LOOOM

A LOOOM GUIDE

AI in Internal Audit.

How the profession is changing — and what audit leaders need to know before it changes their team.

2026 EDITION

BEFORE YOU START

What's Inside

Internal audit is in the middle of the biggest shift in how the work actually gets done since the move from paper files to spreadsheets. This guide is written for audit leaders who want to understand that shift clearly — not the hype version, the practical one: what's actually changing, what it means for your team, and how to get ready for it.

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SECTION 01

Where Internal Audit Stands Today

Most internal audit functions are still running on a model built for a slower, smaller version of the business they now oversee. Testing happens on a sample, because testing the full population by hand was never realistic. Evidence gets gathered, screenshotted, and pasted into working papers by people whose real value lies elsewhere — in judgement, not formatting. Findings get written up after the fact, often weeks after the fieldwork that produced them, by which point the auditor is reconstructing context from memory and file names.

Reporting follows an annual or quarterly rhythm, which means the audit committee is usually looking at a picture of risk that was accurate months ago. Meanwhile, the risk surface itself hasn't stood still: cyber exposure, third-party dependencies, data privacy obligations, and fast-moving regulatory change have all expanded faster than most audit functions have been able to grow their headcount.

> *The gap isn't a talent problem. It's a capacity problem — and it's the reason "do more with the same team" has become the default expectation of every internal audit function, everywhere.*

This is the backdrop against which AI is entering the profession. Not as a novelty, but as a response to a capacity problem that was already becoming unsustainable.

SECTION 02

What "AI in Internal Audit" Actually Means

The phrase gets used loosely, so it's worth being precise. AI in internal audit is not a chatbot bolted onto the existing process, and it isn't about replacing auditors with software. In practice, it means four specific, concrete shifts in how audit work gets produced:

1. **Testing the full population, not a sample**

   AI makes it computationally realistic to test every transaction instead of a statistically defensible slice of them — changing the underlying assurance the audit provides, not just its speed.

2. **Drafting from evidence, not from a blank page**

   Working papers and findings are drafted directly from uploaded evidence and the firm's own knowledge base, so the auditor's first draft is already a first draft — not a blank document at 6pm.

3. **Monitoring continuously, not annually**

   Controls and risk indicators can be watched on an ongoing basis rather than revisited once a year, which means issues surface while they're still small.

4. **Reviewing AI output, not authoring from scratch**

   The auditor's role shifts from producing the first version of a document to critically reviewing one — a different skill, and arguably a higher-value one.

What doesn't change: professional scepticism, ethical judgement, and the auditor's accountability for the opinion they sign. AI changes how the evidence gets assembled. It does not change who is responsible for what it means.

SECTION 03

Five Trends Reshaping the Profession

These are the shifts showing up across audit functions right now — not five-year predictions, but changes already underway.

1

From Sampling to Full-Population Assurance

Sample-based testing was always a compromise forced by capacity, not a methodological ideal. As full-population testing becomes computationally cheap, audit committees will start asking why any material process is still tested on a sample — and "that's how we've always done it" won't be a satisfying answer for much longer.

2

From Point-in-Time to Continuous Audit

The annual audit cycle was built around the capacity to review everything once. Continuous audit doesn't wait for a scheduled review — it flags control breaks and risk indicators as they emerge, so the audit committee's picture of risk is current, not historical.

3

From Drafting to Reviewing

This is the change with the biggest day-to-day impact on auditors themselves. When AI drafts the first version of a working paper or finding, the auditor's job becomes verification, challenge, and judgement — catching what the draft got wrong or missed, not typing it from nothing. Teams that treat this as "the AI does the work now" rather than "the AI drafts, we still own the conclusion" are the ones most likely to see quality slip.

SECTION 03 (CONTINUED)

4 From Fragmented Tools to Unified Platforms

Planning in one tool, fieldwork notes in another, working papers in Word, findings in a separate tracker — every handoff between systems is a place where context gets lost and time gets spent re-entering the same information. The trend is toward a single workflow that carries evidence, testing, and reporting through without re-keying anything.

5 From Compliance Reporting to Strategic Advisory

When less audit capacity is consumed by data-gathering and formatting, more of it is available for the work that's harder to automate: interpreting what a finding means for strategy, advising the business proactively, and engaging the audit committee on emerging risk rather than last year's exceptions. This is the shift that changes internal audit's seat at the table, not just its workload.

> *None of these trends are about doing the same audit faster. They're about doing a fundamentally more complete audit in the time that used to produce a partial one.*

SECTION 04

The Future of Work for Auditors

The understandable question underneath all of this is: what happens to the people? The honest answer is that the job changes shape more than it shrinks — but the change is real, and pretending otherwise doesn't serve anyone.

Less time goes to: manual sampling, screenshot-and-paste evidence gathering, formatting working papers, and reconstructing what happened in fieldwork three weeks after it happened.

More time goes to: reviewing AI-drafted output with a critical eye, interpreting what patterns in full-population data actually mean, communicating findings to stakeholders who aren't auditors, and advisory work that draws on judgement built over years, not software.

New skills matter more: the ability to review AI output rigorously rather than rubber-stamping it (auditors call this avoiding "automation bias" — the tendency to trust a confident-looking draft too readily), enough data fluency to sanity-check what a full-population test is actually showing, and clear written and verbal communication now that more of the job is judgement and less of it is drafting.

> *The risk isn't that AI replaces auditors. It's that a junior auditor who only ever reviews AI-drafted findings never builds the underlying instinct for what a finding should look like — the same way a pilot who only watches autopilot never learns to fly.*

That's a training and mentorship problem, not a technology problem, and it's worth solving deliberately rather than assuming it sorts itself out.

SECTION 05

A Practical Readiness Checklist

Four areas worth an honest look before you scale AI adoption across the audit function.

PEOPLE

- [ ] Auditors are trained to review AI-drafted output critically, not just accept it
- [ ] Junior staff still get deliberate exposure to first-principles testing, not only review work
- [ ] The team understands which parts of the opinion remain their accountability, not the tool's

PROCESS

- [ ] Testing methodology has been revisited for full-population testing, not just faster sampling
- [ ] Continuous monitoring has defined escalation paths, not just alerts nobody owns
- [ ] Working paper review standards have been updated for AI-drafted first versions

TECHNOLOGY

- [ ] Planning, fieldwork, and reporting run in a connected workflow, not disconnected tools
- [ ] Evidence and drafting tools pull from your firm's own knowledge base, not a generic model alone

GOVERNANCE

- [ ] Someone owns the question of where AI output could be wrong, and how you'd catch it
- [ ] The audit committee understands what changed in methodology, not just that it got faster

SECTION 06

Key Takeaways

01 Internal audit's capacity problem, not a lack of talent, is what's driving AI adoption in the profession.

02 AI in internal audit means full-population testing, evidence-based drafting, continuous monitoring, and review-based work — not a chatbot bolted onto the old process.

03 Professional judgement and accountability for the audit opinion stay with the auditor, regardless of how the draft got written.

04 The auditor's day-to-day work shifts from drafting to reviewing — a different skill that needs to be taught deliberately, especially to junior staff.

05 Freed-up capacity is the real prize: less time on formatting and evidence-chasing means more time on advisory work that strengthens the function's seat at the table.

06 Readiness is a People, Process, Technology, and Governance question — not just a software purchase.

LOOOM

ABOUT LOOOM

Built for the shift this guide describes.

Looom is an AI-native audit intelligence platform built to do exactly what this guide describes: full-population testing instead of sampling, AI-assisted drafting from your own knowledge base instead of a blank page, continuous audit instead of point-in-time reviews, and a single workflow from planning through to final report.

If your team is thinking through what readiness looks like in practice, we're happy to talk through what that could look like for your function specifically.

[Book a demo] · [Talk to our team]

[Website] · [Email Address] · [Phone Number]