Audit Committee Oversight in the Age of Generative AI

July 2024

CAQ

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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Introduction

Companies continue to explore ways in which generative AI (genAI) can enhance their operations, including processes relevant to financial reporting (financial reporting processes) and internal control over financial reporting (ICFR). A recent CAQ survey found that one in three audit partners see companies in their primary industry sector deploying or planning to deploy AI in their financial reporting process.[1] As the use of genAI in financial reporting processes and ICFR presents new risks and considerations for companies, audit committees will have an important oversight role to play.

A recent joint CAQ survey of audit committees found that 33% 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.[2] The rise of genAI 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.[3] This resource will aid audit committee members looking to dedicate more time discussing AI governance by providing an overview of genAI and questions audit committees can ask to better understand company management's approach to the use of genAI and oversee the related risks (see Appendix A for a list of questions for management and the auditor). Although some of the considerations discussed may also be applicable for other types of AI, the focus of this publication is specifically on genAI.

> The rise of genAI 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.

1 TheCAQ.org | Audit Partner Pulse Survey | Fall 2023
2 TheCAQ.org | Audit Committee Practices Report: Common Threads Across Audit Committees | 2024
3 Ibid.

Overview of GenAI

Before diving into the ways in which companies are deploying genAI in financial reporting processes and ICFR, it will be helpful for audit committees to have a foundational understanding of some fundamental principles of genAI, including key features of the technology and how it differs from other technologies that companies may be using.

## WHERE DOES GenAI FIT WITH OTHER AI TECHNOLOGIES?

AI includes a broad range of technologies, of which genAI is a subset. While there are other types of AI beyond those shown to the right, this graphic depicts where genAI fits with other categories of AI technologies.

Artificial Intelligence | AI broadly refers to machines that mimic human-like cognitive abilities. AI includes capabilities such as natural language processing, problem-solving, pattern recognition, anomaly identification, and decision-making. An example of AI is an online language translation service.

Machine Learning | Machine learning is a subset of AI that uses algorithms to learn from and make predictions or decisions based on data. Machine learning algorithms are designed to learn and improve from experience. Machine learning is useful for identifying patterns, extracting insights, and making informed predictions. Different methods of machine learning include supervised learning, unsupervised learning, and reinforcement learning.[4] An example of machine learning is a system used by a streaming service that provides recommendations to customers based on their viewing habits.

Deep Learning | Deep learning is a subset of machine learning that uses algorithms that roughly approximate the structure and capabilities of the human brain. Deep learning algorithms can simulate an array of neurons in an artificial neural network that learns from vast sources of data enabling the technology to handle complex tasks similar to how humans can. An example of deep learning is driverless cars which can recognize and respond to different situations on the road.

GenAI | GenAI refers to a subset of deep learning based on probabilistic technology that can create content, including text, images, audio, or video, when prompted by a user. GenAI creates responses using algorithms that are often trained on open-source information, such as text and images from the internet.[5] Through its ease-of-use, genAI has democratized artificial intelligence making the technology accessible to any user, whereas other types of artificial intelligence have generally only been accessible to data scientists. AI chatbots, like ChatGPT and Copilot, are examples of genAI.

Concentric circles from outer to inner: Artificial Intelligence, Machine Learning, Deep Learning, GenAI.

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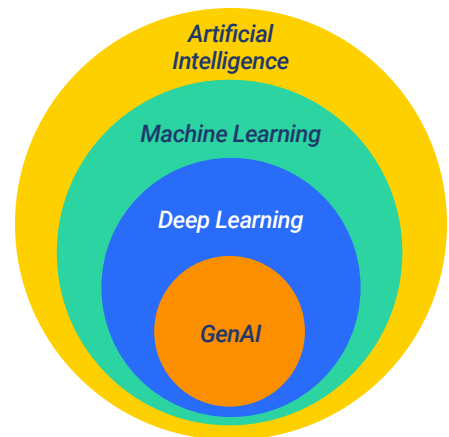
4 For further discussion of these methods of machine learning, refer to the AICPA and CPA Canada's A CPA's Introduction to AI: From Algorithms to Deep Learning, What You Need to Know publication.
5 Science & Tech Spotlight: Generative AI | U.S. GAO

HOW DOES GenAI WORK?

Learning and Generating New Content

GenAI technologies are trained on large datasets where they learn patterns, structures, and representations from the training data. For example, based on the training dataset, genAI learns grammar and syntax and uses its advanced predictive capabilities to mimic knowledge on a wide range of topics. Based on this training data, when prompted by a user, genAI technologies make predictions of the next character, word, phrase, pixel, etc. to formulate a probable response to the user prompt.[6]

GenAI technologies are predictive technologies, and therefore, the outputs are based on what the genAI technology has determined is a probable response. The probabilistic nature of genAI is a key distinction from other technologies that may have historically been used in a company's financial reporting processes. If a user asks the same question multiple times, they might get different answers each time. Different answers may result because genAI technologies are designed to generate varied responses and are trained on diverse datasets, which leads to a wide range of probable responses to a single prompt.[7] Accordingly, genAI technologies are especially helpful for tasks that need creativity or diversity of responses, including generating new content or information, but genAI may not always provide reliable or repeatable information. GenAI technologies do not work like search engines finding facts within their training data but are instead creating new coherent, human-like text.

Foundation Models and GenAI Technologies Supported by Those Models

When developing and deploying genAI technologies, companies may build and train their own models,[8] or they may begin with a foundation model. Foundation models are large language models that can be adapted to a wide range of downstream tasks, providing the basis for various genAI technologies.[9] There are many foundation models currently available. One example is GPT-4, which is the foundation model used by one version of ChatGPT. This same foundation model can also be the basis for other applications. For example, a company could also use GPT-4 as the basis for its own internal chatbot.

Companies can build their own customizations on top of foundation models. Customizations may include incremental training with the company's own data and fine-tuning the model for specific uses within the company. Using a foundation model can allow companies to develop custom genAI technologies without the significant effort involved in developing their own model. However, companies using foundation models may not have visibility into the data and methods used to train the foundation model.

The probabilistic nature of genAI is a key distinction from other technologies that may have historically been used in a company's financial reporting processes.

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6 Prompts are the information (such as a question, command, etc.) entered into a genAI technology to generate a response.
7 It is possible to configure certain genAI technologies to provide more deterministic responses (i.e., provide consistent and predictable responses). However, the diversity of the datasets that genAI technologies are trained on will still lead to a range (albeit narrower) of probable responses to a prompt.
8 Although it is possible, it may be rare for companies to build and train their own genAI large language models.
9 Explainer: What is a foundation model? | Ada Lovelace Institute

Explainability and Interpretability of GenAI

There is an increasing desire for genAI users to understand how and why the technology arrives at certain conclusions, which relates to the explainability and interpretability of genAI. Explainability refers to explaining or understanding the underlying mechanisms in the genAI technology's behavior – in other words, *how* the technology made the decision.[10] Interpretability refers to when humans can readily understand the output of the genAI technology through the reasoning behind predictions and decisions made – in other words, *why* the technology made the decision.[11]

A challenge of AI is that it can be a "black box," meaning that the process to arrive at a specific output is not readily explainable or interpretable, resulting from the inherent complexity of AI algorithms and the nonlinearity of the relationships between the underlying data and the outputs or decisions made. While this challenge exists for all types of AI, including genAI, explainability and interpretability needs will vary depending on a number of factors, including the level of reliance on the technology (i.e., whether the technology is used to augment work performed by an employee or replacing the employee), the level of human in the loop involvement, and the nature or type of the output (i.e., whether the output can be independently verified or reperformed by a human reviewer). Additionally, the ability to explain and interpret outputs will vary based on the nature of the technology (i.e., whether the technology is built on a foundation model, or a model developed by the company).

Explainable AI (XAI) is an emerging area of research focused on techniques to enhance the explainability and interpretability of AI (including genAI). Some of these techniques include embedding features that can provide information regarding the AI technology's confidence in its outputs or decisions or to document the key elements of the input that the AI technology focused on to make its decision. While embedding such features may not be feasible for existing technologies, particularly those genAI technologies built on a foundation model, it may be possible to add certain features on top of genAI foundation models to enhance explainability and interpretability.

HOW DOES GᴇɴAI COMPARE TO OTHER AUTOMATION TECHNOLOGIES?

Automation technologies, such as robotic process automation (RPA), have been used for several years by accounting and financial reporting professionals to automate routine and repetitive tasks. While automation technologies can be beneficial to automate tasks that are performed the same way every time, they typically cannot handle situations where the format or structure of data is different from how it was programmed. GenAI can address these limitations by providing the ability to accept unstructured inputs with greater variation. Since genAI has the potential to integrate with other technologies, task automation may look very different when using genAI compared to traditional automation using RPA that is focused on replicating repetitive tasks.

> **THE BLACK BOX**
>
> The impact of the black box concept on financial reporting generally depends on the factors described to the left. As companies place heavier reliance on genAI technology, use cases in financial reporting processes and ICFR become more sophisticated, and outputs from the technology are unable to be verified by a human, explainability and interpretability may become increasingly important for effective human oversight of the technology.

10 Artificial Intelligence Risk Management Framework (AI RMF 1.0) (nist.gov)
11 Ibid.

Impact of GenAI on Financial Reporting and ICFR

WHY AND HOW ARE COMPANIES DEPLOYING GᴇɴAI?

Companies are noting significant opportunities from deploying genAI, particularly from using genAI to enable knowledge workers to perform their jobs more efficiently and effectively. GenAI can help employees streamline certain activities such as those that involve drafting content, summarizing data, and working with unstructured data, among others, which frees them up to focus on more challenging, analytical, or higher-risk tasks. Further, genAI can uncover trends, patterns, and anomalies in large amounts of data that would otherwise be difficult or time-consuming for human employees to uncover manually.

Generally, companies deploying genAI within financial reporting will initially use it to augment processes (rather than fully automate them), which enables efficiency but does not eliminate human judgment and decision making. Particularly in financial reporting processes and ICFR, humans continue to be involved to oversee, understand, and evaluate the relevance and reliability of the outputs from genAI technology. In the future, companies may evolve to deploy more advanced and complex use cases or decrease the level of human involvement.

WHAT ARE THE NEW RISK CONSIDERATIONS ARISING FROM THE USE OF GᴇɴAI?

Governance

Establishing strong oversight and governance around the use of genAI is foundational to successfully deploying genAI technologies throughout the organization and will likely be a focus of the audit committee's oversight. Key considerations include:

+ People responsible for oversight and use – Who within the organization (individual or group) will be responsible for the oversight of the use of genAI.

+ Policies to support oversight and use – Whether the company has developed a framework for responsible use of genAI and established policies regarding the acceptable and ethical use of genAI and how the company monitors compliance with such policies.

+ Population of uses that are subject to the people and policies – It is also important for companies to track and monitor the use of genAI throughout the company, including use by third-party service providers, in order to understand the impact of those technologies on processes and to identify, assess, and mange risks arising from their use.

> GenAI can uncover trends, patterns, and anomalies in large amounts of data that would otherwise be difficult or time-consuming for human employees to uncover manually.

Governance considerations will also likely include understanding the regulatory environment and any contractual agreements, laws, or regulations that impact how the company may use genAI.

Audit committees may find the following questions useful to discuss with management and the auditor:

Questions for management:

+ Does the company have the requisite expertise to select, develop, deploy, and monitor genAI technologies?

+ Will management need to engage third parties to select, develop, deploy, and monitor genAI technologies?

+ What are the company's objectives and related success criteria for deploying genAI technologies? Are genAI technologies intended to augment or automate existing processes?

+ Who (individual or group) in the company is responsible for oversight of the use of genAI?

+ Has management developed a framework for responsible use of genAI?

+ Has management established policies regarding the acceptable and ethical use of genAI?

+ Does the company have a process to track and monitor the use of genAI throughout the company, including use by third-party service providers?

+ How does the company evaluate the impact (nature and affected groups) of genAI technologies being deployed?

+ How does the company track risks arising from the use of genAI technologies and mitigating responses?

Questions for the auditor:

+ What is the experience of the engagement partner and other senior engagement team members with genAI technologies? Would the firm be able to supplement the engagement team's expertise if necessary (e.g., by engaging qualified specialists)?

+ What is the auditor's understanding of the financial reporting implications of the company's use of genAI technologies?

+ How has the impact of the company's use of genAI technologies been considered during the auditor's risk assessment process?

+ Does the company's use of genAI technologies have a significant impact on the planned audit scope?

+ Can the auditor obtain sufficient appropriate audit evidence related to the company's use of genAI in financial reporting or internal control over financial reporting?

> Governance considerations will also likely include understanding the regulatory environment and any contractual agreements, laws, or regulations that impact how the company may use genAI.

+ What risks has the auditor identified based on how the company has deployed genAI technologies? How will the auditor address such risks in the audit?

+ Has the auditor identified any deficiencies or lack of internal controls to mitigate against risks related to the company's use of genAI technologies that fall within the scope of the audit?

Data Privacy and Security

It is important for companies to consider privacy and security needs as genAI technologies offer differing levels of privacy and security based on their configuration. For example, some public instances of genAI technologies (such as free versions of publicly available genAI chatbots) may track and save all prompts and data that are input into the technology. The prompts and data can be used by the third-party technology provider for further development of the genAI model. While that may be acceptable for companies in some cases, in other instances, companies may want to be sure that information entered into genAI technologies is not tracked, saved, or used by third parties. This may be particularly important for genAI technologies used in financial reporting processes and ICFR, where nonpublic financial information may be entered into the genAI technology. In such cases, the use of a private instance of genAI technology (such as, a private instance of a genAI technology developed by a third party or a custom genAI technology) may be preferable so that the company will have control over how information entered into the genAI technology is managed and saved. GenAI technologies may also be susceptible to cyber-attacks which could impact the reliability of outputs provided by the technology or put the company's confidential data at risk. Companies will need to consider appropriate safeguards to protect genAI technologies from malicious threats.

Audit committees may find the following questions related to data privacy and security useful to discuss with management and the auditor:

Questions for management:

+ How does management consider data privacy risks when selecting or developing genAI technologies?

+ Does the company use a public instance of genAI technologies or a private instance?

+ How does management consider cybersecurity risks when selecting or developing genAI technologies?

+ Has the company performed a cybersecurity risk assessment for genAI technologies to evaluate threats and safeguards?

Questions for the auditor:

+ Has the auditor identified any risks related to data privacy or security of genAI technologies that are relevant to the audit?

GenAI technologies may also be susceptible to cyber-attacks which could impact the reliability of outputs provided by the technology or put the company's confidential data at risk.

Selection and Design of GenAI Technologies

For genAI technologies that will impact financial reporting processes and ICFR, it may be important for audit committees to understand where genAI is being deployed and why management has selected the specific genAI technology for use. Specifically, it will be helpful to understand management's considerations around identifying appropriate processes in which genAI technologies can be deployed and how management determines whether to build or buy genAI technologies that have appropriate capabilities to meet the company's needs. As described above, companies have several options when deploying genAI technologies: they may develop their own genAI models, use a foundation model with customizations to meet their specific needs, or use an off-the-shelf solution. In order to achieve the benefits of using genAI, companies need to deploy appropriate genAI technologies to suit their specific needs.

Audit committees may find the following questions useful to discuss with management and the auditor related to the selection and design of genAI technologies:

Questions for management:

+ How does management identify processes that are appropriately suited for augmentation by genAI?

+ How does management design genAI technologies, including determining which genAI technologies to use (such as selecting an existing genAI technology, using a foundation model with added customizations, or developing the company's own model) and the data needed for those technologies?

+ How does management select third-party genAI technologies for use?

Questions for the auditor:

+ How does the company's use of a foundation model or development of its own model impact the auditor's risk assessment?

Deploying and Monitoring GenAI Technologies

It will also be important for audit committees to understand how management tests the technology prior to deployment. Considerations include the technology's consistent operation in accordance with its intended purpose and at an appropriate level of precision, indicators of bias in the technology, and the completeness, accuracy, and reliability of outputs from the technology.

Companies will also need to consider the appropriate level of human involvement with genAI technologies. This will include the knowledge and skills of employees who will operate genAI technologies, training provided to employees regarding use of prompts, output reliance, and other relevant topics, and the policies and procedures established to promote human review of outputs from genAI technologies.

Companies will also establish processes to monitor the ongoing effectiveness of genAI technologies to verify that they continue to operate effectively and as intended.

EXAMPLE USE CASES

While use cases will vary based on a company's operations, processes, and specific facts and circumstances, the following examples demonstrate how companies could deploy genAI in financial reporting processes and ICFR:

1. Drafting financial statement disclosures

2. Drafting code for reports used in the performance of an internal control

3. Summarizing key contract terms and predicting appropriate accounting treatment

4. Categorizing expense transactions

5. Preparing travel and expense reports based on employee receipts

Audit Committee Oversight in the Age of Generative AI

Audit committees may find the following questions useful to discuss with management related to deploying and monitoring genAI technologies:

+ How does the company test genAI technologies prior to deployment to determine that they operate as designed?

+ Does the company measure, track, and communicate performance metrics related to the functioning of the genAI technologies, including the precision of the technology?

+ How has the company trained employees about genAI technologies?

+ How does the company determine the appropriate level of human in the loop involvement with genAI technologies?

+ How does the company develop processes to promote appropriate human in the loop involvement in reviewing outputs from genAI technologies?

+ How does the company monitor the ongoing effectiveness of genAI technologies for the intended purpose?

+ Does the company have a process to periodically reevaluate genAI technologies to determine whether they are functioning as intended?

+ How does the company monitor changes to genAI technologies?

Fraud

The use of genAI can introduce increased risks of fraud for companies, including risks of fraud perpetrated by management and risks that the company is a victim of fraud perpetrated by external parties. For example, genAI technologies could be used by management to create realistic, but fake, documentation for fraudulent transactions, which could allow management to conceal the fraud. It will be important for the audit committee's oversight to include understanding how the use of genAI technologies may impact management's evaluation of fraud risks and the incentives, opportunities, and pressures for employees or management to commit fraud. Additionally, audit committees should be aware that genAI technologies may be used by third parties to defraud the company. For example, genAI technologies could be used to create deepfake videos or audio files used by a third party to convince company employees to provide money or confidential information.

Audit committees may find the following questions useful to discuss with management and the auditor:

Question for management:

+ What fraud risks associated with the use of genAI technologies has management identified and how have they been addressed?

Questions for the auditor:

+ Has the auditor identified any fraud risks related to the company's use of genAI technologies? How has the auditor addressed such risks in the audit?

+ Has the auditor identified any deficiencies in or lack of internal controls to mitigate against fraud risks arising from the company's use of genAI technologies?

The use of genAI can introduce increased risks of fraud for companies, including risks of fraud perpetrated by management and risks that the company is a victim of fraud perpetrated by external parties.

Regulatory Environment

The AI regulatory environment is rapidly evolving and audit committees should expect continued developments. Globally, there have been increased calls for stronger regulations related to the safe and responsible development and use of AI, including genAI. Although existing regulations in many countries already govern the use and protection of data or emerging technologies and are applicable to AI, many countries have also begun to adopt new regulations and frameworks specifically to mitigate security and safety risks of AI as well as to advance the ethical and responsible use of AI. It is important for audit committees to exercise oversight and understand whether management involves the appropriate parties to monitor, evaluate, and comply with applicable laws and regulations. These may include compliance departments, internal or external legal counsel, and/or other external advisors.

Audit committees may find the following questions useful to discuss with management and the auditor:

Questions for management:

+ Has management involved appropriate internal resources or external advisors to understand the genAI legal and regulatory environment?

+ Does management, or external advisors engaged by management, have appropriate knowledge of and experience with the genAI regulatory environment?

+ Has management considered any new compliance or regulatory risks that are introduced by the use of genAI technologies? How has management addressed such risks?

+ Has management considered any contractual agreements that may impact how the company can use genAI technologies?

Questions for the auditor:

+ Does the auditor, including external specialists employed or engaged by the auditor, have appropriate knowledge of and experience with the genAI regulatory environment?

+ Has the auditor identified any risks of material misstatement related to noncompliance with laws and regulations related to the use of genAI?

+ How does the auditor monitor emerging risks and developments in the genAI regulatory environment?

For further discussion regarding major regulatory developments in the US and EU, as well as voluntary risk management frameworks, refer to the CAQ's *Auditing in the Age of Generative AI* publication.

Conclusion

GenAI is creating exciting opportunities for companies. As its use in financial reporting processes and ICFR evolves, audit committees have an important role to play. Understanding the technology, being aware of how its use gives rise to new considerations in financial reporting processes and ICFR, and asking the right questions of management and the external auditor will be essential for audit committees to effectively exercise their oversight responsibilities.

Appendix A:
Questions for Management and Auditors

GOVERNANCE

Questions for management:

+ Does the company have the requisite expertise to select, develop, deploy, and monitor genAI technologies?

+ Will management need to engage third parties to select, develop, deploy, and monitor genAI technologies?

+ What are the company's objectives and related success criteria for deploying genAI technologies? Are genAI technologies intended to augment or automate existing processes?

+ Who (individual or group) in the company is responsible for oversight of the use of genAI?

+ Has management developed a framework for responsible use of genAI?

+ Has management established policies regarding the acceptable and ethical use of genAI?

+ Does the company have a process to track and monitor the use of genAI throughout the company, including use by third-party service providers?

+ How does the company evaluate the impact (nature and affected groups) of genAI technologies being deployed?

+ How does the company track risks arising from the use of genAI technologies and mitigating responses?

Questions for auditors:

+ What is the experience of the engagement partner and other senior engagement team members with genAI technologies? Would the firm be able to supplement the engagement team's expertise if necessary (e.g., by engaging qualified specialists)?

+ What is the auditor's understanding of the financial reporting implications of the company's use of genAI technologies?

+ How has the impact of the company's use of genAI technologies been considered during the auditor's risk assessment process?

+ Does the company's use of genAI technologies have a significant impact on the planned audit scope?

+ Can the auditor obtain sufficient appropriate audit evidence related to the company's use of genAI in financial reporting or internal control over financial reporting?

+ What risks has the auditor identified based on how the company has deployed genAI technologies? How will the auditor address such risks in the audit?

+ Has the auditor identified any deficiencies or lack of internal controls to mitigate against risks related to the company's use of genAI technologies that fall within the scope of the audit?

DATA PRIVACY AND SECURITY

Questions for management:

+ How does management consider data privacy risks when selecting or developing genAI technologies?

+ Does the company use a public instance of genAI technologies or a private instance?

+ How does management consider cybersecurity risks when selecting or developing genAI technologies?

+ Has the company performed a cybersecurity risk assessment for genAI technologies to evaluate threats and safeguards?

+ Has the auditor identified any risks related to data privacy or security of genAI technologies that are relevant to the audit?

SELECTION AND DESIGN OF GENAI TECHNOLOGIES

Questions for management:

+ How does management identify appropriate processes that are suited for augmentation by genAI?

+ How does management design genAI technologies, including determining which genAI technologies to use (such as, selecting an existing genAI technology, using a foundation model with added customizations, or developing the company's own model) and the data needed for those technologies?

+ How does management select third-party genAI technologies for use?

Questions for auditors:

+ How does the company's use of a foundation model or development of its own model impact the auditor's risk assessment?

DEPLOYING AND MONITORING GENAI TECHNOLOGIES

Questions for management:

+ How does the company test genAI technologies prior to deployment to determine that they operate as designed?

+ Does the company measure, track, and communicate performance metrics related to the functioning of the genAI technologies, including the precision of the technology?

+ How has the company trained employees about genAI technologies?

+ How does the company determine the appropriate level of human in the loop involvement with genAI technologies?

+ How does the company develop processes to promote appropriate human in the loop involvement in reviewing outputs from genAI technologies?

+ How does the company monitor the ongoing effectiveness of genAI technologies for the intended purpose?

+ Does the company have a process to periodically reevaluate genAI technologies to determine whether they are functioning as intended?

+ How does the company monitor changes to genAI technologies?

FRAUD

Questions for management:

+ What fraud risks associated with the use of genAI technologies has management identified and how have they been addressed?

Questions for auditors:

+ Has the auditor identified any fraud risks related to the company's use of genAI technologies? How has the auditor addressed such risks in the audit?

+ Has the auditor identified any deficiencies or lack of internal controls to mitigate against fraud risks arising from the company's use of genAI technologies?

REGULATORY ENVIRONMENT

Questions for management:

+ Has management involved appropriate internal resources or external advisors to understand the genAI legal and regulatory environment?

+ Does management, or external advisors engaged by management, have appropriate knowledge of and experience with the genAI regulatory environment?

+ Has management considered any new compliance or regulatory risks that are introduced by the use of genAI technologies? How has management addressed such risks?

+ Has management considered any contractual agreements that may impact how the company can use genAI technologies?

Questions for auditors:

+ Does the auditor, including external specialists employed or engaged by the auditor, have

appropriate knowledge of and experience with the genAI regulatory environment?

+ Has the auditor identified any risks of material misstatement related to noncompliance with laws and regulations related to the use of genAI?

+ How does the auditor monitor emerging risks and developments in the genAI regulatory environment?

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We welcome your feedback!

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