacts.

\*Only showing responses with at least 10% response rate

Q14. Is there any other information related to CAMS you would find important to your investment decisions? Please be as specific as possible. (Base: Additional information provided by investors, n=31)

# Appendix

# Survey Respondent Profile

## Job Level

C-Suite/President/Partner	29%
Senior Vice President	22%
Vice President	23%
Senior Director	26%

## Investment Experience

6 – 10 years	32%
11 – 15 years	39%
16 – 20 years	19%
Over 20 years	10%

## Age

Under 30 years old	-
30-39	36%
40-49	48%
50-59	14%
60+	2%

## Gender

Male	60%
Female	40%

## Assets Managed

\$500mil to less than \$1bil	11%
\$1bil to less than \$5bil	27%
\$5bil to less than \$10bil	28%
\$10bil to less than \$50bil	23%
\$50bil or more	11%

## Focus of Investment Portfolio

Large Acceleration Filers (LAF)	16%
Accelerated Filers (AF)	5%
Both Large Accelerated Filers and Accelerated Filers	70%
Do not primarily invest in these types of companies	6%
Not sure	3%

## Job Description

### Commercial Banking

Investment Banking	35%
Commercial Lending	23%
Asset Management	23%
Product Development	12%
Compliance	4%
Data Science	4%

### Investment Banking

Chief Risk Officer	80%
Senior Banker	7%
Credit or Risk Analyst	3%
Librarian	3%
Debt Capital Market Originator/Arranger	3%
ECM	3%

## Company Representation

Investment Bank	30%
Commercial Bank	24%
Credit Union	2%
Insurance Company	26%
Venture Capital Funds	-
Mutual Funds	9%
Other Investment Mgmt. Firm	2%
Foundation or Endowment	-
Family office	3%

### Insurance

Risk Management	38%
Asset Management	35%
Underwriter	12%
Actuary	8%
Compliance	4%
Product Development	4%

### Other Types of Roles

Portfolio Manager	44%
Data Science	33%
Credit Analyst	6%
Investment Analyst	6%
Client Reporting Operation	6%
Other	6%

S6. Which of the following comes closest to your level in your company? / S7. Which of the following represents the total assets your company has under management? / S8. Which of the following does your investment portfolio focus on? / S9. How many years of investment experience do you have? / S11. What is your gender? / S12. What age category are you? (Base: All respondents, n=100)



# CAQ

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**We welcome  
your feedback!**

Please send your comments or  
questions to [hello@thecaq.org](mailto:hello@thecaq.org)