THE FUTURE OF INTERNAL AUDIT

Agile, AI-Driven & Anticipative Assurance

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The Paradox of Modern Audit

> "Internal audit as we know it is not broken, but it is becoming insufficient."

External Pace

- Regulatory change velocity
- Evolving Risk Landscape
- Digital disruption
- Geopolitical landscape

Internal Expectations

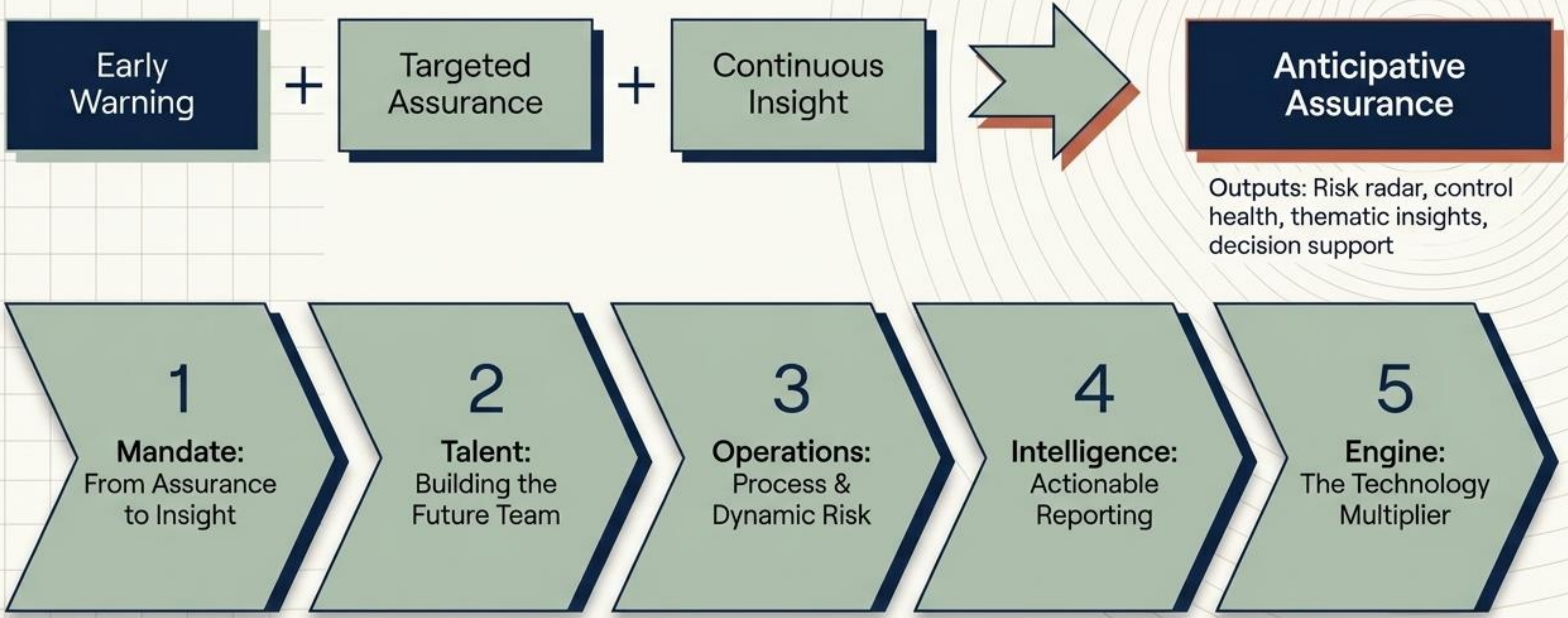
- Incident frequency
- AI adoption
- Third-party dependency
- Changing stakeholder expectations

The 2024 Global Internal Audit Standards demand a strategic pivot.

The Boardroom Disconnect

Boards no longer just want hindsight; they are demanding foresight. They are asking:

The Transformation Playbook



Pillar 1: The Mandate Evolution

The Static Checklist
(Old Model)

- ✓ Is it working?
- ✓ Are controls operating?
- ✓ Are we compliant?
- ✓ Document & report

The Dynamic Radar
(New Model)

- ? What aren’t we seeing?
- ? Where are we vulnerable?
- ? Are we creating value?
- ? What’s our perspective?

The shift from “Are we compliant?” to *“What aren’t we seeing?”*

Pillar 2: The Talent Multiplier

15 Years Ago	Today
Technically sound	Strategic thinkers
Detail-oriented	Business acumen
Process-focused	Comfortable with ambiguity
Risk-averse	Data literate
Rule followers	Entrepreneurial mindset

1
Domain Expertise
Deep business knowledge beyond control testing.

→

2
Data & AI Literacy
Analytics, AI, statistical validity.

→

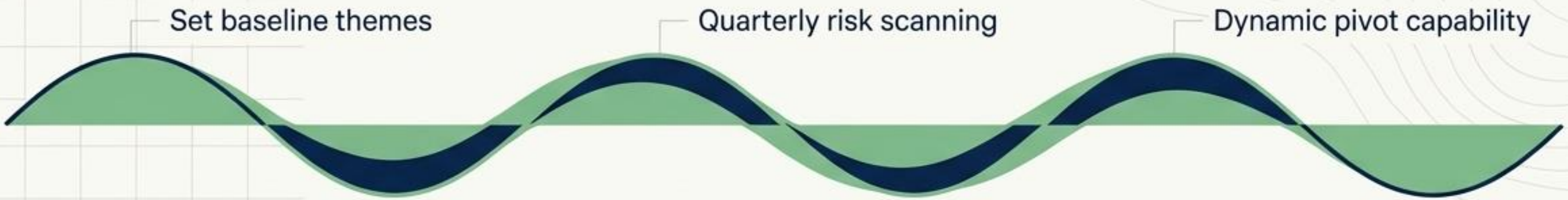
3
Communication
Storytelling, not just documentation.

Pillar 3: Process Transformation

Traditional Model: Annual Planning

[NOV] Plan audits for next year → [DEC-FEB] Market shifts → [MAR] Start testing

Rolling Model: Continuous Scanning



Faster response to emerging risks	Better aligned with business reality	More relevant audit portfolio

Pillar 3: Dynamic Risk Intelligence

Risk Segmentation Radar

Emerging Risks Requiring Fresh Focus

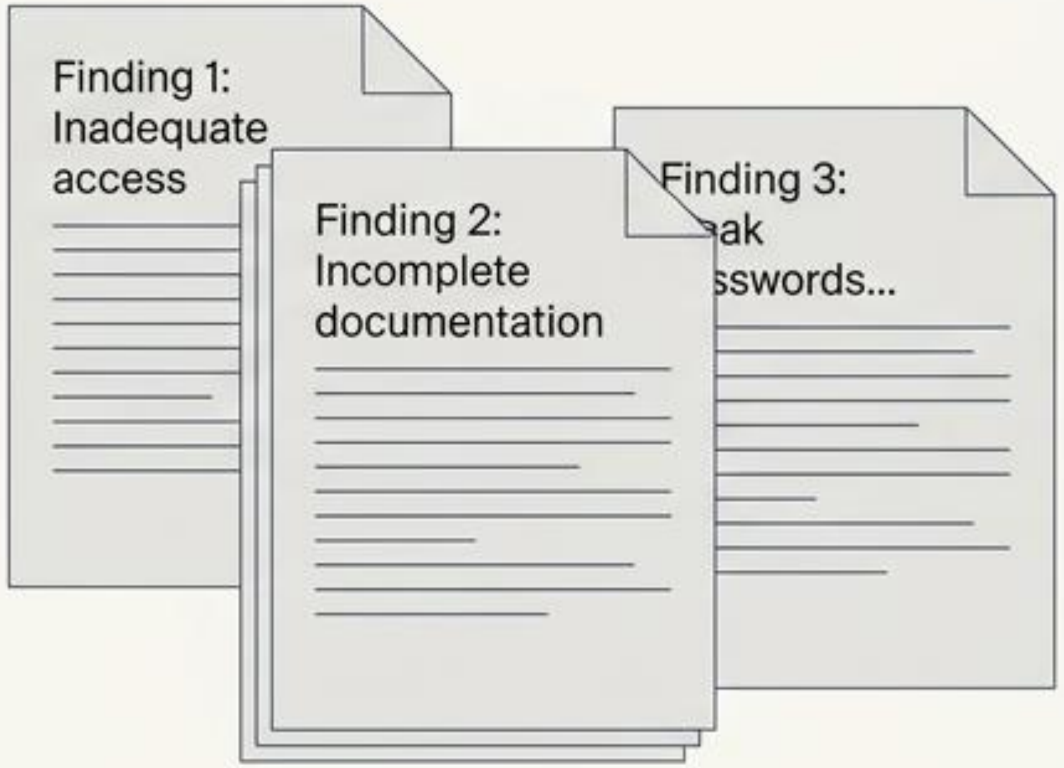
- **Third-Party Ecosystem Risk:** Vendors/partners are your control environment.
- **Data Quality & Governance:** Bad data drives bad decisions.
- **Model Risk / AI:** Who audits fairness and validation?
- **Talent & Culture Risk:** Turnover, toxic culture.

Constantly updated via Signals, KRIs, Incident and Change initiatives.

Constantly updated via Incident monitoring, and Change initiatives.

Pillar 4: Actionable Intelligence

OLD: Chronological Findings



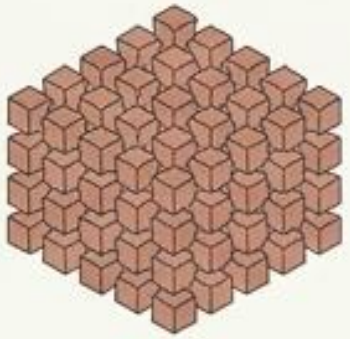
NEW: Thematic Health Assessment

Best Practices:

- Lead with Executive Summary
- Cluster by Theme
- Quantify Impact in Business Terms
- Provide Root Cause
- Rank by Effort vs. Impact

Pillar 5: The Arithmetic of AI

Manual Audit

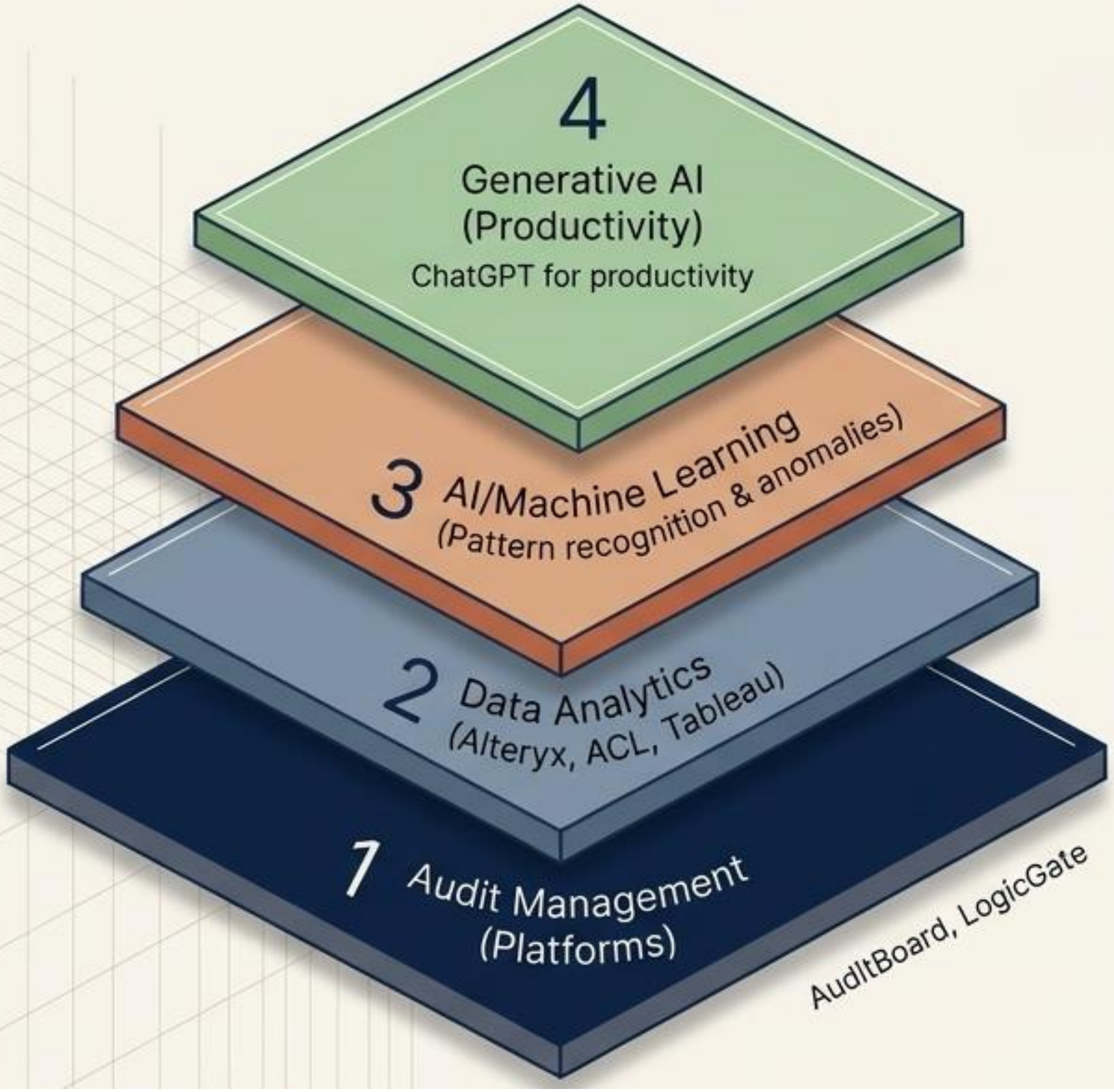


- 50 transactions tested.
- Sample-based analysis.
- Test quarterly.
- React to findings.

Technology-Enabled Audit

- **50,000 transactions** analyzed.
- **100% coverage** with rules.
- **Monitor** continuously.
- Prevent issues proactively.

The Tech Stack & AI Guardrails



New Guardrails (Auditing the AI)

- Ownership of validation
- Fairness/bias and explainability
- ✓ Drift monitoring
- ✓ Data lineage & quality

The ROI & Business Case

20-30%	100%	2-3X	18-24 Months
Time savings in audit execution	Process coverage vs. sampling	Faster issue detection	To full payback

Making the Case

- ✓ Quantify time savings and translate to FTE savings.
- ✓ Calculate expanded audit scope with freed capacity.
- ✓ Show competitive advantage in risk detection.
- ✓ Demonstrate faster ROI with a phased approach.

The Implementation Playbook

- Phase 1 (Months 1-3): Audit Management Platform (Establishing the baseline)
- Phase 2 (Months 4-9): Data Analytics & Monitoring (Building the intelligence layer)
- Phase 3 (Months 10-18): AI/ML Pilots (High-volume automation)
- Phase 4 (Ongoing): Scale & Optimization (The dynamic radar achieved)

Master Synthesis: The Transformation Matrix

	The Old Paradigm (Static)	The New Paradigm (Dynamic)
Mandate	Compliance & Hindsight	Insight & Foresight
Talent	Process-focused Rule Followers	Data-literate Strategic Thinkers
Operations	Annual Planning & Static Scopes	Continuous Scanning & Dynamic Pivots
Intelligence	Chronological Finding Lists	Thematic Health & Quantified Impact
Engine	Manual Sampling / 50 Tests	AI Multiplier / 100% Real-Time

“If we had to rebuild our audit function from scratch tomorrow, would we design it the same way?

If internal audit doesn’t evolve, we become less relevant.
Start the transformation today.