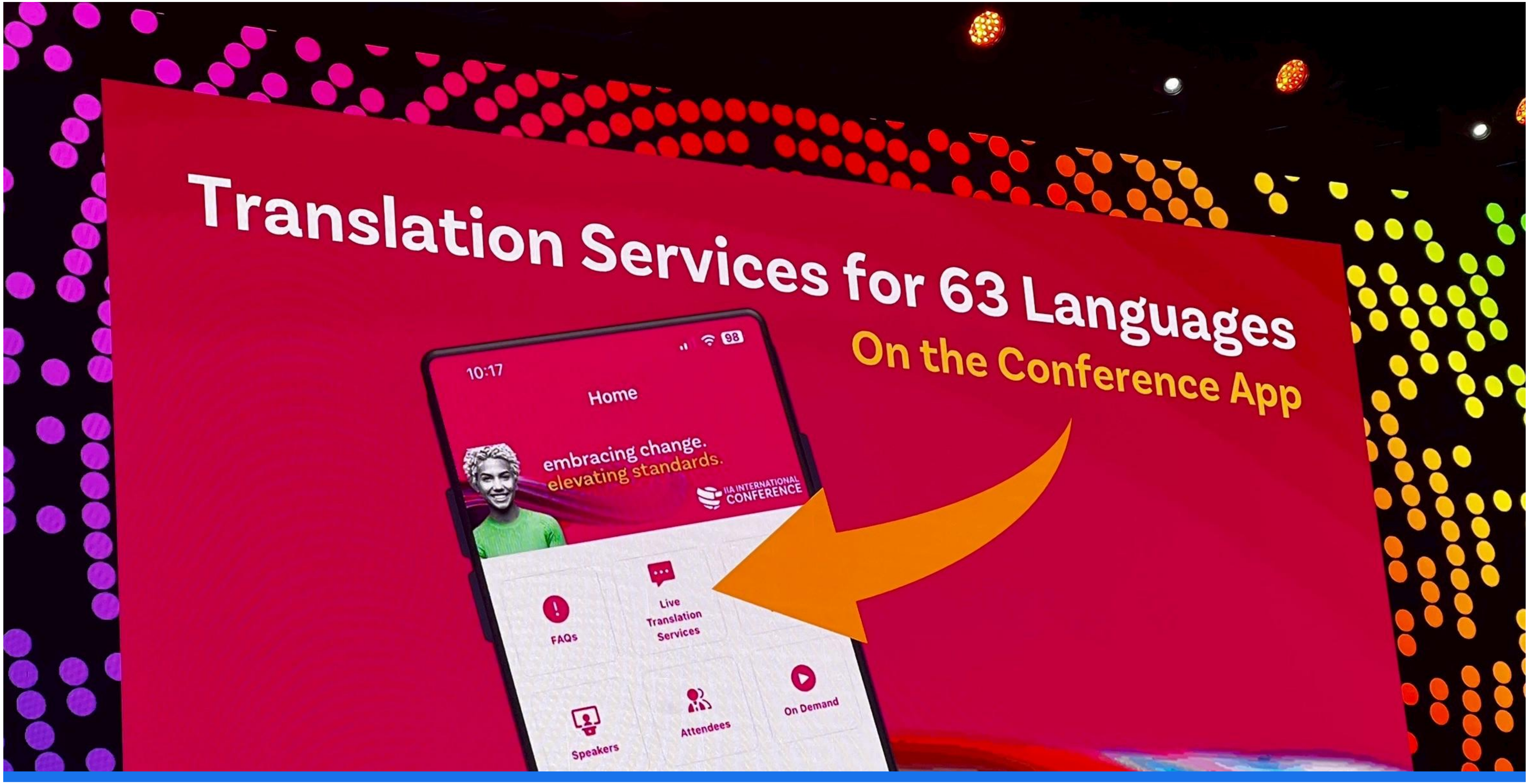
IIA International Conference

TORONTO

14 - 16 JULY 2025


ZACK KASS
The Next Renaissance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Risk, Reimagined

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Risk, Reimagined

Internal Audit's Evolving Role in a World of Interconnected Threats

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Anthony Pugliese

CIA, CPA, CGMA, CITP

Terry Grafenstine

CIA, CPA, CISSP, CISA, CRISC, CGEIT, CGAP

Global Risk Trends

What are the top 5 risks your organization faces?

	Last Year's Risk			Current Year's Risk			Risk Expectations in 3 Years	
1	Cybersecurity	73%	1	Cybersecurity	73%	1	Cybersecurity	69%
2	Human capital	51%	2	Business continuity	51%	2	**Digital disruption (including AI)**	**59%**
3	Business continuity	47%	3	Human capital	49%	3	Business continuity	47%
4	Regulatory change	39%	4	**Digital disruption (including AI)**	**39%**	4	Human capital	42%
5	**Digital disruption (including AI)**	**34%**	5	Regulatory change	38%	5	**Climate change/environment**	**39%**
6	Financial liquidity	32%	6	Market changes/competition	32%	6	Regulatory change	37%
7	Market changes/competition	32%	7	Financial liquidity	31%	7	Geopolitical uncertainty	31%
8	Geopolitical uncertainty	30%	8	Geopolitical uncertainty	30%	8	Market changes/competition	30%
9	Governance/corporate reporting	27%	9	Governance/corporate reporting	25%	9	Financial liquidity	25%
10	Supply chain (including third parties)	26%	10	Organizational culture	24%	10	Supply chain (including third parties)	24%
11	Organizational culture	26%	11	Fraud	24%	11	Governance/corporate reporting	22%
12	Fraud	24%	12	Supply chain (including third parties)	23%	12	Fraud	21%
13	Communications/reputation	21%	13	**Climate change/environment**	**23%**	13	Organizational culture	20%
14	**Climate change/environment**	**19%**	14	Communications/reputation	20%	14	Communications/reputation	15%
15	Health/safety	11%	15	Health/safety	11%	15	Health/safety	10%
16	Mergers/acquisitions	6%	16	Mergers/acquisitions	6%	16	Mergers/acquisitions	9%

Our Expanding Role in ERM

ERM is Expanding and Redefining Internal Audit

Internal Audit's Traditional Role in ERM

Observer and evaluator
Compliance and controls focus
Limited engagement

Shifting To a More Dynamic, Proactive Role

Strategic advisor
Connector across functions
Promote risk culture

Going Beyond Internal Audit

71% of CAEs have roles beyond internal audit, including ERM, fraud investigation, and compliance

Our Expanding Role in ERM

We Illuminate Risk

We Don't Manage It

Our Expanding Role in ERM

- Advise on the development and implementation of the ERM framework
- Facilitate risk assessments and strategic discussions
- Provide insight into risk mitigation plans
- Evaluate risk culture and risk appetite alignment
- Audit the effectiveness of governance and risk management activities
- Report independently to management and the board

Internal auditors do not own or accept responsibility for risks—they help ensure the right people do

Our Expanding Role in ERM

The IIA's Three Lines Model

The Three Lines are already being blurred

Expanding Scope

Second-line Synergies

Organizations see synergies by adding second-line function responsibilities with internal audit coordinating the effort

CAE's Expanded Scope

CAEs manage internal audit AND second-line functions

Navigating the Considerations

Organizations and industries, particularly highly regulated ones, must be considered within their business contexts.

Reevaluate the Three Lines Model?

As the needs of the profession and organizations continue to evolve, future research is needed.

Blurring of the Three Lines

Key Session Takeaways

- Risks are now systemic, fast-moving, and interconnected
- Internal audit must evolve from oversight to strategic guidance
- Culture, trust, and integrity are core risk factors
- Collaboration across silos is essential to build resilience
- Technology brings both disruption and opportunity

Competency Framework

Components of the Competency Framework

IIA Competency Framework

Competency Categories

Each Category has subcategories

Proficiency Levels

- Basic
- Intermediate
- Advanced
- Expert

Job-Level Expectations

- Entry-level and Staff Auditor
- Senior Auditor
- Lead Auditor
- Sr Audit Manager and Director
- Chief Audit Executive
- Audit Committee Member
- Quality Assessment Team Leader

Quality Assessment


Quality Assessment
Challenges and
Opportunities – Open Forum
Session 2-7
July 15, 2025

New Standards Guidance Available


IIA Audit Tool
Global Internal Audit Standards
Performance Measurement
A. Purpose of Performance Measurement

Guidance

Chief Audit Executive's Domain III Toolkit

The CAE toolkit is designed to help chief audit executives understand and communicate with the board and senior management about the requirements and essential conditions of Domain III: Governing the... Internal Audit Function in the Global Internal Audit Standards.

STANDARDS

Conformance Readiness Assessment Tool

Discover which Standards requirements are new.

Global Internal Audit Standards Portal:

https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/

email the Standards or Guidance teams at: Standards@theiia.org or Guidance@theiia.org

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Quality Assessment Manual 2024 Edition

Manual Version	Member Price
e-Book (with Excel work program)	$280
e-Book plus Hardcover	$320

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IIA Quality Services
Elevating Internal Audit Quality Around the World

Request a quality assessment proposal

Receive a complimentary consultation with an IIA Quality Services advisor.

Request a quality assessment proposal   Schedule a free consultation

Full-scope External Quality Assessment

Self-assessment with Independent Validation

Gap Assessment to new Standards

Free Standards and Best Practices Consultations

Highly Experienced Quality Advisors

Quality advice

Meet our team of internationally recognized quality advisors.

Meet our advisors

Quality assurance and improvement

Learn what to expect from a Quality Assurance and Improvement Program.

Learn about QAIP

Quality assessments

Explore external, gap, and self-assessment options.

Compare options

Quality thought leadership

Gain access to webinars, papers, and articles on quality assessments.

Review thought leadership

email IIA Quality Services at:
quality@theiia.org

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CS 4-1: AI and IA

How to effectively address both sides of one coin

AI Opportunities in Auditing

AI Capabilities for Audit

- Summarization and Extraction
- Generative Content
- Recommendation Systems
- Agentic Audits

Audit Use Case Patterns

- Data Collection and Analysis
- Compliance to regulations and standards
- Audit Documentation

Industry Use Cases

- Risk identification
- Audit program creation (prompt generator)
- Risk / control description quality assessment
- Regulatory gap evaluation
- Transcription / interview documentation (incl. translation)
- Internal control testing
- Audit narrative & issue writing
- Audit report generator

Limitations of AI Models

- Data quality & availability
- Lack of contextual understanding
- Explainability & transparency
- Bias & ethical risks
- Privacy & security risks
- Resource intensity / costs

How to audit?

Lower — AI Risk — Higher

Black-box approach	Rely on IT processes	White-box approach
Test ITGCs and other controls	▪ Test ITGCs and other controls ▪ Test monitoring controls over AI output	
Audit around the AI to address the risks	Audit the output of the AI	▪ Stress testing ▪ Statistical techniques


Engaging Tomorrow
Strategies For Attracting and
Retaining The Next-Gen Auditors
15 AUGUST 2025
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Perla Habchi

Internal Audit Project Leader

Canada - Government of Canada

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State of The Profession

Over half of the survey respondents for the 2035 Vision Report recognize that the role of internal auditors will be substantially or very different by 2035.

With an evolving role and the evolution of our current risk landscape, internal auditor skills are required to expand beyond traditional competencies

Majority of respondents agree that adoption of technologies will allow internal audit to provide added value highlighting the opportunities for harnessing technology in our day to day

70% of CAEs are experiencing challenges in attracting talent with skills required for future internal audit functions (2035 Vision Report)

A large number of experienced auditors belonging to the Baby Boom generation are expected to retire in the next decade

What Does This Mean?

- The risk landscape and emerging auditable areas are rapidly evolving and changing
- Staffing is becoming more complex and challenging as we navigate generational differences
- Upcoming retirements will leave job vacancies to be filled with next generation of Internal Auditors
- Internal Audit is not being marketed enough at the undergraduate level

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Moving Towards A Strategic Approach

- Raise awareness towards the profession
- Assess current resources in terms of competencies and skillsets to determine skill gaps
- Explore academic backgrounds outside of accounting
- Determine your function’s maturity
- Approach internships as catalysts for future resourcing and re-imagine your staffing processes
- Establish mentorship/onboarding programs
- Emphasize a culture of collaboration, innovation, and one that is emotionally intelligent

Areas To Emphasize

- Creating a positive and meaningful/fulfilling experience
- Treating internships as long-term investments
- Strategic hiring meant to align skills with function objectives
- Creating onboarding and mentorship programs
- Emphasizing a supportive and emotionally intelligent culture
- Presenting a clear career path

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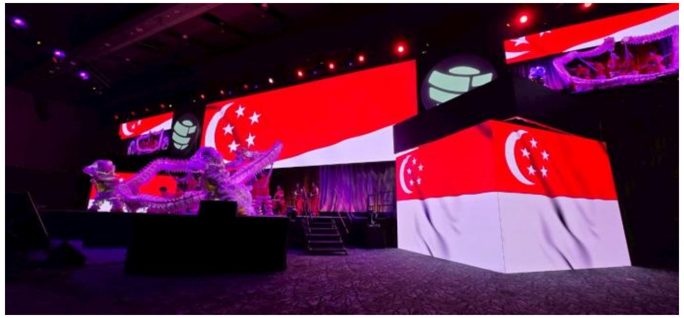


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Thank you