

Audit Committee Priorities for 2026



For audit committees (ACs), regulatory upheaval, economic shockwaves, and the pace of technological breakthroughs are converging to test the limits of board oversight. The current environment also means that yesterday's playbook may no longer suffice in addressing these headwinds. These shifts present both challenges and opportunities, requiring ACs to refine their oversight, ask sharper questions of management, auditors, and other stakeholders, and clarify their roles within the board.

This publication delivers the essential priorities and actionable strategies ACs need in 2026 to not only survive, but lead — strengthening governance, elevating financial reporting, and building the agility to thrive in a landscape where uncertainty is the only constant. Read on to discover what's at stake, what's changing, and how ACs can drive their organizations' success in the year ahead.

Audit Committee Priorities for 2026



**Reinforce Agility
in a Dynamic
Geopolitical Landscape**



**Maintain Focus
on Evolving Financial
Reporting and
Disclosure Complexity**



**Strengthen Oversight
of Enterprise Risk
Management**



**Build Enterprise
Technology Fluency**



**Revisit
Risk Oversight Related
to Transactions
and Fraud**



Reinforce Agility in a Dynamic Geopolitical Landscape

We are navigating a complex environment shaped by evolving **regulation**, evolving **tariff** regimes, and dynamic **geopolitical tensions**. With the U.S. government re-opening* in mid-November 2025, ACs are strongly encouraged to monitor regulatory activities of the SEC, PCAOB, and the activities of broader governmental agencies in both the U.S. and globally that will impact corporate decision-making. They should also evaluate whether their companies' finance functions are prepared for potential regulatory changes and actively engage management in scenario planning to anticipate and address possible impacts.

***Note to reader:** The fourth quarter of 2025 has been significantly impacted by the U.S. governmental shutdown that lasted for six weeks, preventing significant standard setting and rulemaking from occurring, along with other critical decisions from being made. This is a forward-looking perspective on what we expect to occur, once the government is back to full functionality.

Adapting to Regulatory Shifts: Ensuring Compliance and Strategic Resilience

The SEC's current priorities, as evidenced by the [Spring 2025 Regulatory Agenda](#), reflect a deliberate shift toward capital formation. This approach is accompanied by efforts to reduce compliance burdens, including simplifying the determination of filer status, update exempt offering pathways, and expand accommodations for emerging growth companies. See [BDO's 2025 SEC Reporting Insights](#) for more information.

Meanwhile, the future leadership of the PCAOB remains uncertain, and recent legislative attempts to integrate its functions into the SEC have faced dissent. The SEC has called for solicitation of candidates for a new PCAOB board (all five board positions, including the chair), as well as revisions to the PCAOB's proposed budget. In the meantime, the PCAOB board has deferred the effective date of its auditor quality control standard ([QC 1000](#)) until December 15, 2026, to provide audit firms adequate time to prepare.

Facilitating Capital Access: Supporting Organizational Growth and Innovation

The SEC is pursuing reforms to reduce compliance burdens and, together with notable [proponents](#), are exploring ways to expand access to capital markets for private businesses and smaller public companies. Key initiatives in the SEC Spring Regulatory Agenda mentioned above further include exploring broader retail investor access to private markets. These efforts reflect a shift intended to foster innovation, economic growth, and capital formation across public and private sectors. ACs should remain apprised of how SEC actions may impact reporting and disclosure with the anticipating strategies for attracting investors, a topic likely to be raised by the full board.

Navigating Tariff Changes: Mitigating Financial and Operational Risks

This somewhat anticipated recalibration coincides with heightened global volatility. [Tariff](#) actions, both proactive and retaliatory, have impacted the U.S. and its trading partners, requiring increased planning and [compliance](#) and reshaping supply chains. ACs are advised to discuss with management how they are reassessing sourcing strategies, managing new cash flow pressures, reacting to ever-changing duty rates, and evaluating the [financial reporting implications of tariff](#) liabilities, while considering [global tax reform](#). See BDO's [2025 BDO Tax Strategist Survey](#) for more information.

Responding to Economic Headwinds: Aligning Interest Rate Strategy With Employment and Growth Goals

As of early November 2025, the Federal Reserve has implemented two consecutive rate cuts, bringing the federal funds target range down to [3.75% – 4%](#), its lowest level since late 2022. These moves reflect growing concerns about economic momentum and labor market softness, with policymakers signaling uncertainty about further cuts in December. While layoffs loom on the horizon, hiring trends remain muted, suggesting a cautious outlook for workforce stability. ACs should factor these dynamics into oversight of financial planning; investment and liquidity management; capital and technology (including the human aspects of innovation); and risk assessments tied to interest rate sensitivity and labor costs (e.g., headcount, compensation, and benefits).



Maintain Focus on Evolving Financial Reporting and Disclosure Complexity

Accounting and disclosures are facing unprecedented complexity, driven by economic volatility, evolving regulations, and emerging risks and opportunities. ACs must stay informed on developments that have material impacts on their organizations and be prepared to adapt oversight practices to ensure resilience and transparency in this unpredictable environment.

Managing Forecasting Uncertainty: Enhancing Accuracy in Forecasts, Estimates and Judgments

Financial reporting is becoming more intricate as economic uncertainty clouds forecasting and valuation, and ACs need to maintain a healthy skepticism — especially estimates and scenario planning.

The recent [2025 BDO Board Survey](#) indicated only 47% of directors surveyed rated management's forecasting effectiveness as "highly effective;" while 13% deemed it ineffective, leaving a great deal of room for improvement. And while directors ranked unpredictability in financial forecasting among the top risks requiring board attention, only 50% rated the board's challenging of management's judgments and estimates as effective.

The PCAOB's [Audit Focus on Accounting Estimates](#) notes both common deficiencies and good practices that ACs may reference and leverage in their oversight of both management and the external auditor. These recommendations include challenging not just the assumptions used, but methods or alternate approaches employed, and sensitivity analyses conducted around judgments and estimates.

Sample questions ACs should be asking:

- ▶ How do we maintain healthy skepticism toward management's forecasts and scenario planning?
- ▶ What processes are in place to challenge key assumptions and methodologies in financial reporting, especially under uncertainty?
- ▶ How do sensitivity analyses inform our understanding of potential macroeconomic impacts on critical estimates?
- ▶ How effective are management's forecasting processes, and where can improvements be made?
- ▶ How do we benchmark our practices against external resources and current leading practices?
- ▶ How do we monitor our effectiveness in challenging judgments and estimates?

Cryptocurrency

The current SEC leadership has prioritized cryptocurrency regulation, evidenced by:

- ▶ Developing a comprehensive regulatory framework for [accounting for cryptocurrencies](#), including disclosure requirements.
- ▶ Forming a Crypto Task Force.
- ▶ Issuing [Staff Accounting Bulletin \(SAB\) No. 122](#) — which rescinds previous guidance on accounting for safeguarding crypto assets.
- ▶ Releasing guidance clarifying the application of certain federal securities laws to offerings and registrations of crypto asset securities.

The U.S. Congress is simultaneously enacting rulemaking of its own:

- ▶ The Guiding and Establishing National Innovation for U.S. Stablecoins Act ("[GENIUS Act](#)"), signed by President Trump in July 2025, establishes a federal regulatory framework for stablecoins in the U.S.
- ▶ The [Digital Asset Market Clarity Act \(CLARITY Act\)](#), under consideration by the Senate at the time of this writing, proposes a comprehensive regulatory framework including agencies' roles, registration requirements, and more.

Promoting Disclosure Transparency: Building Stakeholder Trust

While the SEC prioritizes streamlined disclosure practices, companies continue to balance transparency with legal, competitive, and evolving risks. Attendees of the SEC's recent [compensation disclosure roundtables](#), appear supportive of simplified and/or more meaningful disclosures. Recently issued Compliance and Disclosure Interpretations ([C&DIs](#)) clarified the scope and nature of shareholder activities that "influence control of the issuer," which are anticipated to significantly impact how investors are able to engage with public companies. This makes formal company disclosures even more important, as the recent clarification may limit other methods of shareholder outreach and engagement. Disclosures should clearly communicate the company's story while addressing evolving investor expectations concerning transparency in decisions. ACs are urged to remain apprised of disclosure reminders, oversee completeness of evolving risk factors, and discuss areas for improvement within the disclosure process. See [BDO's 2025 SEC Reporting Insights](#) for further information.

Sample questions ACs should be asking:

- ▶ Are our disclosure controls and procedures robust enough to ensure accuracy, completeness, and compliance with current and evolving SEC requirements and shareholder demands?
- ▶ Do our disclosures strike the right balance between transparency and managing legal, competitive, and emerging risk factors, such as supply chain volatility, interest rate shifts, and broadly impactful geopolitical issues?
- ▶ How are we staying current on regulatory changes, reminders, and competitive trends addressing key areas like enterprise risk management (ERM), technological advancements, shifting cybersecurity landscape, segment reporting requirements, and evolving jurisdictional income taxation in ways that are compliance and meet investor expectations?
- ▶ How prepared are we for scrutiny of and potential changes to reporting of ESG metrics and non-GAAP measures, and related disclosure controls?
- ▶ Are we actively providing our thoughts on initiatives (i.e., engaging in comment letter processes, roundtable discussions, etc.) to simplify reporting and influence future regulations?

Leveraging Generative AI in Financial Analysis: Enhancing Insight and Oversight

As generative artificial intelligence reshapes how the communication of financial data is analyzed, boards must reassess how disclosures are interpreted by both humans and machines, including both supervised and unsupervised models. This dual audience will reshape how communication is crafted. Generative AI tools increasingly perform sentiment analysis, keyword tracking, anomaly detection, and ESG risk mapping — functions that influence investor perception and regulatory scrutiny. Boards are urged to enhance their collective digital literacy and adopt [oversight frameworks](#) that address generative AI's dual role in innovation and risk exposure. Boards should evaluate if and how company reporting is optimized for AI-driven analysis and aligned with emerging regulatory standards and stakeholder expectations.

Re-evaluating Reporting Frequency: Balancing Efficiency and Transparency

SEC Chairman Paul Atkins has cited the notable decline of public companies in the past several years as part of his agenda to increase access to capital markets in the U.S. In response to a request from President Trump in September 2025, the SEC is considering a future proposal to allow public companies to opt for semiannual reporting, rather than the current quarterly reporting structure, further addressing compliance burdens. The SEC previously requested public comments on quarterly reporting in 2018, in response to remarks made by President Trump during his last administration. No changes were proposed or made as a result of that process; however, Chairman Atkins has stated that the SEC will prioritize a proposal related to quarterly reporting requirements [and that he anticipates the proposal will give companies the option to report semi-annually or quarterly, letting the market dictate reporting]. While market efficiency is often cited as a driver, the [CFA Institute's study](#) of the UK's 2014 rollback to semiannual reporting for its listed public entities found no increase in capital investment and a decline in analyst forecast accuracy.

Proponents of semiannual reporting argue that reduced reporting frequency lowers compliance costs and also enables executives to focus on long-term strategy, curbing short-term volatility. However, critics warn of diminished transparency, weakened investor confidence, and higher capital costs. Additionally, many stakeholders (e.g., lenders and others) are accustomed to, expect, and still require quarterly data, which may continue to require quarterly audit procedures. ACs should engage in this evolving dialogue to understand impacts to their stakeholders, their company, and participate in comment periods to help shape emerging guidance in this area.



Keeping a Pulse on Sustainability Reporting

The U.S. federal government has deprioritized expanded ESG and sustainability reporting. However, ACs of companies operating in California and those with global supply chains, especially in the EU, face a rapidly evolving regulatory landscape. This impacts oversight of accounting, reporting, and disclosure practices.

Companies that operate in jurisdictions where sustainability reporting continues to evolve and for which ESG risks may have significant impacts on the companies and/or the communities in which they operate (with respect to double materiality considerations), are encouraged to closely monitor evolving developments. For ACs, these developments heighten the need for robust ESG governance, rigorous internal controls over sustainability data, and close coordination with auditors to meet assurance obligations.

Climate risks are increasingly material to financial statements, insurance coverage, affecting valuations, impairments, provisions, and risk management strategies. Committees must also monitor the interoperability of sustainability reporting with U.S. GAAP and ensure that governance frameworks address both regulatory scrutiny and stakeholder expectations. As sustainability regulations become more complex and far-reaching, proactive oversight is essential to mitigate reputational, litigation, and insurance-related risks in this dynamic environment.

Examples of a few key regulatory drivers to be watching include the following and ACs are advised to pay close attention to how these regulations progress:

- ▶ **U.S. State-Level:** [California Climate Accountability Package \(SB 253 & SB 261\)](#)
- ▶ [EU Corporate Sustainability Reporting Directive \(CSRD\)](#)
- ▶ [EU Corporate Sustainability Due Diligence Directive \(CSDDD\)](#)
- ▶ [EU Deforestation Regulation \(EUDR\)](#)
- ▶ [EU Omnibus Proposal](#)

Note: This is not an all inclusive list.

ACs and boards should ensure management is monitoring cross-border regulations and compliance requirements in all jurisdictions where their organizations operate, sell goods and services, or participate in cross-border supply chains. This should include conducting various impact scenarios as regulations are finalized. These activities should also contemplate potential [supply chain](#) challenges in addition to compliance efforts. See BDO's [Sustainability Services and Solutions Center of Excellence](#) for more information.



Strengthen Oversight of Enterprise Risk Management

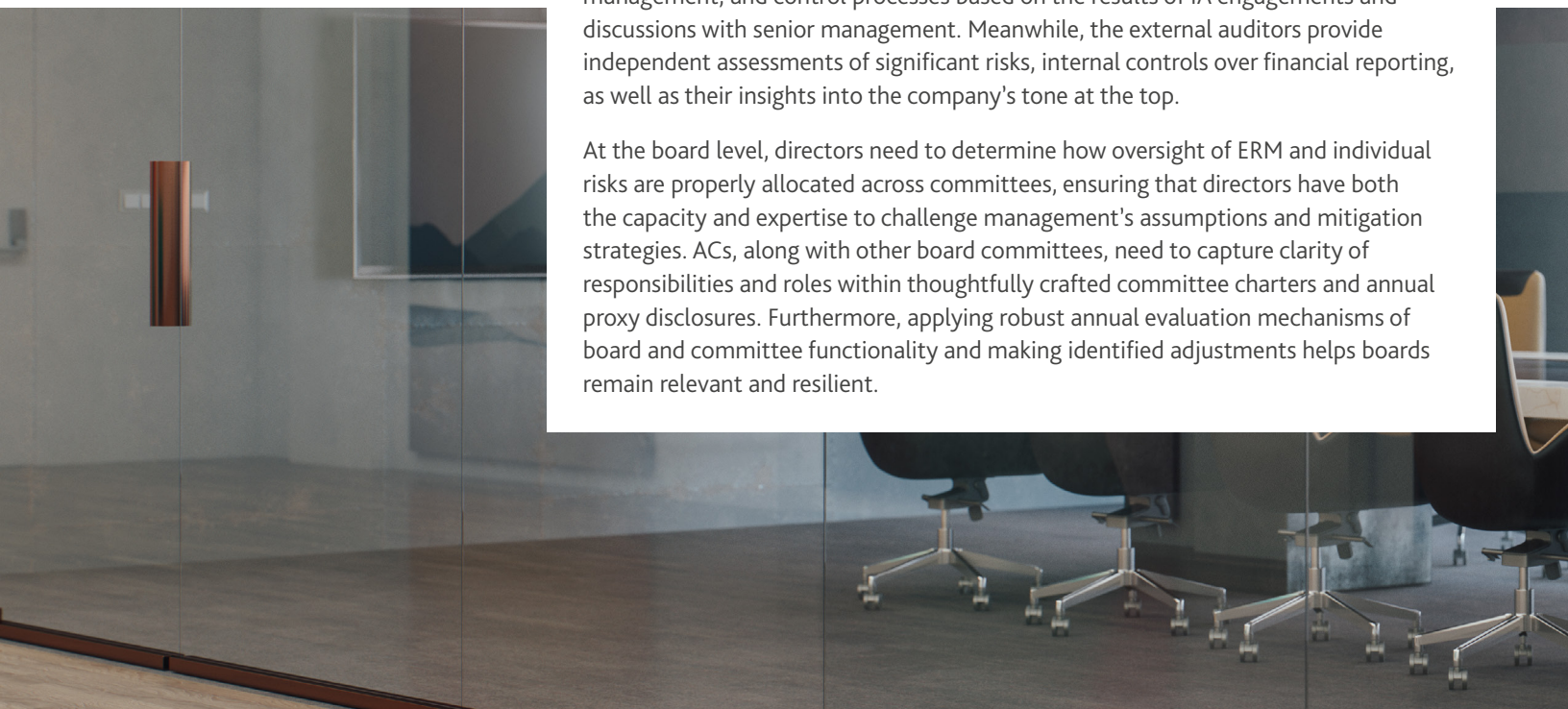
The oversight of enterprise risk management (ERM) is not confined to financial reporting. ACs can strengthen governance by regularly evaluating committee composition, structure, and effectiveness needs while clarifying roles, refining ERM frameworks, and fostering collaboration across committees. With rising threats from cybersecurity to fraud, boards need sharper focus on risk tolerance, crisis readiness, and management's effectiveness in identifying and mitigating emerging risks.

Strengthening Risk Oversight: Building Board Resilience

As boards navigate a rapidly evolving risk environment, the AC responsibilities continue to extend beyond financial reporting. The fourth edition of the Center for Audit Quality's [Audit Committee Practices Report](#) identified enterprise risk as a top priority for ACs. Yet, the [BDO 2025 Board Survey](#) reveals a sobering reality: Only 41% of directors believe their boards are highly effective at establishing risk tolerance and appetite, including fraud risk. Equally concerning, just 41% rate their management teams as highly effective in risk identification and mitigation. These figures underscore the need for boards to reassess their ERM frameworks not only for relevancy and functionality, but also for clarity in roles and responsibilities. This includes establishing a system to evaluate the effectiveness of the entire ERM framework, from the boardroom's understanding of the company's risk landscape to management's ability to identify, evaluate, and mitigate risk throughout the organization.

The AC strengthens its oversight of risk further by leveraging internal and external resources. The internal audit (IA) function, in accordance with Institution of Internal Auditors [Global Internal Audit Standards](#), is expected to provide the AC with an objective understanding of the effectiveness of the organization's governing, risk management, and control processes based on the results of IA engagements and discussions with senior management. Meanwhile, the external auditors provide independent assessments of significant risks, internal controls over financial reporting, as well as their insights into the company's tone at the top.

At the board level, directors need to determine how oversight of ERM and individual risks are properly allocated across committees, ensuring that directors have both the capacity and expertise to challenge management's assumptions and mitigation strategies. ACs, along with other board committees, need to capture clarity of responsibilities and roles within thoughtfully crafted committee charters and annual proxy disclosures. Furthermore, applying robust annual evaluation mechanisms of board and committee functionality and making identified adjustments helps boards remain relevant and resilient.



Audit Committee-Centric ERM Oversight: Ensuring Effective Governance

The [2025 BDO 600 Board Compensation Survey](#) reveals that only 10% of mid-market companies — those with revenues between \$100 million and \$4.5 billion and/or assets between \$100 million and \$8 billion — maintain a dedicated risk committee. As a result, responsibility for ERM often rests solely with the AC or the full board. When a company assigns ERM oversight exclusively to the AC, it is critical to be mindful of the need for robust and effective governance, as risk oversight directly impacts all aspects of the business.

Sample questions ACs should be asking:

- ▶ **Clear Definition of Roles and Responsibilities:** Has the AC clearly communicated and documented its oversight duties, distinguishing between broad ERM oversight and the monitoring of specific risks?
- ▶ **Deliberate Coordination of Risks:** Have identified risks been allocated to the most appropriate committees along with a mechanism for committee chairs to update one another when committee activities may have overlapping impact on identified risks to prevent gaps in oversight and avoid operating in silos?
- ▶ **Engagement with the Board:** Does the AC actively engage the full board to refine risk identification, tolerance, and prioritization — including risks that may fall just below materiality thresholds?
- ▶ **Strategic Collaboration:** Does the AC work collaboratively with the Nominating and Governance Committee to help inform and align risk assignments with AC member strengths and committee capacity, enabling the AC to effectively challenge management and anticipate emerging threats?

By remaining vigilant and proactive, ACs entrusted with sole ERM oversight can enhance governance effectiveness and help ensure that risk management is comprehensive, coordinated, and responsive to the evolving risk landscape.

See [BDO's Questions Every Board Should Ask About Risk Management](#) for more information.

Scenario planning is a cornerstone of holistic and effective ERM. Mitigation strategies should encompass [crisis management](#) protocols and areas boards have identified as a weakness at the board and management levels. Additionally, internal and external audit functions serve as critical checks and balances in this process, reinforcing the integrity of risk oversight.

The 2025 BDO Board Survey highlights several key points regarding how directors view crisis preparation:

- ▶ **Just 28%** feel their boards are highly effective in crisis preparation.
- ▶ **Just 28%** feel their management teams are highly effective in crisis preparation.
- ▶ **Just 22%** anticipate seeking external assistance with crisis preparation.

Swift and effective crisis management response is amplified with documented protocols and simulation exercises.



Build Enterprise Technology Fluency

Technology innovation is reshaping every facet of business, making digital fluency as critical as financial expertise. Boards are moving past the exploratory phase and into an expectation of active oversight. ACs should weigh the opportunities of investing in generative AI and other emerging technology with the increased vulnerabilities that can stem from cybersecurity threats and inadequate data governance. The resulting strategy needs to be communicated and embedded throughout the entire organization.

Building Technology Fluency: Improving Board Decision-Making

[*BDO's 2025 Board Survey*](#) reveals that advancing the use of technology implementation and managing capital allocation as the top two board strategic priorities after growth. From [artificial intelligence](#) to [cybersecurity](#) and [data privacy and protection](#), boards are expected to provide oversight of digital transformation governance. Additionally, AI introduces new categories of risk such as model drift, explainability, agentic behavior, data provenance, and third party model dependencies which differ meaningfully from other traditional technology risks. Technology literacy is a full board responsibility encompassing each committee. Directors need to be conversant and involved in the specific strategic and risk implications of how technology continues to evolve and impact the business. Boards must adapt as technology oversight evolves, ensuring that risk responsibilities are clearly defined and effectively communicated across all relevant committees and stakeholders.

Sample questions ACs should be asking:

- ▶ Do we, as board members, have the necessary skill set and resources to evaluate and respond to technology-driven changes in financial reporting and audit processes?
- ▶ What are the AC's responsibilities beyond the [traditional AC mandate](#) regarding emerging technology risks (e.g., cybersecurity, generative AI), and do we have the right capacity and composition to oversee these areas effectively?
- ▶ What skill gaps exist within the AC related to technology, cybersecurity, data governance, and how should risk oversight be allocated to address these gaps?
- ▶ What steps should we take to invest in education, recruitment, and/or external advisors to strengthen our approach to technology oversight?
- ▶ How can board members evaluate their own technology knowledge and literacy, as well as that of those they oversee in finance, [internal audit](#), and [external audit](#)?

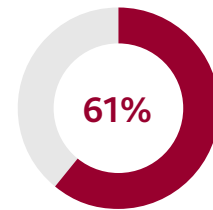
Integrating Technology: Delivering Accurate and Trustworthy Information

An [analysis by the CAQ](#) of 2024 Form 10-K filings with the SEC shows that 72% of S&P 500 companies mentioned AI, most often noting related risks in Item 1A. Generative AI offers potential benefits in financial reporting and analysis, including drafting disclosures, analyzing data, and benchmarking, when used with strong governance and human oversight. The CAQs [Fall 2025 Audit Partner Pulse Survey](#) indicates that only 13% of companies in respondents' primary industry sector utilized AI technologies for aspects of financial reporting or planning and analysis. Technology is fast evolving, while generative AI enhances productivity and insight, agentic AI introduces a new paradigm: one where intelligent systems can act independently, driving both opportunities and new governance challenges for organizations. Agentic AI systems are already starting to influence how organizations prepare data, generate disclosures, and surface risks. Boards need to understand that AI will soon be able to act with autonomy in parts of the reporting process and consider how management is preparing to update relevant processes and controls.

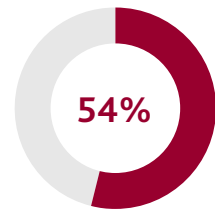
Generative AI, among other technology innovations, is increasingly embedded into the external audit process, with 93% of finance/accounting leaders reporting their audit firm's technology is progressive, according to the [2025 BDO Audit Innovation Survey](#). Audit firms are incorporating advanced technologies into planning, sampling, risk assessment, and anomaly detection. Although reliability and accuracy of AI content within the core financial reporting function remains inconsistent and is generally still under development. To quote [the CAQ](#), "In critical processes, such as financial reporting, human oversight remains essential to ensure accuracy and reliability." The shift for both management and auditors will be rapid as controls and assurance frameworks mature. Preparing for this early, including at the board level, will be key to successful adoption and integration.

When contemplating future adoption into the financial reporting ecosystem, ACs should understand data sourcing, quality of data, algorithms, accounting and reporting practices, internal controls, disclosures, etc. Explainability and interpretability are challenges particularly pertinent to the financial reporting function. This requires understanding not only what AI is doing, but how it is doing it. Independent assurance is emerging as a way to build trust in the use of generative AI and related systems, which ACs should monitor closely.

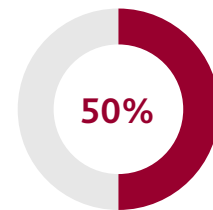
BDO's 2025 Audit Innovation Survey identified the following benefits when firms use technology such as AI in the audit:



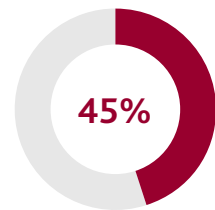
Data management and transformation



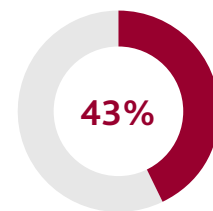
Risk detection and management



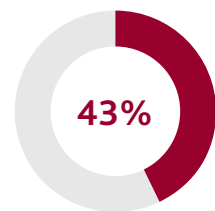
Automated data entry



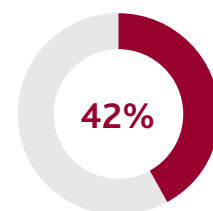
Fraud detection



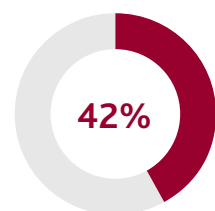
Predictive trend analytics



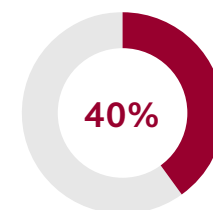
Invoice processing/aiding accounts payable processes



Expense management



Cash flow forecasting



Regulatory compliance

Sample questions ACs should be asking:

- ▶ How is the company's technology strategy impacting the financial reporting function, and how is our external auditor leveraging technology in their audit approach?
- ▶ What AI systems are currently in use and where do they interact with critical reporting workflows? What mitigating controls are in place?
- ▶ What steps should be taken to engage with management to understand policies governing AI use in finance and across committees, including [cultural alignment and workforce preparation](#) (e.g. training and reskilling) overseen by the compensation and human capital committee?
- ▶ What are the company's plans and priorities regarding technology investment and strategies for mitigating technology debt?
- ▶ How can directors remain informed about the shifting regulatory landscape, including existing recommendations from the PCAOB and its [Technology Innovation Alliance Working Group](#)?
- ▶ In what ways can internal auditors be leveraged to evaluate technology within the financial function, and how should IA's mandate, strategy, and risk priorities align with the updated [IIA Global Internal Audit Standards](#)?

See BDO's [Internal Audit: Essential Questions for Board Directors in their Oversight Role](#) and [Top 5 Boardroom Conversations on Technology Governance](#) for more information.



Revisit Risk Oversight Related to Transactions and Fraud

Evolving risk areas demand strong leadership and active oversight. ACs must proactively address high-impact areas such as mergers and acquisitions (M&A), capital raising, liquidity solutions and environments that increase the likelihood for fraud by ensuring disciplined governance, early engagement, and robust detection and mitigation frameworks. Building these capabilities safeguards organizational integrity and strengthens resilience in a complex risk environment.

Proactive Transaction Oversight: Enhancing Value and Reducing Risk

[*BDO's 2025 Board Survey*](#) ranks strategic M&A and partnerships as the board's second-highest growth priority. These transactions can be central to long-term strategy, and ACs play a critical role in confirming rigor, transparency, and compliance with financial reporting and governance standards. If strategic priorities include significant M&A activity, the AC should assess whether its current members have recent and relevant transaction experience and/or can maintain readiness through trusted advisors who understand the company, market conditions, and deal terms, and who are ready to jump into action when a target is identified.

Sample questions ACs should be asking:

- ▶ **Early Engagement:** Does the AC participate at the outset of the transaction life cycle to challenge assumptions, assess alternatives, and review governance structures?
- ▶ **Financial Oversight:** How does the AC ensure adequate understanding of deal terms' impact on accounting, disclosures, and internal controls? How does the AC monitor due diligence quality, integration plans, and actual vs. projected transaction performance?
- ▶ **Thresholds for Involvement:** Does the AC define clear triggers for required board review (e.g., preliminary bids vs. final approval) and ensure external advisors' insights inform board deliberations?
- ▶ **Integration Monitoring:** Is AC oversight initiated during due diligence, tracking milestones and reviewing adaption of controls for successful integration into the new operating environment?
- ▶ **Risk Management:** Is the AC focused on valuation, compliance, liquidity, and post-deal performance to safeguard investor confidence and investment?

Intentional governance helps ensure strategic opportunities are pursued with discipline to provide a higher likelihood for the transaction's success.



Enhancing Fraud Oversight: Safeguarding Organizational Integrity

Fraud remains a significant threat, costing U.S. companies an estimated 2.5% of annual revenue. [The Impact of Fraud at U.S. Public Companies Benchmarking Report](#) indicates that external stakeholders estimate losses at 4% of revenue, double the estimates by those in governance roles (2% of revenue). Furthermore, while 73% of organizations distribute anti-fraud duties across departments, 56% call for more proactive, continuous monitoring. The CAQ [reports](#) 80% of institutional investors view fraud risk as medium to high, underscoring the need for robust board oversight. Board awareness of fraud risks is only the starting point; effective oversight of mitigation strategies is equally critical. Advancements in technology are enabling boards to monitor and strengthen these efforts with greater precision and speed. The BDO 2025 Board Survey indicates 29% of directors ranked fraud and cybersecurity breach detection as one of the top five greatest opportunities for implementing generative AI in 2026.

Sample questions ACs should be asking:

- ▶ **Evaluate Programs:** How does the AC critically assess fraud detection, prevention, and mitigation frameworks? Does the AC have access to and consider engaging internal audit or external advisors to perform applicable gap analyses?
- ▶ **Shared Responsibility:** Does the AC assess whether management has appropriately distributed anti-fraud activities across all departments? How are such activities being proactively and continuously monitored?
- ▶ **Regulatory Trends:** Recognizing that a business-friendly climate does not [eliminate enforcement](#) activity and future shifts in enforcement priorities could include a lookback period, does the AC follow [Anti-Fraud Collaboration](#) warnings for heightened fraud scrutiny related to revenue recognition, post-M&A accounting inconsistencies, and AC communication lapses?
- ▶ **Technology and Generative AI:** Has the AC enable management to adopt generative AI tools for anomaly detection and monitoring along with promote strong governance requirements to ensure ethical use and data integrity across the organization?

See BDO's recent article, [Leading Practices in the Board's Oversight of Fraud](#), for further consideration.

CONCLUSION

For ACs, 2026 will demand heightened agility, vigilance, and strategic oversight. Navigating regulatory changes, economic uncertainty, and rapid technological advancement requires a proactive approach to risk management and governance. ACs should challenge management and past assumptions, clarify oversight roles, and foster collaboration across the board to ensure robust ERM frameworks and effective controls. By maintaining focus on financial reporting complexity, building technology fluency, and addressing emerging risks such as M&A and fraud, ACs can reinforce organizational integrity and stakeholder trust. Continuous learning, adaptability, and transparency will be key to driving value and resilience in the year ahead.

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. For more information, please visit: www.bdo.com.

© 2025 BDO USA, P.C. All rights reserved.