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Internal audit

A purpose-driven future

Voice of the customer

Driving change through purpose and partnership

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Foreword

The defining moment for a purpose-driven future

Public sector organisations continue to experience major change and transformation, driven by tighter budgets and resources, digital advancements, evolving regulations, increased scrutiny, and rising demand for better social and economic outcomes.

These shifts present both opportunities and challenges, demanding strong governance and leadership to ensure sustainable performance and organisational resilience. As public sector organisations face shifting stakeholder expectations and emerging risks, the role of internal audit is more critical than ever in supporting organisational performance, transparency, integrity, and accountability.

This voice of the customer study draws upon reflections with more than 30 public sector governors and leaders. We've considered these views alongside leading sector and industry publications, including Deloitte's own view on good practices. This report includes summarised interviews with the Public Service Commissioner and the Auditor-General, alongside key takeaways from a workshop with the public sector heads of internal audit profession and senior risk and internal audit leaders.

Stakeholders recognise internal audit's essential role and important contribution to organisational governance and management. Assurance and advice that safeguard the integrity of systems and controls are a given. To remain relevant and credible, internal auditors must focus on what matters most: supporting the organisation's mission and objectives and providing confidence that resources are managed responsibly. Stakeholders increasingly want internal audit to be seen as a strategic partner, with its objective voice helping inform key decisions, support resilience, and ensure robust performance and control ecosystems.

Expectations for internal audit are rising, but investments in this area lag due to financial constraints and reprioritisation. This is often not helped when there are persistent views of internal auditors as mere "compliance checkers".

When implicit or explicit expectations are not met, relevance, credibility, and value become at risk. The good news is that much of the future of internal audit lies in the hands of its own community; however, the intentions and actions of stakeholders matter just as much. The results of this study highlight five key expectations and provide tangible actions stakeholders and internal auditors can take to strengthen the value and impact of internal audit on governance, performance, and resilience of organisations.

A strong theme from this study is the need for governors, chief executives, senior leaders, and internal auditors to work together and elevate internal audit to be a strategic asset that can drive greater value within their organisations and across the public sector. Governors and chief executives can support this by ensuring that internal audit teams have the resources they need to make a meaningful impact, aligned with the organisation's business context and risk profile. They should challenge any reductions in audit resourcing and seek confidence that resources will keep pace with evolving skills and technology requirements. These actions will strengthen risk assurance and enable the delivery of deeper, data-driven insights.

Finally, whilst the study focused primarily on the state sector (Ministries, Departments, and Crown Entities) many of the challenges, opportunities and recommendations for better practice for internal auditors, governors and chief executives are also relevant to the private sector.

We take this opportunity to thank all the leaders who contributed to this study including the Public Service Commissioner, Auditor-General, and the Deputy Secretary System and Sector Performance, at The Treasury.

Introduction

Future-fit internal audit

The context and case for change is clear

Change is life's only constant, yet it remains unpredictable and ever shifting. Today, we live in a world defined by relentless transformation and change, fuelled by complexity and speed. External and internal factors such as geopolitics, regulatory change, fiscal constraints, the rise of Artificial Intelligence (AI), and rapid digitisation are reshaping the landscape organisations operate in.

These forces compound the ongoing challenges governors and leaders already face in managing business as usual risk, including cybersecurity, insider threats, and other issues that impair organisational resilience. Public sector agencies face pressure to continuously assess what they deliver, for whom, and how they deliver it, while also demonstrating evidence of performance, impact, outcomes, and value for money. Governors and chief executives are expected to provide strong governance and leadership to navigate these risks and vulnerabilities that arise from organisational disruption.

Against this backdrop, threats to organisations' success are real and immediate. Financial pressures, restructures, staff turnover, and operational disruptions heighten the risk of service failure error, misconduct, fraud, and weakened controls and culture. Transformation and change fatigue and uneven risk maturity across entities create blind spots. Rapid technology adoption introduces vulnerabilities in cybersecurity and data governance.

Cultural risks, such as resistance to change or lack of accountability, can derail transformation and change efforts. Internal audit risks being sidelined if it is not seen as relevant to the changing operating environment and business model or is perceived to be merely adding cost without delivering tangible value. In this context, an internal audit function that stands still will not survive.

Voice of the customer: Strengths, challenges, and opportunities

Encouragingly, contributing stakeholders consistently highlighted many positive experiences and contributions from internal auditors. They noted internal audit's ability to drive meaningful process improvements, while uncovering blind spots and providing high-quality technical work. Output is valued when it offers thematic and strategic insights, applying sector-specific expertise to identify critical risks, and conducting targeted reviews when issues arise or projects need evaluation. Clear communication, strong collaboration, and an understanding of business context foster trust and engagement, positioning internal audit as a "second set of eyes" that strengthens governance and organisational integrity.

The most prominent message was the call for internal audit to strengthen alignment with organisational strategy and priorities, and focus on the areas that matter most. Stakeholders note that when audit programmes are not fully aligned with strategic objectives, their relevance and value diminish.

Audit programmes can also lag behind organisational change, showing a lack of proactivity and responsiveness to internal and external shifts. A reactive approach leads to missed opportunities to address emerging risks and provide timely advice and assurance.

Stakeholders also highlighted perception challenges with internal audit, sometimes seen as gravitating toward "soft targets" and avoiding contentious areas, limiting its effectiveness. Poor communication, combined with a lack of strong leadership and presence reinforce this perception and reduce engagement with audit findings. In some cases, limited business or sector knowledge, weak stakeholder engagement, and low organisational visibility can further hinder effectiveness, preventing auditors from building credibility, influence and relationships. A failure to leverage data analytics, automation, and AI further reduces the opportunity to make an impact.

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The most prominent message was the call for internal audit to strengthen alignment with organisational strategy and priorities, and focus on the areas that matter most.

Stakeholders stressed the need for meaningful dialogue and tailored, fit-for-purpose reports. Further, interviews highlighted that robust discussion of reports at the strategic level can sometimes be lacking, and follow-up on actions can be delayed or ineffective, weakening their work's impact. Stakeholders also raised concerns about "poor return on investment", with some audit reports offering limited meaningful insight.

Concerns extend to resourcing and capability, with constraints on staff and expertise restricting audit coverage and depth of assurance. High turnover and lack of staff continuity disrupt processes and erode institutional knowledge, while co-sourced audits can be prone to integration and oversight challenges, introducing risks instead of benefits.

Finally, some stakeholders felt that risks related to organisational culture and reputation are often insufficiently addressed, leaving organisations exposed to issues not easily detected through traditional audit processes.

The opportunity is now

The core expectations of stakeholders very much align with the requirements of the Institute of Internal Auditors (IIA) new Global Internal Audit Standards (the IIA Standards). The IIA Standards reinforce the need to modernise and evolve internal audit, emphasising the importance of agility, proactive stakeholder engagement, and the need to provide insight and foresight, not just hindsight. The IIA Standards call for a deliberate, purpose-driven strategy that aligns assurance with organisational purpose, supports the achievement of strategic goals, and engages governors and executives on a clear strategy for delivery.

This means adopting relevant performance metrics that demonstrate impact, value, and efficiency, while elevating communication as a core competency. By embracing these principles and aligning assurance and advice with organisational purpose, internal audit can position itself as a trusted advisor and catalyst for change.

For each focus area, we will explore the context, challenges and offer practical, recommendations for governors, chief executives, and internal auditors to close the gap.

Note: Application of the recommendations should be tailored to suit the priorities, size, and scale of individual organisations and internal audit functions.

The voice of internal audit stakeholders is clear about what they expect and value:





1

Establish value proposition

Catalyst for strategic change

Internal audit is at a turning point. Historically, it has been seen solely as the assurer of internal controls. But today, leaders across the public sector are asking for something bigger. Governors and chief executives are sending a clear message: we need internal audit to step up, lean in, and help shape the future. They want audit to be more than a safety net; they want it to be a catalyst for strategic change through their work.

Establish internal audit's value proposition

Catalyst for strategic change

Expectations of internal audit are continuing to evolve, but many functions are struggling to keep pace. Outdated perceptions persist, with audit often seen as a passive observer focused on process and independence while the real action, the decisions that shape an organisation's success, take place elsewhere. This creates a gap between what audit delivers and what leaders need... and what they need is advice and assurance about what's coming around the corner ("anticipation") and boldness. Organisations want auditors who challenge assumptions, who bring fresh insights to the table, who can benchmark performance and spot risks before they become headlines. They want internal audit to be able to draw both the visible and invisible dots between governance, risk, and performance, to be a partner that helps the organisation move faster and smarter. This is in addition to providing core assurance on the basics and hygiene factors that remain essential and important.

According to stakeholders, when internal audit gets it right, the impact can be transformative. Risk assessments, data analytics, thematic reviews, and advisory assurance are not just technical exercises. They are tools that uncover emerging threats, validate critical assumptions and give leaders the confidence to make big decisions. Done well, audit results can be the catalyst for transformation and a guardian of public value. But this does not happen by accident. It requires a deliberate shift in mindset and practice. It means that internal audit's mission and purpose must align with the ambitions of the organisation, or it risks becoming irrelevant.

Leaders see the potential. They know that strong audit functions underpin strong governance. Despite this, the Auditor-General has observed that there has not been a material shift in the demand for assurance on the things that matter most. Why? According to many commentators, auditors are too often clinging to process and independence instead of leaning into strategy and priorities. Governors and chief executives are clear: they want audit to focus on what drives performance, not just what ticks the box. They want value creation as well as value protection.

This issue and opportunity is not just on audit to solve; leadership has a role to play too. For internal audit to add value, it needs to be empowered with the access and authority ("explicit permission") to do the work that is necessary. To achieve this, internal audit needs to be in the room when strategy and priorities are being shaped, when key risks and issues are being discussed and debated, not after the fact. Audits need to be commissioned with intent, not as a routine. Further, it's essential that leadership actively respond to the insights that audits provide, turning those findings into real, measurable change rather than left unattended. When leaders treat audit as a critical resource, and not just a compliance function, the whole organisation can benefit.

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Governors and chief executives are clear: they want audit to focus on what drives performance, not just what ticks the box. They want value creation as well as value protection.



Of course, the road to strategic alignment is not without obstacles. Cultural barriers persist, with audit still seen as a mechanism for catching mistakes rather than driving improvement. Capability gaps remain, with too few auditors equipped to deliver forward-looking insights. Resource constraints and fragmented risk and assurance frameworks make optimisation and integration difficult.

Internal audit must broaden its remit beyond “assure” and “advise” to something bolder: “anticipate” and “accelerate”. Anticipate change, accelerate learning across the organisation, accelerate improvement, accelerate decision-making. That means embracing thematic reviews, root cause analysis and insight reporting as part of its strategy. It means adopting agile approaches to deliver timely intelligence and showing up in strategic conversations ready to influence, not just observe.

Aligning internal audit with strategic objectives is not optional. It's essential. In a world of fiscal pressure, integrity risks, and constant change, organisations need audit to be more than a watchdog. They need it to be a guide. This is reinforced by the updated IIA Standards, which redefine internal audit as a strategic accelerator, requiring audit plans to align directly with organisational goals and help drive performance.

All of this, must be achieved whilst maintaining independence, which needs to remain a core priority when recalibrating internal audit's role for the evolution of the organisations they support. The themes explored in the following chapters (including stakeholder engagement, talent, skills and capabilities) represent critical elements that should shape and influence this strategic alignment.

Recommendations: Governors & chief executives



Foster **mutual understanding** and endorse internal audit's vision, purpose, and strategy, expectations and desired impact and outcomes between the governors, chief executives, and internal audit.

Actively engage in audit planning and prioritisation, ensuring alignment between the organisation's strategy, enterprise risk, and internal audit's purpose and value.

Commission reviews with purpose that target high-impact risks and accelerate organisational learning.

Scrutinise and challenge how overall assurance coverage is provided over the key strategic and organisational risks and opportunities by internal audit or from elsewhere in the organisation.

Actively use internal audit reports and insights in governance discussions and decision-making to reinforce its role as a strategic partner; monitor and hold leadership to account for completing actions.

Champion internal audit development by actively engaging in its performance reviews, providing feedback and advocacy, as well as reinforcing the value a strong audit function brings to an organisation.

Recommendations: Internal audit



Define and align internal audit **vision, purpose and strategy** to organisational strategy, objectives, priorities, and public mandate, ensuring independent assurance remains core to purpose. **Agree** these with the chief executive.

Focus on **what matters** and “anticipate” through horizon scanning, proactive risk-sensing, and continuous monitoring to refresh audit plan and focus.

Ensure sufficient focus is maintained over **strategic transformation** and change initiatives, providing proactive, early assurance with a focus on value creation as well as value protection.

Promote **connected and integrated assurance** by aligning on common taxonomy and strengthening collaboration across the Three Lines Model to facilitate coordination of assurance and ensure all key organisational risks are addressed.

Establish and agree relevant success **measures and metrics** for internal audit based on purpose and expected impact and outcomes.



2

Master effective communication

The cornerstone of internal audit influence

Internal audit often enters the conversation with pre-existing perceptions that affect its influence and impact.

Having a strong strategy helps to address this, however influence is not guaranteed by strategy alone; it depends on how effectively insights are conveyed and understood by decision-makers. In short, internal audit's impact can falter if communication is ambiguous and unclear, or seen to be weak.

Master effective communication

The cornerstone of internal audit influence

Effective engagement consistently emerged as a key indicator of a successful audit function throughout this study. Stakeholders valued regular touchpoints with audit leadership and private briefings for sensitive matters. Stakeholders also linked success to confidence and clarity, noting that organisational trust in internal audit is evident when auditors are respected for foresight, sought out for advice, and trusted to navigate political context with tact.

In a workshop, a small group of internal audit leaders echoed this view, observing that success is clear when organisations proactively seek internal audit's perspective. These moments do not happen by chance; they result from deliberate relationship-building and the creation of safe channels for raising concerns. Often this has taken time to foster. When this occurs, it signals a healthy organisational risk culture and increases management's investment in addressing highlighted concerns.

However, this level of engagement is not always consistently sustained. Interviews with chief executives reveal a persistent perception challenge: internal audit is frequently misunderstood and undervalued, with outputs that fail to spark meaningful dialogue or action. Governors echo this concern, noting that discussions about audit findings can often be superficial. Governors also emphasise the need for internal audit to demonstrate authority and presence at the executive level, something that cannot happen without deliberate, disciplined communication.

The gaps and opportunities are clear. Stakeholders want internal audit to provide candid advice that drives performance outcomes, yet too often its voice is muted by communication that is fragmented, reactive, and inconsistent in tone. Examples cited include findings that are lengthy but unclear, dashboards that are overly technical, continuous monitoring that feels performative, and conversations that lack strategic framing and purpose. Style and tone matter: communication should lead with judgement, simplify complexity, and maintain a collaborative tone that promotes improvement rather than defensiveness. Without agreed engagement protocols, expectations remain vague and influence is diluted.

This is why communication must be treated as a cornerstone of internal audit's strategy. Influence is earned not by showing up, but by using the platform effectively and ensuring audit's voice resonates. Every interaction, from engaging on leaders' priorities, audit planning, fieldwork, workshops, through to informal briefings, formal reports, dashboards, should reinforce clarity, relevance, and the value that internal audit has generated. Internal audit must translate findings into language that governors and chief executives understand.



In summary, internal audit can execute the right strategy, but its ability to shape decisions and build trust depends on communication that is disciplined, deliberate, and designed for organisations that need clarity, confidence, and action. Internal audit leaders play a pivotal role in shaping how they are perceived, positioning it as a strategic partner that drives value creation rather than a “cost centre”. To achieve this, they must lead with an enterprise-level perspective, communicating with authority and clarity, while actively championing internal audit’s value proposition and demonstrating the unique, measurable contributions it makes to organisational performance and long-term value.

Success, however, does not rest solely on internal audit. Governors and chief executives have a critical role in enabling audit to have the right platform and encouraging its voice, even when that voice is confronting. They must also champion internal audit as an integral part of the business, reinforcing its value and contribution. Creating space for candid dialogue and signalling that challenge is welcome are essential. Without this shared responsibility, even the most disciplined communication strategy will struggle to achieve its potential.

Recommendations: Governors & chief executives



- **Invite internal audit into key governance and executive discussions**, ensuring they are **empowered** to speak candidly and share frank, forward-looking perspectives.

- **Allocate dedicated time for open, in-depth dialogue** on audit findings (both in executive/board meetings and through one-on-one sessions).

- Set **clear expectations for internal audit communication impact**, and define the preferred channels and formats to achieve the greatest value for stakeholders.

Recommendations: Internal audit



- Develop a **stakeholder engagement plan** that establishes a clear engagement strategy, including agreed access to key conversations and communication cadence.

- **Leverage diverse communication channels** (e.g. briefings, workshops, articles, interactive forums, multimedia) to showcase value provided, while educating stakeholders and challenging outdated perceptions.

- Invest in **developing stakeholder management and communication skills** within internal audit teams.

- **Align outputs with organisational preferences** by tailoring formats (whether traditional reports, concise summaries, or interactive updates) to ensure relevance, clarity, and impact.

Perspectives from the centre

Insights from the Public Service Commissioner



In a reflective conversation, Sir Brian Roche, Public Service Commissioner, shared his perspective on the role and value of internal audit in the public sector. His views were grounded in a belief that internal audit is not merely a compliance function but a vital part of an organisation's control ecosystem.

Sir Brian began by challenging the outdated perception of internal audit as a 'retirement' role or a box-ticking exercise. **"I see them as a much more active voice and conscience of things in the organisation that chief executives should have regard to,"** he said. For him, internal audit is essential to maintaining the integrity of systems and controls, and he sees it as a **"huge value add to well-functioning and well-governed organisations"**.

He emphasised that internal auditors are uniquely positioned within organisations. Their proximity to the business and operations allows them to offer not only assurance but also an additional perspective on high-risk or contentious matters. **"They're deeply embedded in the business... a great resource to not just provide assurance, but also a second set of eyes,"** he explained. This closeness, however, is both a strength and a risk - it requires careful governance to ensure independence and objectivity.

When discussing the top-of-mind business issues, Sir Brian pointed to the increasingly dynamic nature of the public sector. He stressed that internal audit must evolve to meet this challenge: **"It can't be just static and looking backwards. It's got to be contemporary and looking forward."**

He believes that the risk profile of the organisation should shape the internal audit agenda, with a balance between foundational compliance and strategic value-for-money assessments.

Sir Brian's expectations of internal audit are clear. He sees it as a function that should provide early signals where attention is needed and support chief executives in making informed decisions. **"Well-functioning chief executives benefit from that,"** he noted, referring to the assurance and insight internal audit can offer.

He values internal audit for its ability to roam across the organisation and offer broad perspectives. **"The voice of internal audit... should be listened to and acted on,"** he said, underscoring the importance of integrating audit insights into leadership conversations.

In terms of measuring the success of internal audit, Sir Brian believes it comes down to the quality of assurance and the integrity of decision-making. **"You only value (control and compliance) when it's not there, and then it's always very, very damaging,"** he warned. A sound control environment is the foundation upon which strategic and operational decisions must rest.

However, Sir Brian acknowledged several gaps and challenges facing the profession. Chief among them is the perception problem - internal audit is often misunderstood or undervalued.

He also highlighted the need for the profession to adapt to a data-dominated, AI-driven world, shifting focus from arithmetic to human-centred insights and judgement.

Regarding the types of audits internal audit should perform, Sir Brian advocated for a full spectrum approach. He supports maintaining strong compliance and control foundations while expanding into areas like programme effectiveness, efficiency, and strategic change. **"Doing those basics allows you the permission to do other things,"** he explained.

To strengthen internal audit, he offered advice for governors, chief executives and auditors themselves. He urged governors and directors to be clear about the value internal audit brings and to resource it appropriately, especially in terms of people. **"We often underinvest in the people dimension,"** he said. For chief executives, he stressed the importance of empowering internal audit with access and authority: **"You have to give them the mandate or the authority... to actually do it."**

Finally, Sir Brian called on auditors to rise to the occasion by embracing their role as strategic partners. He believes modern leadership demands more from internal audit than ever before. **"Modern management and modern leadership require different things from internal audit,"** Sir Brian concluded.



3

Invest in future talent, skills, and capability

Planning for sustained success

Effective management of an organisation in the modern era can be compared to navigating an endless storm. As highlighted, emerging risks are multiplying faster than ever, from cyber threats to regulatory shifts, and reputational challenges. Yet, while the risk landscape expands at breakneck speed, resources for internal audit are often static or declining.

Invest in future talent, skills, and capability

Planning for sustained success

The mismatch between rising risk and stagnant resourcing creates a critical tension: internal audit is expected or being asked to do more, cover more ground, and deliver deeper insights, often without the investment needed to keep pace.

This constraint has knock-on effects for capability. Many public sector organisations operate with relatively small audit teams, making it difficult to develop deep subject matter expertise across all priority areas. This limitation means specialist knowledge can be difficult to build internally, leaving blind spots in areas of material risk. Feedback from stakeholders reflects this truth, with some chief executives citing audit functions that have limited sector knowledge, observing that resource and capability constraints can reduce coverage and dilute the impact of findings and recommendations. Staff turnover adds further pressure, creating gaps in institutional memory and uneven stakeholder relationships. Finally, while helpful, co-sourced audits sometimes lack integration with internal audit teams, leaving knowledge stranded with external providers rather than embedded within the organisation.

Stakeholders want internal audit to have skilled, connected, and future-focused teams that combine business knowledge and sector expertise with data analytics, technology fluency, and effective communication. However, building this capability is challenging. Increasing fiscal constraints limit headcount growth or slow recruitment, with experienced auditors and the skills that matter most are in high demand.

Without a deliberate approach, audit teams risk drifting

toward generalist coverage without the requisite experience levels and specialist depth that modern risk landscapes require.

Resourcing challenges are not confined to internal audit. Audit leaders highlighted that limitations within the business can prevent the ability to deliver full assurance. In some cases, the business lacks the capacity to provide timely information, engage meaningfully in discussion on findings, or agree actions that address highlighted risks. This constraint undermines the effectiveness of the work and delays risk mitigation and potential benefits. When the business cannot allocate time or expertise to support the assurance process and information required, the result is not just slower progress; it is a systemic vulnerability that leaves critical risks unresolved. Effective assurance therefore depends on shared commitment: internal audit needs capability, but it also needs the organisation to ensure appropriate resource and focus so that insights can translate into action.

Many internal audit functions are already clear on the skills and experience necessary to execute the audit plan and deliver the advisory support stakeholders value, but what happens when these capabilities cannot be acquired or retained? The path forward begins with a capability model grounded in forward-looking strategy, starting with identifying where current gaps exist and defining clear actions to address these.

When budgets cannot support internal audit capability priorities, blind spots must be communicated to governors and chief executives, so the level of risk is properly understood. Internal audit can go further by estimating the cost of closing gaps to enable management to make informed choices. Where specialist expertise is acquired, this should be used strategically, with clear guardrails and knowledge transfer built into every engagement to strengthen internal capability and ensure effective integration.



Investment in talent, where possible, must be consistent and visible. Recruitment should align with organisational priorities, highlighting the impact auditors can have on public outcomes, the access they gain to system-wide insight, and the professional growth they can expect. Talent pipelines can be broadened through entry-level recruitment, mid-career transitions, and secondments that bring frontline perspectives. Continuous learning could include a blend of technical certifications, sector seminars, data literacy, and communication coaching. Mentoring could improve retention and build a bench of future leaders, while succession planning protects continuity and accelerates capability growth.

Resourcing is more than headcount. It is an integrated system that aligns people, skills, tools, and partnerships with strategy and with the value story communicated to stakeholders. When internal audit invests capability, plans for continuity, and uses resources with discipline, it can deliver deeper coverage, faster insight, greater foresight, and more actionable recommendations. The practical outcome is a team that feels cohesive and equipped, stakeholders who see audit as an ally, and a cadence of work that keeps pace with organisational urgency.

To deliver what stakeholders want and expect, this requires not only investment but a shared commitment from leaders to give internal audit the tools and resources it truly needs.

Recommendations: Governors & chief executives



Challenge and support internal audit's **capability planning and development** by understanding how it invests in succession, talent, skills, and technology to ensure alignment with its purpose, strategy, and organisational priorities.

Resource internal audit for organisational impact by scrutinising and approving budgets that are commensurate with the business context and risk profile, **applying robust challenge to any proposed reduction in audit resourcing**.

Ensure quality assurance improvement programmes are implemented that include external reviews of the internal audit function every five years.

Recommendations: Internal audit



Align the right resources and expertise to top priorities, **escalating resource constraints and blind spots** to chief executives early and obtaining acknowledgement where current capacity and capability cannot adequately address priority risks.

Build **technical and sector** expertise by establishing a **clear continuous improvement/learning plan** as part of a competency framework, including engaging with industry and networks to build on sector and other skills.

Regularly evaluate skills against organisational priorities and strategic objectives, identifying gaps to inform targeted development, recruitment, and use of external resources, with emphasis on technology and AI capabilities.

Develop **succession plans** by identifying and developing potential successors.

Implement a **quality assurance improvement programme** that draws on results of stakeholder feedback, continuous monitoring, periodic self-assessments, and independent reviews.



4

Accelerate internal audit

Driving digital innovation for future-fit assurance

A recurring theme across this study was the expectation that internal audit be agile, forward-looking, and aligned with the organisation's evolving risk profile. Stakeholders stressed that the function cannot remain static or backward-focused; it must adapt to a data-driven, AI-enabled environment, and build capability to address technology-related risks.

Accelerate internal audit

Driving digital innovation for future-fit assurance

Leveraging modern tools for routine tasks was seen as essential to free capacity for higher-value work. One chief executive noted that the use of advanced technologies is now a key measure of audit effectiveness.

The Auditor-General reinforced that to engage in meaningful value conversations with the chief executive or board, internal audit must demonstrate the ability to be far more responsive to changes in the external environment. This means shifting toward human-centred approaches informed by data and AI, contributing not only to assurance but also to organisational health and capability building. In practice, stakeholders expect auditors to employ digital tools, automation, and analytics, and to maintain flexible audit programmes suited to an AI-enabled business environment.

Collectively, stakeholders are calling for greater agility and digital fluency. Digital transformation is reshaping enterprises, and internal audit is no exception. Falling behind in digital capability, particularly AI, compromises internal audit's ability to prove meaningful assurance. Emerging technologies introduce new risks, such as algorithmic bias, data privacy, and autonomous decision-making, that demand informed oversight. Without digital fluency, internal audit teams cannot effectively challenge or validate these areas, creating gaps in governance and control assurance. The result, limited coverage, and diminished credibility with stakeholders who expect timely, tech-enabled insights.

To keep pace, internal audit needs a clear digital roadmap that should consider the possibilities that modern technology can offer, including integration of automation, advanced analytics, and AI into methodology and workflows; connection of audit tools to enterprise systems for real-time reporting where possible; and prioritisation of the automation of routine, labour-intensive tasks to free capacity for higher-value analysis and advisory work.

Continuous risk sensing and dynamic audit planning, powered by analytics and AI, should become standard practice where possible.

Not all functions are equally funded, so ambition must be balanced with practicality. The most important step is to start the journey rather than allow digital transformation to pass internal audit by. Even incremental moves toward automation, analytics, and integration can deliver meaningful gains in efficiency and insight. What matters is a clear direction of travel and visible commitment to modernisation.

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Digital is not the goal... it's what it can help you do in pursuit of your purpose.”



For internal audit to make this shift and deliver assurance at speed through technology, a shared commitment is essential, with stakeholders providing the support and resources needed to achieve the level of digital capability they expect. If resources are unavailable, expectations must be adjusted, or it must be accepted that gaps will remain, potentially at a cost far greater than the investment needed to close them.

Ultimately, enabling internal audit to modernise is not about technology for its own sake; it is about ensuring the organisation has the insight and assurance it needs to navigate complexity and protect value.

Recommendations: Governors & chief executives



Signal that **digital capability is a strategic priority for internal audit** by seeking technology-enabled insights (e.g. advanced analytics, automation, and AI) in audit outputs and board discussions.

Involve **internal audit in conversations about digital initiatives and emerging technologies** across the organisation, so they can align their roadmap and assurance approach to future risks and opportunities.

Challenge how **internal audit incorporates technology and digital transformation risks** in its audit plan and reporting.

Seek assurance that **internal audit has the budget/resources** to keep pace with technological advancements and risks, and is applying new digital tools to enhance assurance and deliver deeper, data-driven insights.

Recommendations: Internal audit



Create a clear, **multi-year investment roadmap that will embed digital skills and technologies across the audit lifecycle**, covering dynamic risk sensing, advanced analytics, automated testing, and utilisation of AI to drive efficiencies. Leverage enterprise systems to maximise efficiency and insight.

Identify **high-impact opportunities to apply data analytics and automate repetitive, labour-intensive tasks**. Prioritise use cases that deliver measurable return on investment and consider real-time or continuous auditing where feasible.

Position **digital fluency** as a core competency, not an optional skill, and develop a clear implementation plan. Ensure the required investment is planned for and pursue investment funding.

Perspectives from the centre

Insights from the Auditor-General

In a thoughtful and candid conversation, Grant Taylor, the Auditor-General, shared his reflections on the state of internal audit across the public sector, offering a sector-wide perspective and focus for internal auditors.

When asked about the top-of-mind issues for leaders, Grant was unequivocal: **“Top of mind is the fiscal environment.”** He explained that while inflation may have dropped, cost pressures remain. These financial strains, he warned, **“can drive different behaviours... not least around fraud, corruption - all of those things that are squarely of interest given my mandate.”**

Despite these pressures, Grant observed some troubling inertia in that there has not been a material shift in the demand for assurance around the issues that matter. He emphasised the need for internal audit to be more proactive and responsive: **“If they want to have a value conversation with their executive or their board, they’ve got to demonstrate an ability to be far more responsive to changes in the external environment.”**

Grant raised the importance of internal audit teams being connected to executives. **“Chief executives may not know what they need to know from their internal auditors and you’ve got an internal capability that may have given up because they’ve tried before.”** Given the critical nature of this relationship, internal audit functions have a role in providing assurance about whether agencies are doing the right thing in the right way to drive successful performance outcomes.

On the scope and focus of internal audit, Grant was clear that attention needs to be put on matters that go to the heart of delivering successful performance outcomes. He noted that many practitioners are **“trapped in the lines of defence language”** and overly concerned with independence, which he sees as a barrier to moving up the value chain.

Grant’s expectations of internal audit are clear: **“I want an opinion. I don’t want to be managed through their process and asked to make my own mind up.”** He values practitioners who can say, **“Here’s what I think the priorities are... here’s what I think you should be aware of or nervous about.”** He was also concerned to see reports that **“cost a lot”** but effectively said very little, urging auditors to back their work and provide insights.

When asked about gaps and challenges, Grant pointed to leadership presence. Heads of internal audit need to have the strength of character that would make a chief executive think. **“This person is someone I absolutely want to talk to”.** Being able to make an impact in the way things are done in an organisation than it would otherwise be is a key value and contribution of internal audit. Grant believes internal audit leaders must **“sell their value proposition”** and **“translate it into language governors, chief executives, and business leaders understand.”** He emphasised that **“success is more in their hands than they might want to believe”**, and that internal auditors must **“think about doing things differently.”**

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Be bold, insightful, and responsive in a rapidly changing environment.

In closing, Grant said he is currently ensuring his own internal audit programme shows it’s focused, underscoring his commitment to ensuring internal audit delivers real value.





5

Deliver advice, assurance, and insights

Sparking action and change

Governors and chief executives want advice that is timely and relevant, helping management focus on critical areas, avoiding tick-box exercises, and anticipating future risks. Insights delivered too late to influence decisions weaken the impact of recommendations.

Deliver advice, assurance, and insights

Sparking action and change

Governors and chief executives value assurance presented through succinct, actionable reporting and the ability to connect facts to consequences, leveraging internal audit's whole-of-organisation vantage point to add real business value and support implementation beyond reporting. Additionally, some stakeholders highlighted that integrity, and culture and values do not receive enough attention in current audit practice. The expectation is not just more assurance, but better insight: timely enough to matter, easy to understand, tied to organisational culture, and pragmatic in its options.

Yet the gap between expectation and reality persists for familiar, compounding reasons. Internal audit leaders cite uneven business data quality, with information often fragmented across siloed systems, as a major hurdle that slows the delivery of actionable insights. Reporting practices can favour exhaustive detail over clarity, making it hard for busy executives to identify priorities and next steps. Follow-up may lag, reinforcing the perception that recommendations are optional rather than essential. Together, these issues can create an image of internal audit as thorough but late, wordy rather than clear, and focused on symptoms instead of root causes and consequences.

There is an opportunity to shift toward embedding integrity and values as a default focus in all reporting, ensuring that audits not only assess controls and compliance, but also examine whether decisions and actions align with the organisation's stated principles.

By integrating cultural indicators and ethical considerations into its work, internal audit can provide leadership with a more holistic view of risk and resilience.

Closing the gap requires deliberate, future-focused, intelligence-driven insight that weaves structured and unstructured data from finance, operations, projects, complaints, service performance, and external signals to detect anomalies early and shorten the cycle from detection to action. Efforts may be required from management to enhance the quality of data.

Reporting should be disciplined, with a clear focus on clarity, brevity, and strong strategic framing. Reports must move beyond compliance and instead serve as catalysts for informed and timely decision-making. Each report should open with a succinct, plain-language narrative that sets out the conclusion, explains the reasoning behind it, and addresses the critical "so what" upfront.

Recommendations should be specific, feasible, and assigned with short-term milestones that make progress visible and drive system-wide improvements rather than isolated fixes. Visuals can reinforce priorities and impact, while language should remain jargon-free and tailored to the audience. Integrity and values could be embedded by default in all reporting, ensuring that internal audits not only assess controls and compliance but also examine whether decisions, behaviours, and actions, align with the organisation's stated principles.

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Governors value assurance presented through succinct, actionable reporting and the ability to connect facts to consequences.



Some audit leaders advocate shifting from “recommendations” to “agreed actions” with management. They also stress that timely advice and assurance require reciprocal commitments from management to respond promptly, with delays sometimes stemming from difficulty securing input. Equally important is ensuring robust follow-up, by both internal audit and leaders, so that agreed actions maintain momentum and do not fall by the wayside. Clear accountability, progress tracking, and regular status updates can help sustain focus and drive completion.

As highlighted in section two, *Master Effective Communication: The Cornerstone of Internal Audit Influence*, engagement is a discipline as much as a relationship, and it should run ahead of decisions rather than follow completed audits. Regular meetings with executives should be used to share horizon scanning, test hypotheses, and understand upcoming choices, bringing early signals to forums where momentum is set.

For major initiatives, pre-implementation reviews can explore “what must go right”, how the design could fail, and identify early warning signs. For control-significant systems, short analytical updates between formal audits can help maintain confidence and momentum. Proactive advice must become a habit.

Internal audit is increasingly judged by its ability to look ahead, which means rather than arriving after the fact, it is expected to signal priorities early, integrating this into leadership conversations where focus is set and choices are made. All of this must be achieved without compromising internal audit’s independence, which remains the foundation of its credibility and authority. Internal audit teams should be embedded enough to understand strategic priorities and emerging risks, yet remain objective to provide unvarnished insight and challenge assumptions.

Recommendations: Governors & chief executives



Expect and **value bold, insightful input** from internal audit by working together to identify areas where specific and further insights would be of most value.

Challenge the extent to which internal audit presents clear insights, prioritised risks, and actionable recommendations that support governance and performance objectives.

Hold management accountable for implementing agreed actions, as well as internal audit for follow-through, by requiring clear tracking and reporting of progress, provision of timely explanations when actions are delayed or not delivered, and the consequential risk impacts.

Recommendations: Internal audit



Adopt a strategic mindset by identifying key themes and applying foresight, recognising organisational context and priorities, even with limited information.

Apply critical and creative thinking when risk-assessing gaps – **do no sweat low priority findings** and always **address the “so what”** to ensure meaningful insights.

Generate succinct, strategic, audience-specific reports that are supported by clear stance statements and written in simple, plain language. Invest in report writing and presentation skills to ensure outputs are concise, strategically framed, and tailored for executive and board-level audiences.

Work with management to define and agree to **realistic and sustainable actions**, that are practical and **address root causes**, with clear ownership, and timelines.

“Accelerate” by leveraging advanced tools and analytics to **deliver real-time, data-driven insights**, working with management to address data quality issues, which impact analysis and reporting.

Reinforce integrity and cultural values by incorporating relevant work in the **audit plan and reporting**.

Recipes for success

Insights from internal auditors

In tandem with stakeholder interviews, a workshop to identify the recipes for internal audit success took place with a group of internal audit and risk leaders, supported by the Public Sector Head of Internal Audit Profession. The great news, as outlined below, is that the ingredients to be successful were very aligned with stakeholders' expectations and good practice.

What does success in internal audit truly look like? It is not measured by the number of reports produced or the speed of closing an audit cycle. **Success is when internal audit becomes indispensable, when it is trusted, sought out, and embedded in the organisation's decision-making fabric. It is when leaders invite audit into the room early, not as a watchdog, but as a strategic partner. It is when insights spark action, and assurance drives confidence.**

Across the workshop, one theme stood out: "insight is the currency of success". **The most valued contributions are those that illuminate blind spots, challenge assumptions, and enable better decisions.** Whether through early assurance reviews, advisory engagements, or integrated risk perspectives, insight transforms audit from a compliance function into a source of foresight. Growing demand for ad hoc advisory work was cited as a powerful indicator: proof that audit is trusted to add value beyond the annual plan.

But insight alone does not guarantee success. The recipe for sustained success is richer and more nuanced. Relationships and dialogue are the foundation. Success depends on trust, openness, and a culture that embraces transparency and continuous improvement. **Tone from the top matters: when chief executives and audit committees champion assurance as a driver of organisational resilience, engagement flourishes.** Effective communication between internal audit leaders, chief executives, and governors about expectations and value is essential.

Flexibility and communication are the other key ingredients. Successful teams adapt, shifting from rigid recommendations to collaborative 'agreed actions,' simplifying reports to focus on what matters, and framing findings constructively. They integrate assurance across silos, connect risk and performance, and innovate with resourcing, leveraging multidisciplinary teams and partnerships to extend reach and challenge stereotypes.

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Insight is the currency of success. It transforms audit from a compliance function into a source of foresight.

Ultimately, internal audit success is a long game. It takes perseverance, credibility, and the ability to demonstrate impact, whether through cultural change, improved controls, or better-informed decisions. It is measured not by the length of reports or the number of audits completed, but by the strength of relationships, the quality of insights, and the degree to which audit is seen as a catalyst for organisational success.





Conclusion

Driving change through purpose and partnership

Internal audit can deliver real value, with examples highlighted by stakeholders proving its ability to uncover blind spots, strengthen governance, and influence decisions. These successes matter because they demonstrate what is possible: internal audit as a strategic enabler, not a passive observer.

Driving change through purpose and partnership

Possibility alone is not progress. The environment is shifting faster than ever, with digital disruption, fiscal pressure, cultural risk, and expectations rising in parallel. Standing still is not neutral; it is a backward step. To remain credible, internal audit must move decisively from intent to impact.

The recommendations outlined in this study are not one-size-fits-all. They should be interpreted and applied by articulating clear purpose and value, and strategic alignment through the lens of each organisation's priorities, risk profile, and maturity. What is universal, however, is the need for action. Without deliberate investment in capability, technology, and engagement, internal audit risks being sidelined at the very moment its insight is most needed.

With its unique enterprise-wide vantage point, internal audit is positioned to see across silos, connect risks to performance, and provide insights that inform decisions at every level. The opportunity is therefore clear: support internal audit to become a trusted source of foresight and confidence. That requires courage from internal audit leaders and commitment from governors and chief executives. When all engage and work together, the result is an internal audit function that objectively assures, anticipates risks, accelerates organisational improvement, and creates and protects public value.

Future-fit assurance won't wait.
The journey must start now.

“

The recommendations outlined in this study are not one-size-fits-all. They should be interpreted and applied by articulating clear purpose and value, and strategic alignment through the lens of each organisations priorities, risk profile, and maturity. What is universal, however, is the need for action.



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