



Revamping Risk: How Digital Disruption is Rewriting the Internal Audit Playbook

The Classical Audit Approach is Under Strain



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Introduction

The digital era is characterized by data deluge and interconnected risk, and the traditional, checklist-driven internal audit paradigm is reaching its limits. Sample-based periodic audits offer a narrow snapshot of broader realities, leaving blind spots where risks or control failures can persist undetected between cycles.

The gap between policy and practice continues to widen, and organizations can no longer afford to rely on identifying issues after the fact. Internal audit must evolve, shifting from a retrospective watchdog to a proactive guide that works alongside management to strengthen controls, anticipate risk, and ensure real-time resilience.

Repositioning internal audit as a strategic enabler of resilience and performance is not a new concept. It's been endorsed by regulators, international bodies, and many leading firms, yet progress remains uneven. What's needed first is a mindset shift—recognizing the broader value audit can deliver—and then the follow-through: integrating teams, leveraging technology, and embracing continuous assurance to turn this vision into reality.



The Pressures

An Expanded Risk Universe

Internal audits have always had a broad remit, but are rapidly expanding. Organizations face increasingly diverse, nuanced, and interconnected risks. Data privacy, cyber threats, third-party dependencies, operational resilience, talent shortages, economic volatility, and the governance of emerging technologies, such as artificial intelligence, add new dimensions that must be actively managed.

These aren't just incremental changes. Many risks demand new controls, monitoring systems, tailored procedures, and documentation standards. The scale and complexity of the modern risk landscape require greater agility and sophistication in designing, implementing, and testing internal controls.

Risk/Challenge	Already Addressed	Plan to Address by 2026
Cyber security and information management	68%	27%
Business strategy and operating model (e.g. product strategy, sales disruption)	57%	33%
Technology advancement (e.g. impact on business model and processes)	54%	37%
Talent (e.g. labor/skills shortage, workforce transformation)	50%	36%
Market and economic volatility (e.g. pricing, inflation, cost management)	48%	35%
Supply chain disruption	47%	34%
Sustainability and climate change (e.g. ESG reporting)	44%	42%
External change (e.g. regulatory reform and compliance)	43%	39%
Geopolitics (e.g. international relations, trade agreements, sanctions)	32%	37%

Most internal audit functions are already tackling key risk areas like cybersecurity and information management, but many emerging or evolving risks are still in the early stages of inclusion. Areas such as business model disruption, supply chain resilience, sustainability, and regulatory reform are gaining traction, with many organizations planning to bring them into scope in the near future. Even lower-ranking areas like geopolitics are on the radar, with 37% planning to address them soon—a figure that has likely grown as geopolitical risks have intensified in the years since the survey was conducted.

Source: [PwC](#) Global internal audit research study, 2023



Regulatory Expectations

Regulatory expectations around internal controls and assurance are becoming more granular, expansive, and forward-looking in response to the risks we've outlined. Boards are no longer expected to simply maintain control frameworks—they are being asked to assess, monitor, and disclose their effectiveness in financial reporting and across operational and compliance domains. This evolution drives a deeper reliance on internal audits to provide credible, timely insight into control performance and risk resilience.

The implications are significant for internal audits. The traditional model of cyclical control testing is no longer sufficient. Instead, regulators are pushing for a more continuous, risk-aligned assurance model. Material control weaknesses must not only be identified early but also transparently disclosed and supported by robust, documented remediation plans. To meet these expectations, internal audits must be embedded in strategic risk processes, delivering insight that supports compliance and enhances long-term resilience.

Regulatory Repercussions for Internal Control Deficiencies

Citigroup's banking arm was [fined](#) \$400 million by the U.S. Office of the Comptroller of the Currency (OCC) in 2020 for "longstanding deficiencies" in its enterprise-wide risk management and internal controls. U.S. regulators issued consent orders requiring Citi to overhaul its internal controls, data governance, and compliance risk management.

Notably, they cited Citi's internal audit failed to identify or escalate these chronic issues.

When Citi's progress lagged, regulators in 2023 imposed an [additional](#) \$135 million in fines for failing to make sufficient improvements promptly. This enforcement clarified that large financial institutions must have robust internal audit and control functions. Otherwise, they face costly supervisory action.



Doing More with Less

A SURGE IN CONTROL VOLUME

As regulatory expectations have increased and businesses have grown more complex, what qualifies as a “key” control has expanded. In highly regulated sectors such as financial services, the number of control activities often reaches the thousands—especially when accounting for enterprise-wide operational, compliance, and reporting obligations. While not all controls are tested yearly, audit teams must apply a risk-based approach to provide assurance across an ever-larger landscape.

A COST-CONSTRAINED MANDATE

Despite this expansion in scope, most internal audit functions operate with constrained budgets. Eighty-five percent of chief audit executives reported their internal audit budget was 0.5% or less of company revenue, while more than half of organizations had an annual spend below £500,000 (~\$600,000), and only 5% had budgets exceeding £5 million (2023).¹

Audit teams are under pressure to expand coverage and improve responsiveness without proportionate increases in headcount or budget. The result is a call for smarter audits, more strategic, technology-enabled, and deeply embedded in enterprise risk management.

How Internal Audit Must Evolve

NEARLY 80% OF FIRMS BELIEVE INTERNAL AUDIT CAN ADD EVEN MORE VALUE THAN IT CURRENTLY DOES.²

The revised Global Internal Audit Standards capture the essence of internal audit’s evolution, reframing the practice as a value-driving function that must be tightly aligned with an organization’s mission, strategy, and risk appetite. Auditors must surpass reactive control testing and embrace forward-looking assurance, real-time insights, and cross-functional collaboration.

The Standards place a greater emphasis on a technology-enabled approach to internal audit and risk management, with a particular focus on the need to be agile, proactive, and, where possible, predictive. Key themes include:

- Stronger integration with business strategy and objectives, ensuring internal audit activities directly support enterprise goals.
- Greater use of technology and data analytics, enabling more timely, continuous, and risk-focused assurance.
- An emphasis on agility and adaptability, encouraging internal audit functions to respond quickly to change and uncertainty.
- A shift toward foresight, supporting risk anticipation and strategic decision-making rather than backward-looking evaluations.

1. <https://charterediiia.org/media/1kuhf00a/bsa-ciiia-report-v7.pdf#:~:text=allocations%20is%20provided%20in%20the,as%20a%20proportion%20of%20revenues>

2. <https://www.thecaq.org/acpr24>



Embrace Integrated Assurance

Whilst internal audit independence is indeed central to sound corporate governance, effective collaboration ensures audit activities are risk-focused and aligned with the broader control environment. An integrated assurance model is grounded in structured coordination, not co-dependence, requiring careful delineation of roles and responsibilities and sophisticated information-sharing protocols to not compromise internal audit autonomy.

Aligning assurance processes with risk and compliance teams ultimately unlocks efficiency and effectiveness, avoiding duplication of effort and inconsistent messaging and instead delivering a single view of internal control effectiveness and subsequent risk exposure. Successful audit teams already demonstrate it's possible to be independent and collaborative, strengthening firms' ability to govern and respond to risk by combining insights from all angles—an approach increasingly favored by regulators worldwide.

Chase Real-Time Assurance

Internal audit is increasingly expected to deliver assurance on demand to answer questions like: “*Are our controls working effectively right now?*” or “*What’s our exposure if a material risk emerges mid-cycle?*” Stakeholders want real-time visibility into control effectiveness, not just retrospective reports.

Yet, for most organizations, this remains aspirational. Only around 30% of internal audit teams in Europe have implemented continuous auditing, and nearly half have no plans to do so. Despite growing interest, adoption of real-time techniques continues to lag behind the hype.³

Meeting this new standard requires a fundamental shift in audit methodology. Traditional point-in-time audits are no longer enough. Instead, internal audit must begin to adopt data-driven methods such as:

- Real-time evidence collection
- Live process observation
- Continuous control monitoring

But the shift is not just technical; it's structural. Without centralized systems and seamless access to operational data, delivering real-time assurance remains out of reach for many. The result is a widening gap between what stakeholders need and what audits can currently provide. Bridging this divide must become a strategic priority. It requires investment in tools, better data access, and upskilled teams equipped to operate in a dynamic, risk-responsive environment.

Management Wants Better Risk Conversations

Most organizations recognize internal audit needs to work more closely with other departments to have more open, frequent, and high-quality discussions about risk. Yet the reality often falls short. In one survey, only 36% of stakeholders said they have sufficiently strong risk conversations with internal audit leaders. While audit committees and executive leadership (like CFOs and CROs) are generally engaged, just 8% of respondents reported good-quality, frequent interaction across all relevant stakeholders.

3. <https://sites.duke.edu/thefinregblog/2023/08/06/patience-is-key-the-time-it-takes-to-see-benefits-from-continuous-auditing/#:~:text=these%20benefits%2C%20the%20adoption%20of,of%20implementing%20CA%20and%20the>



Think Strategically, Focus on Agility

As businesses adopt agile development, cloud-native architectures, and AI-driven processes, internal audits must evolve to keep pace. Traditional audit cycles—rigid, retrospective, and time-consuming—are ill-suited to fast-moving environments where product teams release updates weekly, and risks emerge in real-time. Left unchanged, audits risk becoming either a bottleneck or an afterthought.

During COVID-19, **70% of internal audit teams** were forced to rapidly reprioritize audit plans to respond to emerging risks.⁴ That forced agility has persisted and become a permanent expectation. That means shifting toward:

- **Dynamic, risk-based planning** that can pivot as new risks emerge
- **Iterative audit cycles** that deliver insight faster and more frequently
- **Embedded advisory roles** that engage early with innovation initiatives to ensure risks are addressed without stifling progress

4. <https://internalaudit360.com/the-post-pandemic-evolution-of-internal-audit/#:~:text=Approximately%2070%20percent%20of%20auditors,new%20technology%20to%20improve%20efficiency>



What is Holding Us Back?

Reimagining internal audits is not just a technological and cultural challenge. Shifting from a retrospective oversight model to a forward-looking, real-time partner requires a deep mindset shift, new skill sets, and stronger collaboration across the three lines of defense.

Many progressive audit functions are beginning to embed themselves within product and operational teams, offering real-time input while preserving their independence. They're also designing more adaptive audit plans—flexible enough to evolve with the business and responsive to emerging risks. Yet, despite growing awareness and ambition, practical barriers remain.

One of the most persistent is structural fragmentation. Controls are often spread across siloed systems, departments, and formats. Internal audit teams must gather evidence from risk registers, compliance logs, spreadsheets, IT ticketing systems, and more to build a picture of control performance. This patchwork approach is time-consuming, prone to oversight, and fundamentally limits real-time insight.

This creates inefficiencies and increases the risk of duplicated testing or missed assurance coverage, where responsibilities fall between the cracks. Without a centralized, connected view of controls and risks, audit teams must spend more time gathering data than delivering insight.

If internal audit is to meet the moment—to be more strategic, responsive, and embedded—organizations must address the cultural and structural realities holding them back. Technology is at the heart of this evolution, and in our next paper, we will explain exactly how.

SAI360's unified approach to risk sets us apart

Today's complex risk landscape demands more. SAI360 leads the way with an integrated GRC platform and Learning solution that spans the entire risk and compliance spectrum.

Risk Management Solutions

- Risk & Compliance Management Solutions
- Enterprise & Operational Risk Management
- Regulatory Compliance
- Policy Management
- Third-Party / Vendor Risk Management
- Internal Controls
- Internal Audit
- Incident Management
- Conflicts of Interest (COI)
- Gifts and Hospitality
- IT & Cybersecurity
- Business Continuity Management
- Ethics & Compliance Learning Solutions
 - Anti-Bribery & Anti-Corruption
 - Competition & Anti-Trust
 - Conflicts of Interest
 - Data Protection & Privacy
 - Exports, Imports & Trade Compliance
 - Harassment & Discrimination



SAI360 is giving companies a new perspective on risk management. By integrating ethics, governance, risk, and compliance within a single platform, SAI360 helps companies broaden their risk horizon so they can manage risk from every angle. Visit sai360.com to learn more.

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