# AI IN ACTION

Four internal audit leaders share how their teams are using AI to boost efficiency and innovation.

Neil Hodge

There is little doubt that artificial intelligence (AI) is transforming the work internal audit does, and how the profession does it. The technology opens novel possibilities for auditors to do more with less and do it more effectively.

AI can streamline risk identification and classification by processing extensive datasets from financial statements, operational metrics, and transaction records. It can even process unstructured inputs such as interviews and open-ended surveys.

This capacity to sift vast amounts of data can help internal auditors identify patterns, anomalies, and trends that signal potential threats or emerging risks. On the flip side, looking backward at historical data can help audit functions forecast future risks and highlight areas needing closer scrutiny, especially in cases involving frequent and repetitive transactions or events.

"Traditional risk assessments typically rely on manual workflows, spreadsheets, and subjective evaluations," says Scott Bridgen, general manager, risk and audit at risk software vendor Diligent in London. "While these approaches have their merits, they can be inefficient and susceptible to bias. AI-driven risk assessment enhances efficiency by automating data collection, analysis, and reporting, allowing auditors to focus on higher-level strategic decision-making."

Some early adopters are finding practical ways to use

AI to augment internal audit work. Four audit leaders share their stories.

## IMPROVING SAFETY AND COMMUNICATION

It is the ease of use and accessibility of common AI tools that prompted some CAEs early on to explore using the technology in the workplace. At energy company Uniper in Düsseldorf, Germany, Egemen Lipinski, senior vice president of audit operations, HSSE, and sustainability, says he saw the potential of AI in auditing and business when he began experimenting with ChatGPT in late 2022, just a month after its release.

"It was such an easy but powerful tool to use," he says. "I could immediately see how it could help with many of the routine aspects of audit work, particularly audit preparation and report writing."

Lipinski quickly became a fan and encouraged his colleagues to look at what the technology could do. He is constantly exploring new AI use cases and says there have already been several quick wins. For example, the audit team is using AI to assist with updating operations manuals at Uniper's power plants and to support safety walks, where safety teams use photographs to identify physical hazards or health and safety risks within facilities — significantly reducing the time required for physical inspections.

The team has also used AI to improve audit reporting and communication. Lipinski uses AI tools to create short video presentations that he sends to audit clients, explaining the work his team is doing and the benefits they are delivering.

"Our audit results are now seen by many more people across the organization, and we are getting more support for our work from within the business," he says. "Our reputation has grown, and we're receiving requests from other departments to showcase how we're using AI so they can follow our lead."

## FINDING PATTERNS IN DATA

For Vincent Cheang, director of internal audit at GIC in Singapore, his team's AI journey started with hiring a single data scientist to analyze the organization's procurement processes as part of a "proof of concept" initiative.

It quickly became evident that these advanced AI tools could perform tasks that were previously impossible manually, providing insights into unusual transactions by examining multiple parameters and using statistical clustering. Cheang presented the results to senior management, who promptly endorsed the initiative. The team expanded its use cases and hired additional data scientists.

Now, the team's primary use of AI is identifying exceptions by analyzing patterns in data. Initially, the team used machine-learning tools

**Egemen Lipinski**, Senior Vice President, Audit Operations, HSSE, and Sustainability, Uniper

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to spot outliers, but it has since transitioned to using advanced large language models (LLMs), such as ChatGPT, for the same purpose. Cheang says about half of his 30-person team focuses on auditing business operations, while the remainder is evenly divided between IT auditors and data scientists.

A common challenge in using AI to analyze patterns is managing the extensive list of exceptions, many of which are false positives. To improve accuracy with LLMs, Cheang recommends several best practices:

- Structure queries in detailed steps.
- Deploy multiple AI agents to review and challenge results.
- Run queries multiple times to check for consistency.
- Ensure human oversight to validate exceptions.

He also advises auditors to limit the data accessible to the AI to only what is provided by the internal audit function, making the output easier to verify. Cheang says that the true measure of AI effectiveness lies not in the number of positive exceptions identified, but in whether the AI highlights exceptions that are logically unusual to internal auditors, even if they are not actual exceptions — which aligns with the AI's intended purpose.

## AN ALL-AROUND ASSISTANT

Engin Kemal Erdemli, Global Audit Analytics Lead at insurer Allianz in Munich, says his team of around 50 auditors uses AI daily, principally the function's own in-house generative AI (GenAI) solution AuditGPT, which assists auditors with tasks such as risk assessment, report writing and review, and code generation and execution — including text-to-code conversion for data analysis purposes.

Auditors can also use AI to generate insights — such as determining best practices or identifying the highest risks in a process. With report writing, AI can speed the process, ensuring reports are well-written and formatted consistently and findings and recommendations are presented in positive language to engage management, Erdemli says. He also suggests using AI to create interview questions, meeting minutes, report templates, and records of work done.

Erdemli says he expects internal audit's AI use to significantly contribute to time savings, productivity, output quality, and creativity within the audit process. His audit function measures these benefits through key performance indicators, including reduced time spent on report writing and review, improved accuracy in risk assessments, enhanced productivity, and output quality. These metrics help quantify improvements in efficiency and accuracy, enabling auditors to explore new areas and improve assurance.

**Vincent Cheang**, Director of Internal Audit, GIC

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"You need to present compelling evidence and demonstrate how AI tools can enhance [internal auditors'] work and improve their effectiveness and efficiency."

"The audit universe operates on a cycle based on risk scores, with audits being repeated yearly, semi-yearly, or every three years, depending on the assessed risk level," Erdemli says. "During this period, many aspects of a company's processes change."

Using a cross-functional, GenAI approach that integrates with key systems and databases gives auditors access to real-time data and analysis. "This integration allows for systematic tracking of risks through automation, providing timely insights and enabling proactive risk management," he explains.

## CONDUCTING SENTIMENT ANALYSIS

Experts say there are internal audit activities that can benefit from AI use that are still relatively untested. Imran Nashir, senior audit manager at telecommunications and IT services provider KPN based in Rotterdam, Netherlands, says he sees real potential in using the technology to assess "soft controls"—those aimed at checking issues such as corporate culture, employee behavior, and ethics.

One idea is to see how well people across the organization understand, implement, and follow policies and procedures. At KPN, Nashir's team uses GenAI to analyze transcripts of interviews and engagement surveys to detect patterns, sentiment, or cultural gaps, helping identify where soft controls may be weak or where further attention is needed.

Nashir says that while AI is helping internal auditors deliver better service in less time, the technology can ultimately change the role of internal audit in positive ways. "The opportunity to get involved in more consultancy-type work is obviously there, as is the opportunity for internal audit to venture into completely new areas where the function may be able to add value," he says. "Developing an AI-first mindset is key to unlocking such shifts."

**Engin Kemal Erdemli**, Global Audit Analytics Lead, Allianz

**The GenAI approach provides real-time data.**

"This integration allows for systematic tracking of risks through automation, providing timely insights and enabling proactive risk management."

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## DEVELOPING AN AI REPUTATION

When adopting AI, Lipinski advises CAEs to identify the audit areas that would benefit most from AI and consider how the technology can improve them. He recommends focusing on repetitive, manually intensive tasks that are easier to monitor for incorrect outputs. But he warns that "AI must never replace human critical thinking. It is only meant to support humans in the most efficient way possible."

For CAEs to successfully integrate AI, Cheang points out that gaining buy-in from the audit team is a priority. "You need to present compelling reasons and demonstrate how AI tools can enhance their work and improve their effectiveness and efficiency," he says. Otherwise, it will be challenging for them to adopt and embrace this new technology.

As internal auditors begin to explore AI tools, leaders must fully grasp the steps to successful adoption for both the function and individual internal auditors, Erdemli says. For starters, he says, it's important to invest in AI tools that can be customized to meet the needs of the audit team. Next, CAEs need to conduct awareness campaigns and training sessions to increase tool adoption and effectiveness. This can be achieved by creating a communication plan to boost awareness and promote the use of AI tools through hands-on workshops and sessions on AI capabilities and best practices in prompt engineering.

Continuous learning and collaboration through innovation hubs and discussion forums are also essential for successful AI adoption, Erdemli says. On an individual level, he adds, auditors should focus on gaining a deep understanding of AI tools, particularly GenAI algorithms, and developing their proficiency in prompt engineering techniques. This can ensure accurate results and help auditors better interpret AI-generated insights.

As internal auditors become more confident in using AI technologies, they will be more likely to use it in new areas, particularly around strategy. Some experts say AI could revolutionize the way internal audit approaches its work. "Embracing AI in internal audit is not merely about technology — it's about redefining the future of auditing with purpose, strategic alignment, and thoughtful execution," says Yvonne Zhu, AI assurance leader at EY Canada in Toronto.

**Neil Hodge** is a freelance journalist based in Nottingham, U.K.

## EARLY ADOPTER ADVANTAGE

One barrier to the progress of AI's use in internal auditing is the reluctance of some functions to adopt and adapt the technology to their advantage.

Despite the promise of AI, there is reticence about using AI tools, says Grant Ostler, industry principal at risk and compliance software vendor Workiva in Minneapolis. "Most teams are taking a cautious approach to leveraging GenAI and are waiting for the tools and governance practices to mature before jumping in," he notes.

Yvonne Zhu, of EY Canada, says internal auditors should not be intimidated by AI. "By using AI in internal audit, it lets auditors focus on value-add activities like analyzing data and improving processes," she says.

While Ostler says taking some precautions is understandable, he encourages internal auditors to become early adopters to learn the nuances around AI, access new opportunities, and stay ahead of emerging risks. Learning how other internal audit functions are using AI can help.