State of the Profession

Building Trust in the Age of AI Acceleration

From Cyclical Assurance to Anticipatory Governance

Celebrating IIA
Milestones

85th
ANNIVERSARY
The Institute of
Internal Auditors
Elevating Impact

50th
ANNIVERSARY
Internal Audit
FOUNDATION

Session Agenda

- Operating Under Pressure
- The Risk Landscape
- Strategy in Motion
- The Implications of AI on Governance
- The IIA: Enabling the Future

Operating Under Pressure

What Impact Looks Like Today

Leader Impact On Innovation Lifecycle

Creating the Conditions

- Models openness to change
- Encourages experimentation
- Ensures psychological safaty

Supporting the Practice

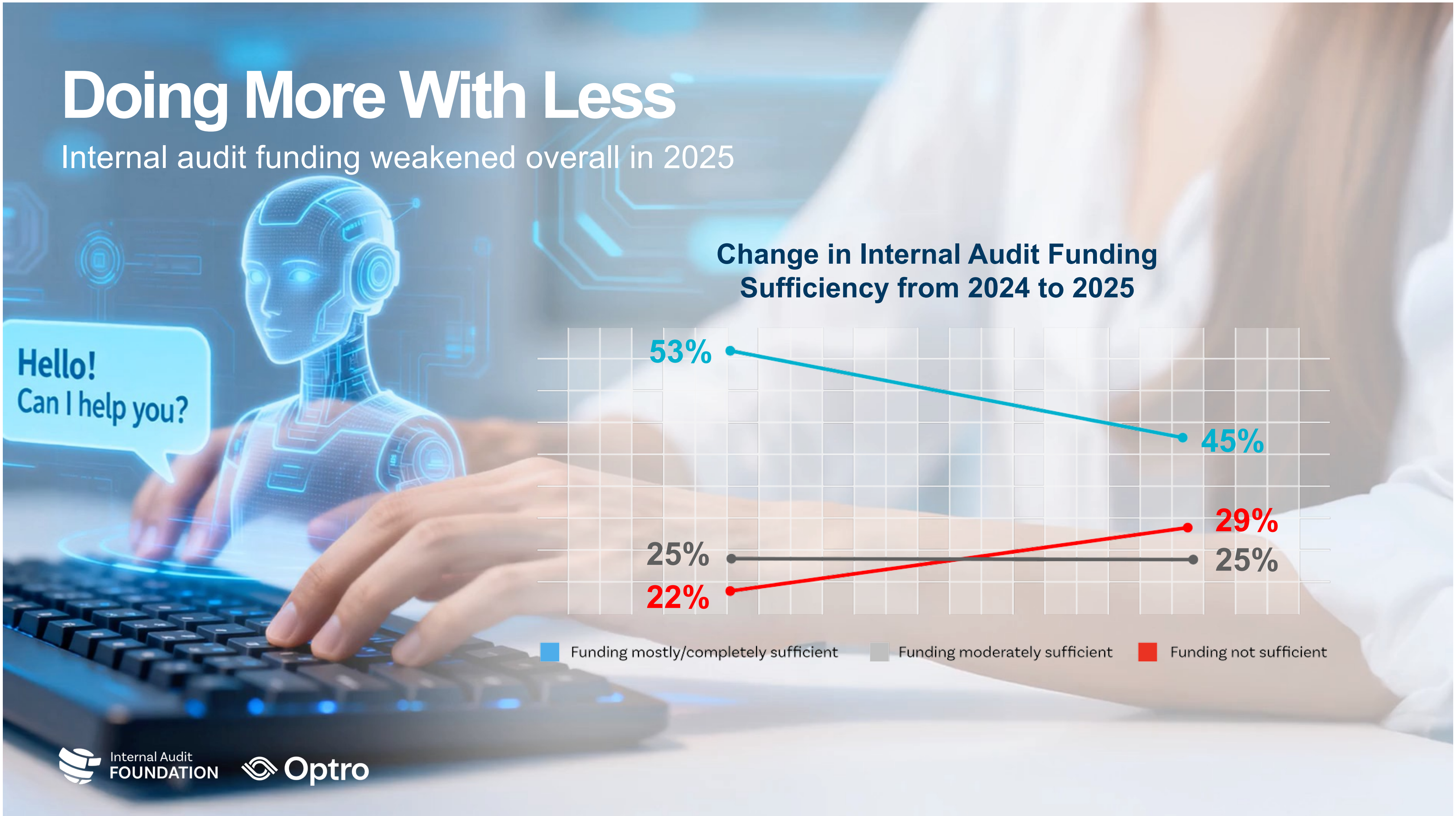
- Encourages sandboxing, pilots and iterative testing
- Allocates time, space, or resources to innovative practices
- Acts as a visible advocate

Amplifying the Impact

- Understands proposed changes well enough to explain them
- Frames the value of Innovation clearly
- Builds and maintains trust of the board

Internal Audit FOUNDATION GrantThornton

Note: The Foundation's Mindset Shift: Towards Innovation Report (September 2025) *N=6*


Doing More With Less
Internal audit funding weakened overall in 2025
Hello!
Can I help you?
Change in Internal Audit Funding Sufficiency from 2024 to 2025
53%
45%
25%
25%
22%
29%
Funding mostly/completely sufficient
Funding moderately sufficient
Funding not sufficient
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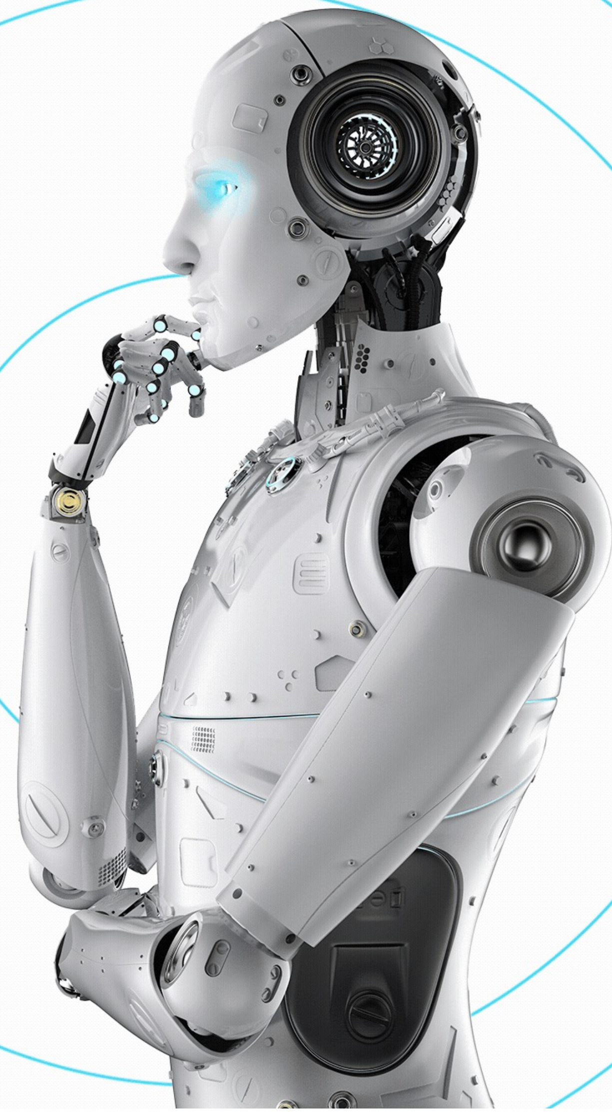
The People Problem

- **86%** of internal audit leaders seek help from external providers, most often for cyber risk and IT audits
- **67%** say their staff's technical capabilities are not fully aligned with important audit priorities
- **59%** of internal audit leaders rate technical skill acquisition as one of their biggest challenges
- IIA learning programs build future-ready skills in some of the most challenging areas within internal audit, such as AI, cybersecurity, and data analytics



Jefferson Wells ManpowerGroup *Jefferson Wells 2025 Internal Audit Priorities Survey*
www.jeffersonwells.com/en/internal-audit-report-2025

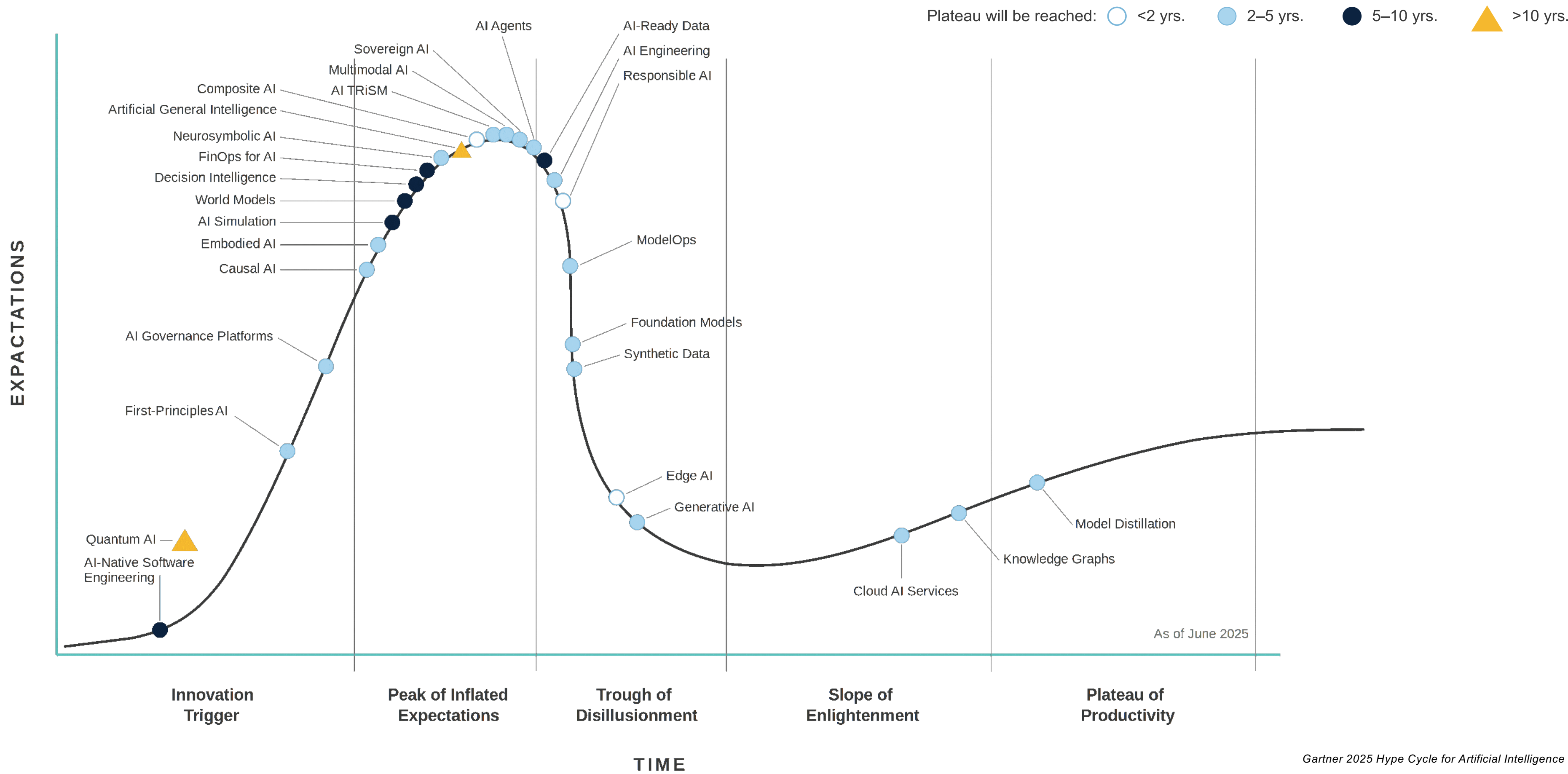
Innovation in Risk **Monitoring & Analytics**

- As risks become more complex, digital, and interconnected, traditional, retrospective reviews are no longer sufficient for emerging threats
- Early insight requires continuous monitoring, advanced analytics, and investigative judgment
- Less than half of organizations conduct fraud risk assessments annually
- The IIA's AI-Enabled Coordinated Assurance Certificate Program

AI CERTs®
AI Enabled Coordinated Assurance

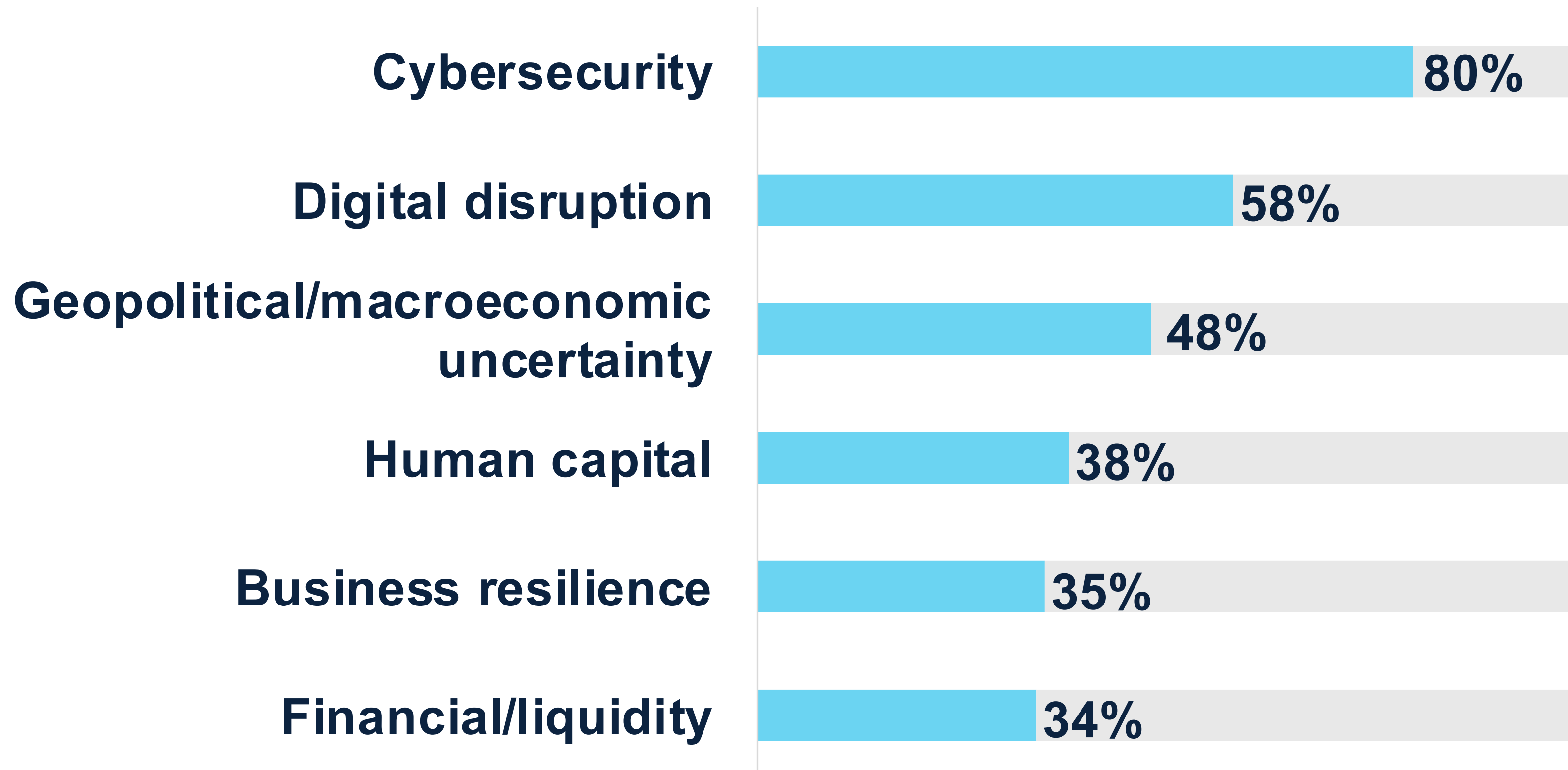
ACCA Combatting Fraud Report
https://www.accaglobal.com/content/dam/ACCA_Global/professional-insights/combatting-fraud/PI-COMBATTING-FRAUD-FINAL.pdf

Judgement in the Age of AI



The Risk Landscape

Global Highest Risks



Global Risk Snapshot

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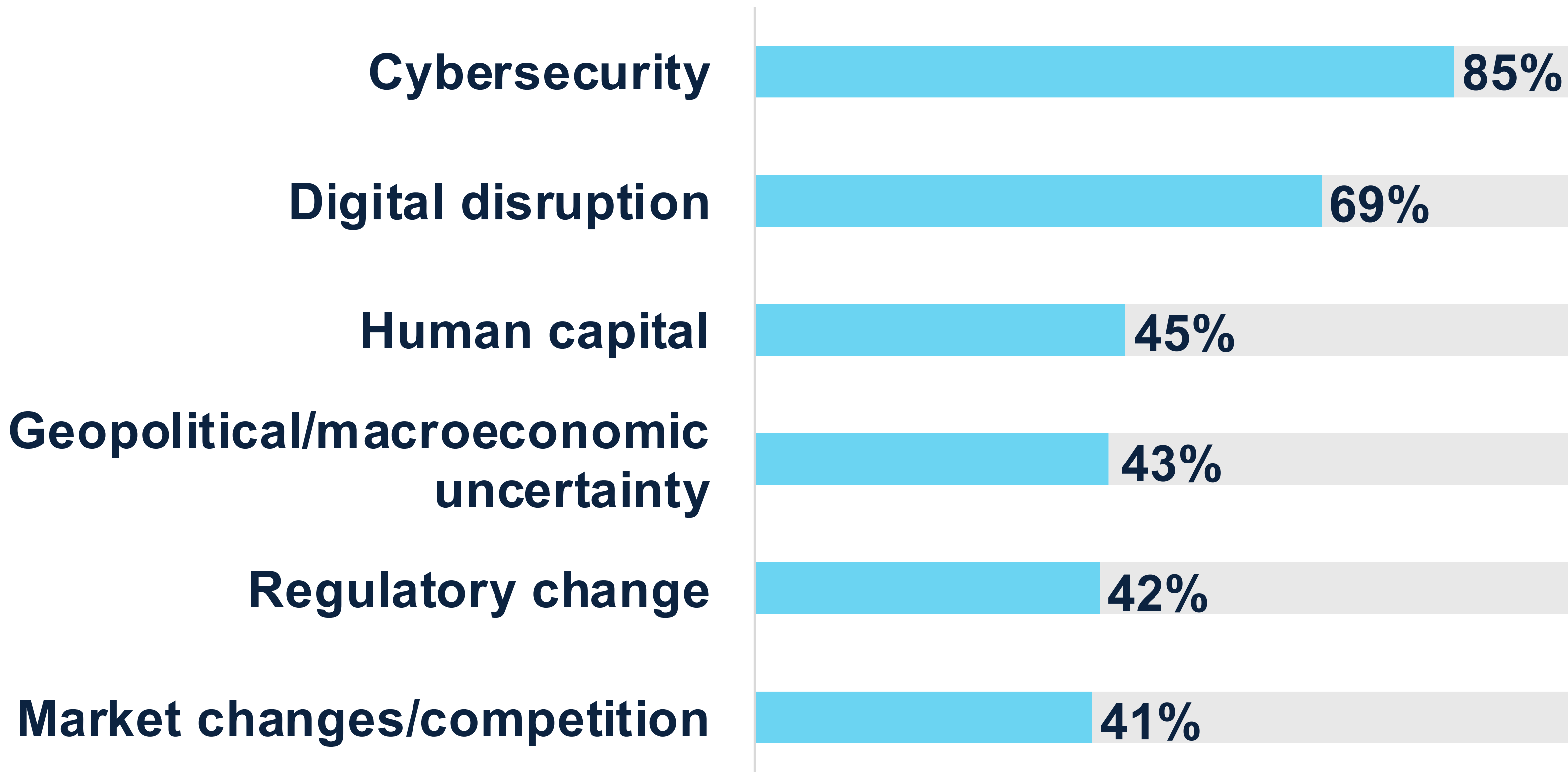
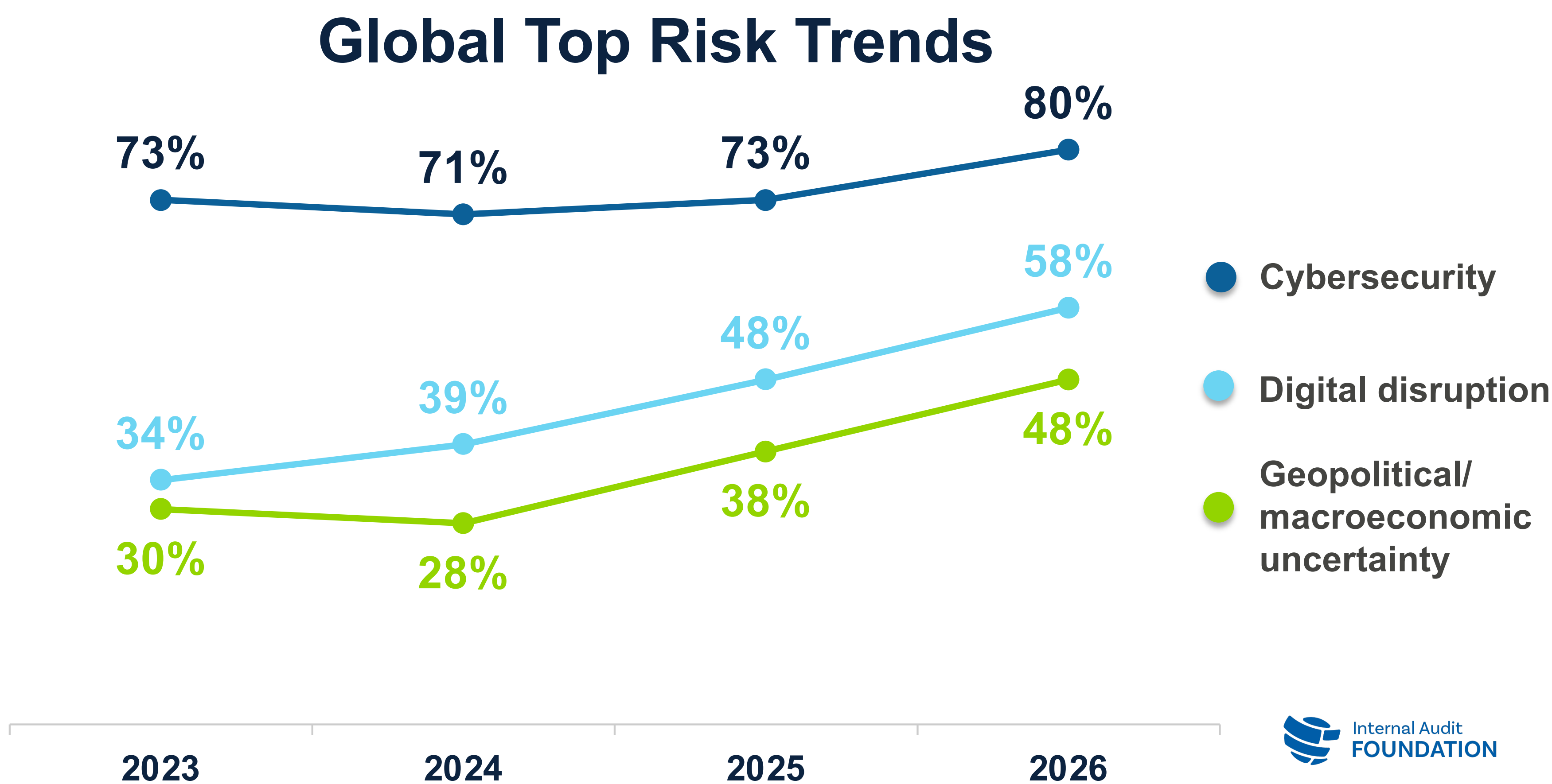
North America Highest Risks



Tech and Geopolitical Uncertainty Rising



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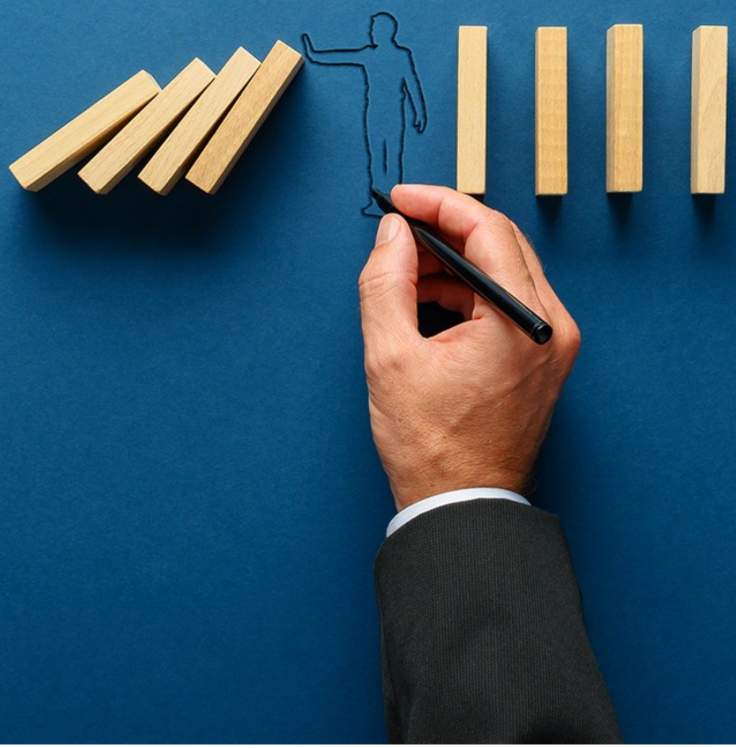
From Reactive to Anticipatory

- Strategy now moves at digital speed
- Traditional assurance lags where risk is actually emerging
- Proactive, advisory-based internal audit helps leaders act earlier and with confidence



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Workforce Strategy as **Risk Strategy**

- 55% of organizations list hiring/workforce impact as a key AI topic
- New roles are emerging: AI Prompt Engineer, AI Performance Analyst, AI Trainer
- 76% of industry leaders are willing to pay more for strong AI skills

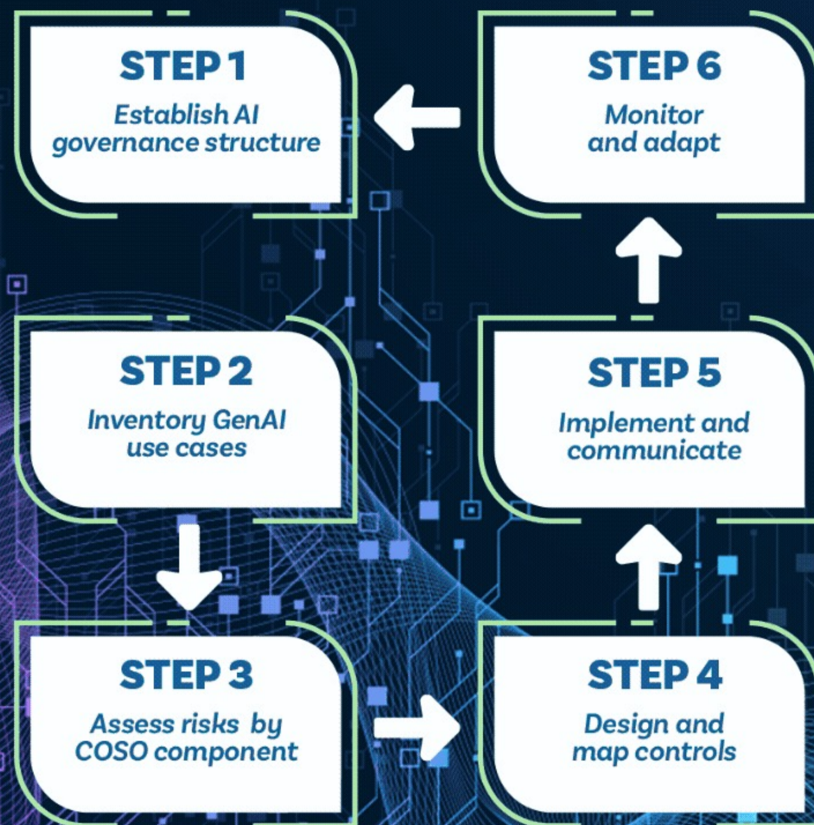
KPMG Quarterly AI Pulse Survey 2025 (Q4)
https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2026/ai-quarterly-pulse-survey-q4-2025.pdf

Auditing Embedded Assumptions

OECD Governing with Artificial Intelligence
https://www.oecd.org/en/publications/2025/06/governing-with-artificial-intelligence_398fa287/full-report/ai-in-regulatory-design-and-delivery_128691e6.html

Making AI Governance

Operational



COSO

Achieving Effective Internal Control Over Generative AI (GenAI)
https://ab5bd07f-8066-4a33-869e-6f82d80ee59a.filesusr.com/ugd/719ba0_08f358f2c8f946fa9d26bd51d37b7117.pdf

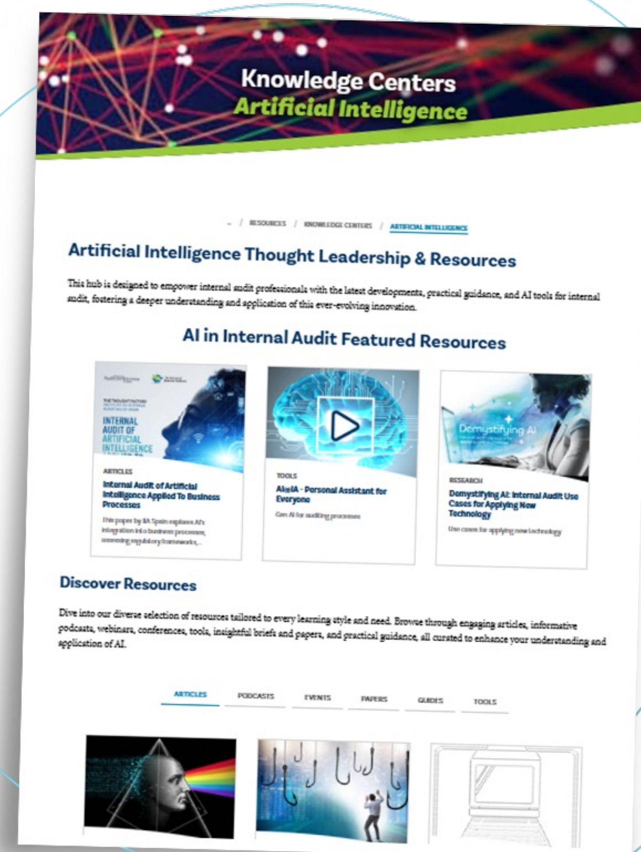
AI in ERM:
A Visibility Problem

- AI in ERM activities remains limited or not clearly understood across most organizations
- 71% of respondents selected “Not sure/not applicable,” suggesting either low adoption of AI in ERM functions or a lack of visibility into where AI is being applied within the organization

Source: Foundation’s Risk Research Survey, September to November 2025 (project partners: Baker Tilly and WKTM)
31. Which of the following ERM activities does your organization use artificial intelligence (AI) to support? (Select all that apply.) n = 2858.

AI Knowledge Center

- 🤖 AI Auditing Framework
- 🎧 Enjoy Podcasts and Videos Featuring Industry Leaders
- 📘 Prepare Audits with IPPF Guidance – Global Technology Audit Guides
- 🧰 Get Started with Practical Tools
- 🧠 Stay Current with the Latest Thought Leadership Articles and Papers
- 🗓️ Discover Webinars, Training, Conferences, and Other Events
- 📊 Dive Deeper with Research & Use Cases



Strategy in Motion

The Evolving Internal Audit Operating Model

Moving Toward
Continuous Confidence

Past

Annual risk assessment and audit plan

→

Now

Agile, risk-based assurance

→

Future

Continuous auditing and monitoring enabled by data analytics

From Efficiency to Strategic Relevance

Why the operating model must evolve

- Internal audit is being asked to deliver more value, faster, in a digitally disrupted risk environment
- The operating model is no longer static; it must adapt continuously
- The challenge: balancing independence with agility

Key design shifts

- From periodic reviews → dynamic, risk-responsive delivery
- From siloed assurance → integrated assurance across the Three Lines
- From traditional proficiency → interdisciplinary capability blending technology, governance, communication, and strategic insight

How Dynamic are Audit Plans – Really?

- Audit plans remain structurally anchored, with most effort locked into financial reporting, compliance, and operational reviews

- Cyber, IT, and emerging risks are still a minority allocation, despite rising volatility and real-time risk signals

- Advisory work is growing — but assurance still dominates, reinforcing a largely cyclical planning model

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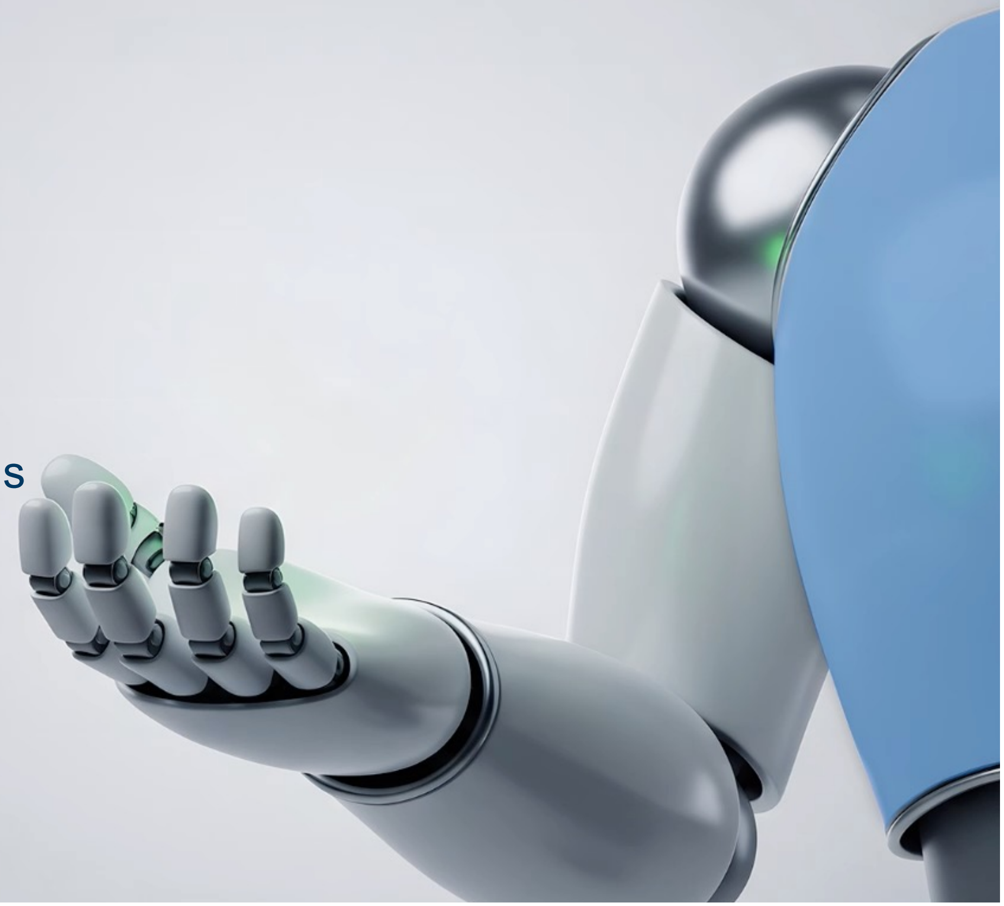
AI-Enabled Combined Assurance

- **AI can connect assurance activities across the organization**

- Continuous assurance mapping
- Unified risk language across functions
- Aggregation of monitoring activities across all three lines to reveal patterns
- AI-assisted quality assessment of other functions
- Integrated stakeholder reporting



AI allows assurance functions to shift From fragmented oversight to connected governance intelligence

Internal Audit:
The Institutional AI Trust Architect

- Trust is now mediated by algorithms, data, and identity
- Controls alone do not create trust
- Internal audit evaluates whether governance, controls, and decision processes actually create trust in practice
- Governance turns trust from intent into accountability

The organizations that win won't just be compliant, they'll be trusted, and trust must now be designed

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Emerging Workforce Risks

- AI-enabled impersonation is now a mainstream enterprise risk — not a fringe threat
- Identity trust failures undermine controls across hiring, access, data, and decision-making
- Internal audit has a role in assessing how trust is verified, not just how access is granted
- 41% of enterprises have onboarded a fraudulent candidate and 88% encounter deepfakes and impersonation attempts at least occasionally

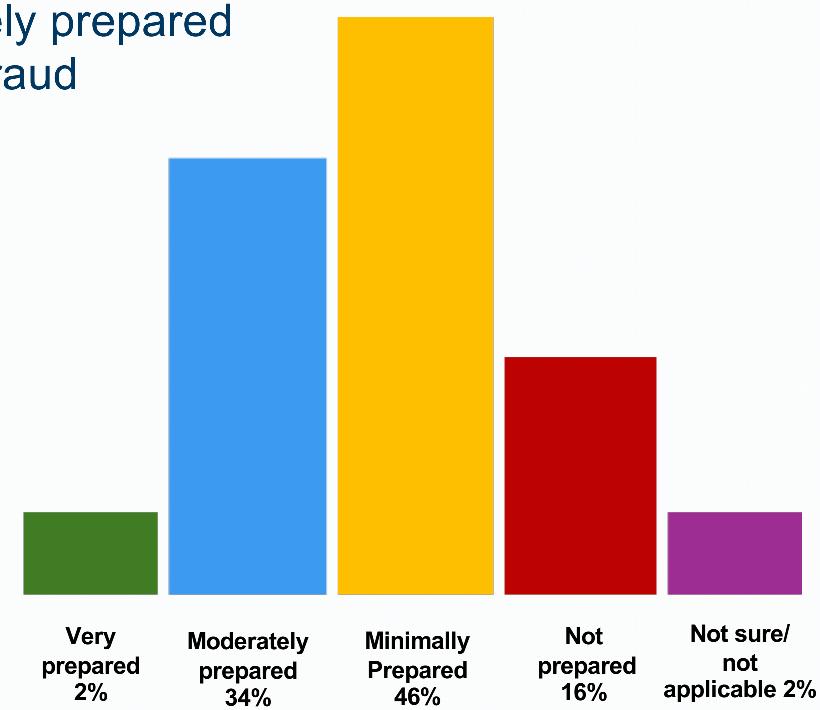
2026 Workforce Impersonation Report
https://www.go.nametag.co/hubfs/The%202026%20Workforce%20Impersonation%20Report.pdf?hsLang=es-co

Deepfake Readiness Benchmark Report
https://www.getrealsecurity.com/lp/deepfake-readiness-benchmark-report

The Implications of AI
On Governance

AI is Reshaping the Risk Landscape

Only 36% of senior internal audit leaders feel adequately prepared to detect AI-enabled fraud



Q20: How prepared is your internal audit team to detect AI-enabled fraud? n=372.

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AI Momentum

Future AI Usage by Internal Audit

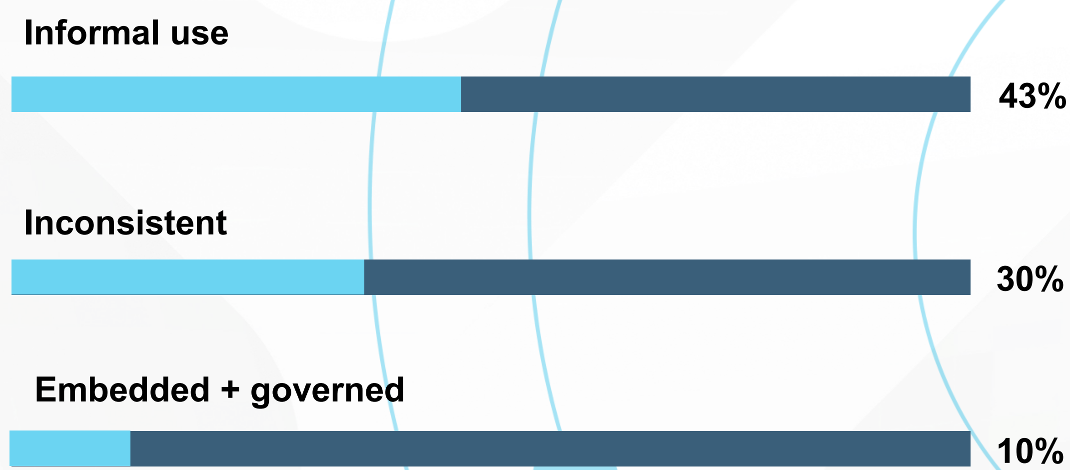
Note: The Foundation's Internal Audit and AI-Enabled Fraud Report (February 2026) - Q31:Over the next year, do you plan to increase or decrease use of AI within your internal audit function? *N=373*

From Pilot to Practice
Where Internal Auditors Are Today

43%

still use AI informally (drafting, summarizing)

Only ~1 in 10 has it embedded with review steps



What’s Holding Repeatability Back

23%

Data and privacy constraints

What can be sent to the model, and where it live

21%

Output reliability

Whether the answer is right enough to act on

20%

Absence of approved use cases

No green-light list, so teams improvise

Most Common Uses of AI in Internal Audit

32%

Control testing & document review
Repeatable, evidence-driven (the work AI handles cleanest)

31%

Walkthroughs & evidence summarization
Faster narrative drafts that auditors can review, not retype

The tedious, manual, and repetitive work

Governing Speed

As digital transformation accelerates, governance lags behind.

Rapid change without oversight increases operational risk. Internal audit's emerging role must focus on decision velocity vs. control maturity

Too fast = risk outpacing control

Too slow = inefficient

Balanced = governed risk with speed

Protiviti, Building the Generational AI Gap
https://www.protiviti.com/sites/default/files/2025-10/lse-generational-surveyreport-bklt-1025-na-en.pdf

Heavy workloads and botched digital initiatives are causing 'transformation fatigue' – and enterprises risk losing top talent if they don't change their ways
https://www.itpro.com/business/digital-transformation/heavy-workloads-and-botched-digital-initiatives-are-causing-transformation-fatigue-and-enterprises-risk-losing-top-talent-if-they-dont-change-their-ways

COSO Corporate Governance:
Guiding Principles for Board Oversight

Elevate the role of internal audit as a strategic advisor

- Confidence to tackle governance, strategy and performance— in a new risk landscape
- Practical guidance to support the assessment of organizational behavior and culture
- Connect assurance activities across internal audit, risk, and compliance
- Bring forward what matters most to the board—clearly and credibly in their language
- Help enhance board and audit committee reporting and communication
- Help consider how to address interests and objectives of broader stakeholders

The IIA: Enabling the Future

New Guardrails **for Emerging Risks**

- The IIA's Statements of Position
- Three Lines Model
- Enterprise Risk Management
- Topical Requirements
- 40+ practice guides & tools released since 2025
- 2026 focus on sector-specific guidance, AI, and ERM

Reframing Governance for a More **Connected Risk Environment**

Updated Three Lines Model

- Modernized, flexible governance framework
- Clarifies roles while recognizing operational realities
- Reinforces internal audit independence without isolation
- Encourages coordination, reliance, and integrated assurance
- Positions the CAE as a key orchestrator of organizational assurance

ERM is a Set of Activities

- Defines ERM as activities rather than a single function
- Clarifies overlap between second and third lines
- Recognizes the internal audit function’s advisory and assurance roles
- Emphasizes integrated assurance and coordinated insight
- Reinforces safeguards around independence and objectivity

Advocacy: Establishing a Resilient Future

GLOBAL
GP4 & PS-GP4
IPPF/Standards adoption
D&O Frameworks

UNITED STATES
Advancing internal audit's influence in evolving federal policy frameworks, including AI oversight and the pending CLARITY Act

CANADA
Internal audit definition included in critical cybersecurity legislation

AFRICA
New Regional Advocacy Manager for Africa & advocacy MOU with AFIIA

CORPORATE
Engaging audit committees to support effective internal audit functions

Preparing the Next Generation

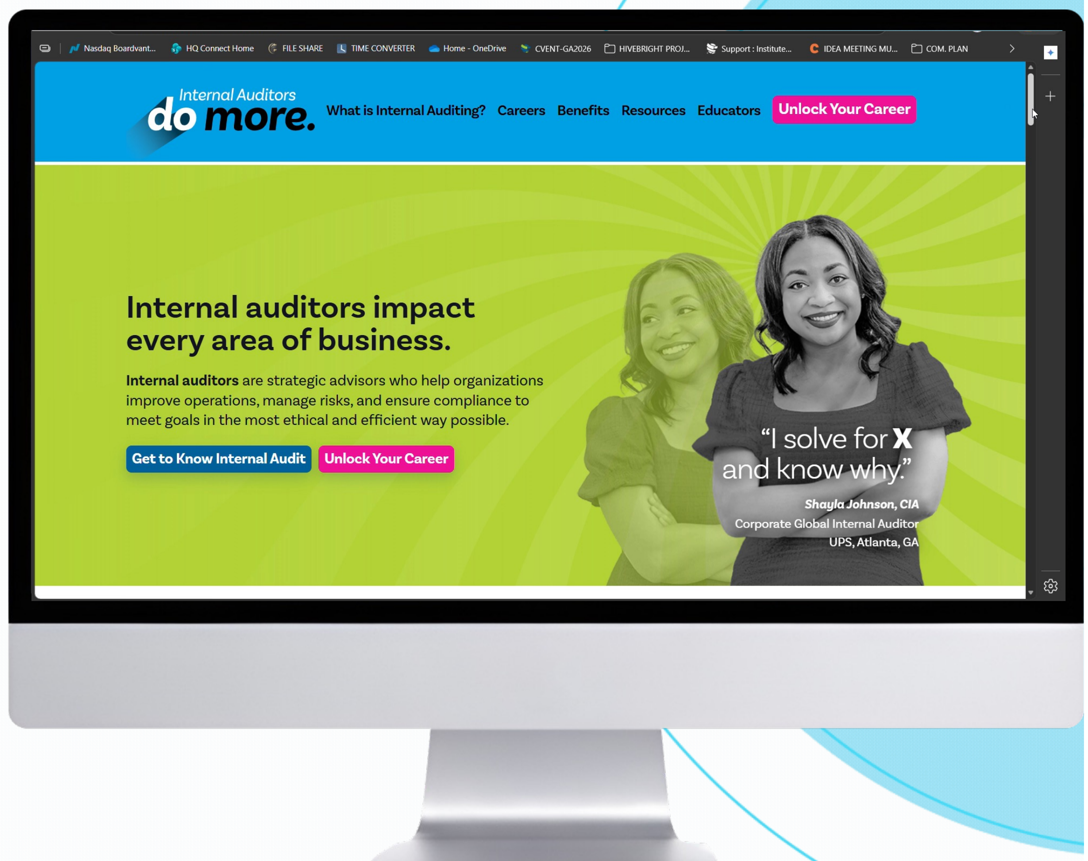
Internal Audit
Academic Alliance

Center for Excellence
Comprehensive Level
Foundation Level
Principles Level
Academic Affiliate

Focus on the Future

DoMoreWithInternalAudit.com

- Website to increase awareness and early engagement
- Showcasing how Internal Auditors Do More
- Expanding pipeline with resources



From Classroom to Credentials
Expanding Challenge Exam Pathways

- **COMING SOON!** Challenge Exam available in Spanish and French, with more languages to come
- New pilot pathway for experienced internal auditors
- Professional pathways have nearly doubled expanding access globally
- All Challenge Exams updated to align with the new Standards
- Becker study product available now

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Certified
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Key Takeaways

- Risk will not slow down
- Internal audit must turn AI governance from principle into practice
- Technology informs, judgment builds trust
- Internal audit's future is anticipatory, not cyclical
- The IIA is helping to prepare that future now

Thank you!

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