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**Internal audit's evolving
role in enterprise cost
optimization and recovery**

Includes Health Care addendum



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Introduction

In today's rapidly evolving business landscape, organizations face mounting pressure to optimize costs and deliver measurable value, driven by rapid technological change, economic uncertainty, and shifting regulatory demands.

Internal audit stands at a unique crossroad: It must improve its own operational efficiency to advance organizational objectives and adapt to an evolving risk landscape—all while helping the broader enterprise identify and capture cost-savings opportunities. As companies strive to “do more with less,” internal audit is challenged to streamline its own processes while actively supporting broader organizational cost-cutting goals. This includes:

- Assessing risks linked to cost-reduction efforts, such as evaluating whether remaining resources are sufficient to uphold a robust control environment after headcount reductions or budget cuts.
- Identifying opportunities to enhance efficiency, whether through process simplification, automation, or more strategic resource allocation.
- And in some cases, uncovering potential cost recovery opportunities across the enterprise—for instance, uncovering instances of overpayments, duplicate spending, or unused assets that could be leveraged or reimbursed.

Meeting this dual mandate of cost efficiency and cost recovery requires a strategic, forward-looking approach that redefines how internal audit operates, collaborates, and delivers impact in an increasingly complex risk landscape.



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Enterprise drivers of cost optimization

Organizations across industries are facing unprecedented pressure to optimize costs and drive sustainable value. Several key drivers, both external and internal, are shaping the cost optimization agenda:

Economic uncertainty and market volatility: Macroeconomic headwinds, including inflation, fluctuating interest rates, and global supply chain disruptions, are prompting organizations to scrutinize every dollar spent. The need to maintain profitability and resilience in uncertain times is pushing leaders to identify and eliminate inefficiencies, prioritize essential investments, and build more agile cost structures.

- **US tariff landscape and tax policy:** The evolving US tariff landscape and recent tax reforms have introduced both challenges and opportunities for cost management. Tariffs on imported goods can increase input costs and disrupt supply chains, prompting organizations to explore alternative sourcing strategies and renegotiate supplier contracts. Meanwhile, tax policy changes enacted under the “One Big Beautiful Bill Act”—which make many provisions of the 2017 Tax Cuts and Jobs Act permanent—create substantial opportunities for businesses to optimize costs through tax reductions and incentives designed to stimulate growth and innovation.

- **Technological advancements and digital transformation:** Rapid advances in automation, artificial intelligence (AI), and data analytics are fundamentally changing how organizations operate. These technologies streamline processes, reduce manual effort, and unlock new efficiencies. However, digital transformation initiatives often require upfront investment, making it essential to optimize existing costs to fund innovation.



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Enterprise drivers of cost optimization (cont.)

- **Regulatory and compliance demands:** The regulatory environment continues to evolve, with increasing requirements around data privacy, cybersecurity, sustainability, and industry-specific compliance. Meeting these demands often increases the cost of doing business. As a result, organizations are seeking smarter, more efficient ways to comply, such as automating controls or leveraging technology for continuous monitoring.
- **Competitive pressures and customer expectations:** Globalization and digital disruption have intensified competition, requiring organizations to deliver more value at lower cost.

Customers now expect seamless, digital-first experiences, rapid delivery, and high-quality service—all of which demand operational efficiency and cost discipline. Organizations must continuously optimize their cost base to remain competitive and responsive to evolving market needs.

- **Internal pressures for accountability and ROI:** Boards, shareholders, and executive leadership are demanding greater transparency, accountability, and demonstrable return on investment (ROI) from every function. There is a heightened expectation for all business units, including enabling functions like internal audit, to contribute to enterprise-wide cost optimization and value delivery.

These drivers are compelling organizations to adopt a holistic and strategic approach to cost management—one that balances efficiency with innovation, risk management, and long-term value creation. Internal audit, with its enterprise-wide perspective and risk expertise, is uniquely positioned to support and enable these efforts.



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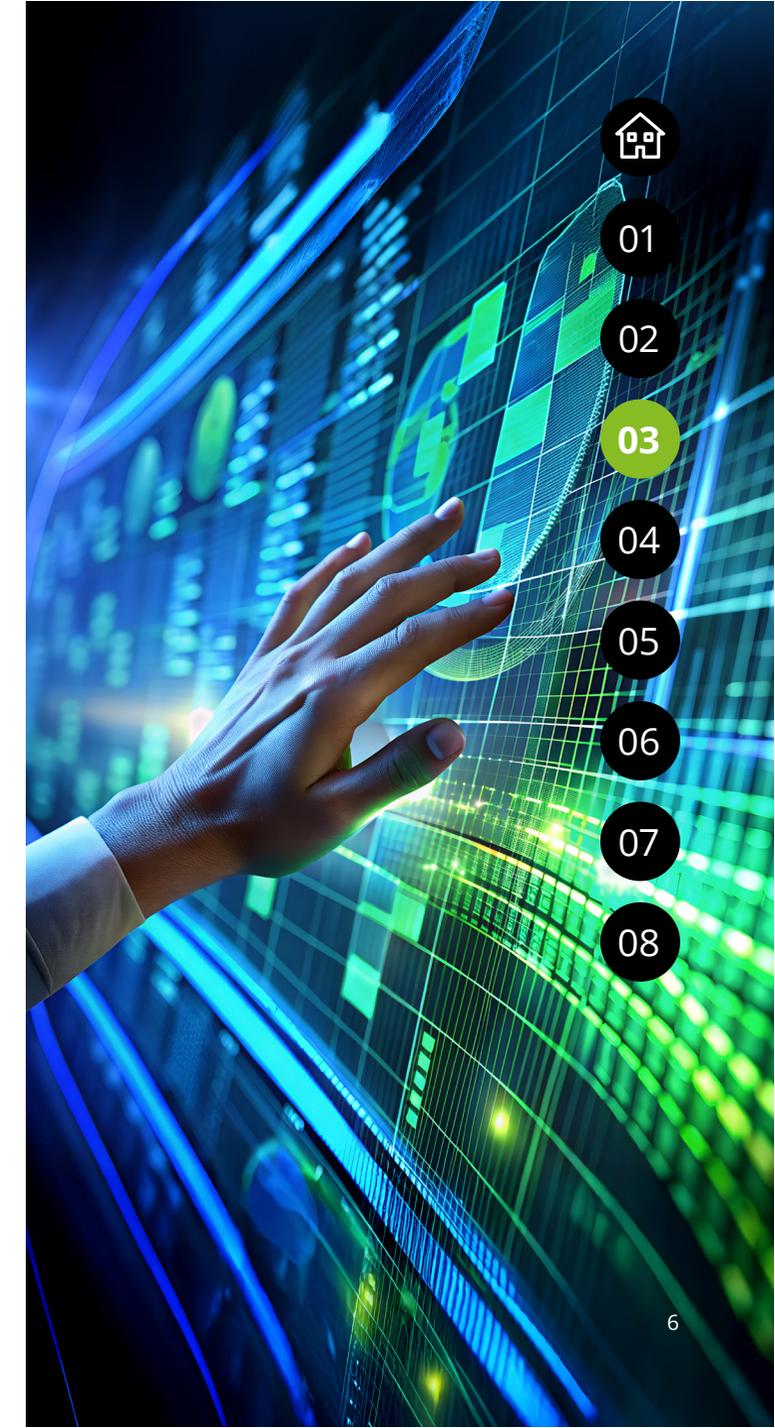
Impact on internal audit:

Rethinking deployment of people, processes, and technology

As organizations intensify their focus on enterprise-wide cost optimization, internal audit is compelled to fundamentally rethink how it deploys its resources and delivers value.

This shift is not simply a reaction to budget constraints but a proactive response to a rapidly evolving business environment where agility, efficiency, and risk management are more critical than ever. The traditional model, which relies primarily on in-house teams conducting manual, cyclical audits, is giving way to a more dynamic, technology-enabled, and risk-focused approach. Several key shifts are shaping this transformation:

- **Embracing flexible, scalable, alternative delivery models:** Internal audit functions are increasingly moving away from rigid, fixed-cost structures. Many are adopting hybrid models that combine in-house expertise with cosourcing and outsourcing arrangements. This allows internal audit to flex capacity up or down in response to changing risk profiles, regulatory demands, or special projects, while also tapping into specialized skills that may not exist internally. Offshoring routine or transactional audit activities to lower-cost regions can further enhance cost efficiency and scalability.
- **Leveraging technology for efficiency and insight:** Digital tools and advanced analytics are revolutionizing the way audits are planned, executed, and reported. Automation is reducing the time spent on repetitive tasks such as data collection, sample selection, and testing, freeing auditors to focus on higher-value analysis and advisory work. Continuous monitoring platforms and data visualization tools enable real-time risk assessment and more targeted audit coverage. Generative AI is now being used to accelerate audit planning, draft workpapers, and even assist in reporting, enabling teams to do more with the same or even fewer resources.



Impact on internal audit:

Rethinking deployment of people, processes, and technology (cont.)

- **Adopting Agile auditing methodologies:** To keep pace with rapidly evolving risks and business priorities, many internal audit functions are embracing Agile auditing methodologies inspired by the software development framework. This approach emphasizes shorter, iterative audit cycles; cross-functional collaboration; and a focus on the most material risks. Agile methodologies enable internal audit to deliver timely insights, adapt quickly to emerging issues, and increase throughput, often resulting in measurable efficiency gains and improved stakeholder satisfaction.
- **Prioritizing risk-based resource allocation:** Resource deployment is increasingly guided by dynamic, risk-based planning. Rather than following static annual plans, internal audit is leveraging real-time risk intelligence and data-driven assessments to continuously refresh the audit universe and adjust coverage. This ensures that resources are concentrated on the areas of greatest risk and potential value, maximizing the impact of every audit hour.
- **Upskilling and reskilling the audit workforce:** The evolving demands on internal audit require new skills and capabilities. There is a growing emphasis on data literacy, technology fluency, and business acumen, alongside traditional audit and assurance expertise.

Many internal audit functions are investing in upskilling their teams, recruiting talent with specialized backgrounds (such as data science or cybersecurity), and fostering a culture of continuous learning to stay ahead of emerging risks and technologies.

- **Enhancing collaboration across the enterprise:** Internal audit is increasingly collaborating with other assurance, risk, and compliance functions to share insights, reduce duplication, and drive enterprise-wide efficiencies. By breaking down silos and leveraging shared data and technology platforms, internal audit can provide more holistic assurance and support broader organizational goals.

The impact of enterprise cost optimization on internal audit is profound. By rethinking resource deployment through flexible operating models, technology adoption, agile methodologies, risk-based planning, and workforce development, internal audit can deliver greater value, improve efficiency, and strengthen its role as a strategic adviser to the business.



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Internal audit's unique role in organizational cost efficiency

Internal audit occupies a distinct position within the organization, offering a cross-functional perspective and deep risk expertise that make it a strategic partner in driving cost efficiency. Unlike operational or business unit leaders, internal audit has visibility across the enterprise, enabling it to identify inefficiencies, redundancies, and value leakage that may not be apparent within individual silos.

- **Identifying inefficiencies and redundancies:** Through its audits and advisory work, internal audit frequently uncovers duplicative activities, outdated processes, and underutilized resources across functions and geographies. By highlighting these inefficiencies, Internal audit provides actionable insights that can inform process redesign, resource reallocation, and strategic investment decisions. This enterprise-wide perspective enables internal audit to recommend sustainable cost optimization measures that align with organizational objectives and risk appetite.
- **Safeguarding controls amid cost initiatives:** As organizations pursue cost-saving initiatives, such as process streamlining, automation, or workforce rationalization, there is a risk that critical controls may be weakened or overlooked. Internal audit plays a crucial role in

assessing whether these initiatives inadvertently introduce new risks or compromise compliance, data integrity, or operational resilience. By providing objective assurance, internal audit helps ensure that cost management efforts do not undermine the organization's risk posture or regulatory compliance.

- **Supporting a culture of continuous improvement:** Internal audit's independent and objective assessments foster a culture of accountability and continuous improvement. By sharing leading practices, benchmarking data, and lessons learned from across the organization (and sometimes across industries), internal audit helps management teams identify new opportunities for cost efficiency and operational excellence.
- **Acting as a trusted adviser:** Increasingly, internal audit is stepping into the role of trusted adviser, collaborating with business leaders, finance, and other assurance functions to proactively shape cost reduction strategies. By leveraging its insights and risk lens, Internal audit can help the organization balance cost pressures with the need for robust controls, innovation, and long-term value creation.



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Internal audit's unique role in organizational cost efficiency (cont.)

- **Enabling technology-driven transformation:** Internal audit is uniquely positioned to recommend and evaluate the transformation of manual, labor-intensive controls into technology-enabled processes. Internal audit can advocate for the adoption of enabling technologies where it aligns with its core mission: safeguarding value, managing risk, and supporting organizational objectives. Through this lens, internal audit can help the organization achieve both efficiency and effectiveness. These technology-driven solutions not only reduce costs but also enhance the reliability and timeliness of controls, supporting better decision-making and risk management.

Internal audit's unique enterprise-wide perspective, risk expertise, and ability to drive technology-enabled transformation position it as a key enabler of sustainable cost efficiency, especially when transformation opportunities intersect with its core mission. By safeguarding controls, identifying inefficiencies, and supporting continuous improvement, internal audit delivers value far beyond traditional assurance, helping organizations achieve their cost optimization goals without compromising on risk or compliance.



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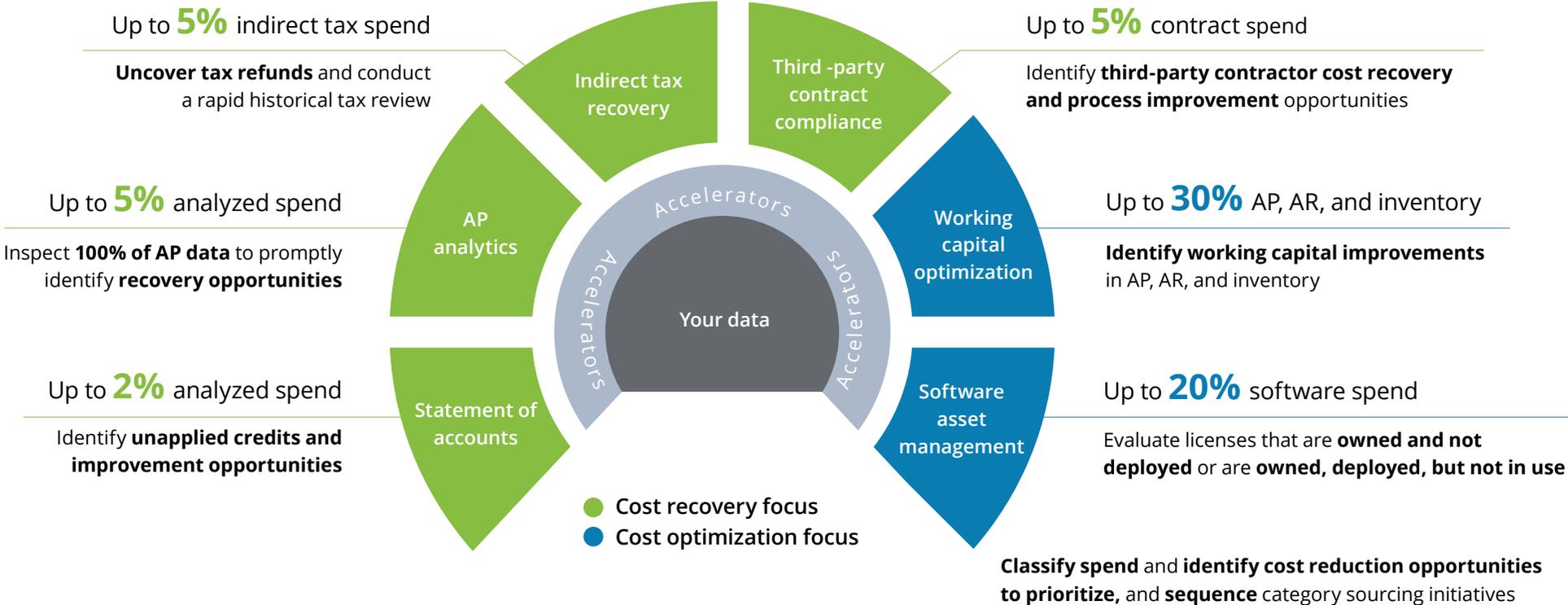
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Evaluating and enabling cost recovery

Internal audit's role in cost management extends beyond driving efficiency—it also includes identifying and enabling direct financial recoveries for the organization. By embedding targeted cost recovery initiatives into the audit plan,

internal audit can help organizations reclaim funds, correct errors, and strengthen financial discipline. This approach delivers immediate and measurable value alongside traditional assurance activities.

Quick-win solutions to yield direct cash benefit and future cost savings



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Evaluating and enabling cost recovery (cont.)

With its enterprise-wide perspective, internal audit can identify areas where the organization may be losing money due to process breakdowns, inadequate oversight, or noncompliance. Examples include:

- **Supplier account reviews** can uncover unapplied supplier credits, duplicate payments, or missed discounts. An internal audit team, through forensic analysis of supplier accounts for a global manufacturer, identified duplicate payments and unapplied credits that had gone undetected for years. This effort enabled the client to recover up to 2% of total annual spend—translating to millions in direct refunds—while also implementing new controls and continuous monitoring tools to prevent future payment errors.
- **Indirect tax analysis** is another powerful lever. By scrutinizing transactions such as value added tax (VAT), goods and services tax (GST), or sales tax, internal audit can detect overpayments, missed exemptions, or incorrect tax rates. In one case, analytics-driven reviews for a multinational organization operating in multiple tax jurisdictions identified overpaid taxes and missed exemptions, enabling the client to reclaim between \$500,000 and \$5 million per engagement. These reviews not only delivered immediate financial recoveries but also led to strengthened compliance processes and improved documentation for future filings.
- **Third-party contract audits** offer further opportunities for cost recovery. Internal audit can review contracts with vendors, service providers, and other third parties to ensure billing accuracy, compliance with contract terms, and the absence of overcharges or unapproved fees. A Fortune 500 company uncovered billing inaccuracies and overcharges, resulting in vendor refunds that exceeded 5% of total contract value. The engagement also provided recommendations for improved contract management and negotiation strategies, leading to long-term cost savings.



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Evaluating and enabling cost recovery (cont.)

Broader financial and operational reviews can also drive significant cost recovery and savings. For example:

- **Working capital optimization** involves analyzing processes related to receivables, payables, and inventory management to identify opportunities to accelerate cash collections, delay disbursements appropriately, and reduce excess inventory. An internal audit team helped a retail client free up 5% to 10% of working capital by enhancing collections and payment terms, providing additional liquidity for strategic investments and growth initiatives.
- **Software asset management (SAM)** is another area where internal audit can deliver substantial value. By reviewing software licensing and usage, internal audit can uncover unused or underutilized licenses, noncompliance penalties, or opportunities to renegotiate contracts. For a large health care provider, an internal audit team identified unused licenses and contract renegotiation opportunities, resulting in 10% to 20% reductions in annual software costs and reducing the risk of noncompliance penalties.

Integrating these cost recovery activities into the audit plan allows internal audit to deliver quick-win recoveries, such as reclaiming overpayments or credits, while also identifying systemic issues that, if addressed, can generate longer-term savings. By sharing findings and recommendations with management, internal audit not only recovers lost funds but also strengthens controls and helps prevent future leakage. This approach enhances internal audit's value proposition to executive leadership and the board, positioning the function as a key contributor to the organization's financial health and operational excellence.



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Conclusion

As organizations navigate an era defined by economic uncertainty, technological disruption, and heightened stakeholder expectations, the imperative to optimize costs and drive sustainable value has never been greater. Internal audit stands at the forefront of this transformation, uniquely positioned to enable both cost efficiency and cost recovery across the enterprise.

By embracing alternative delivery models, leveraging advanced technologies, adopting Agile methodologies, and prioritizing risk-based resource allocation, internal audit is evolving from a traditional assurance provider to a strategic adviser and catalyst for enterprise-wide value creation. Its cross-functional perspective and deep risk expertise empower internal audit to identify inefficiencies, safeguard critical controls during cost-cutting initiatives, and support technology-driven transformation. This ensures that cost reduction efforts do not come at the expense of risk management or compliance.

Moreover, by embedding targeted cost recovery initiatives into the audit plan, internal audit delivers tangible financial benefits, uncovering and reclaiming lost funds while strengthening the organization's financial discipline. This dual focus on efficiency and recovery not only enhances internal audit's relevance but also reinforces its role as a trusted partner to executive leadership and the board.

Ultimately, internal audit's evolving mandate requires a proactive, forward-looking approach—one that balances operational efficiency with innovation, risk mitigation, and long-term value creation.

By continuously adapting its strategies, capabilities, and ways of working, internal audit can help organizations achieve their cost optimization goals, build resilience, and thrive in an increasingly complex business environment.



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Health Care addendum





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The Impact of Cost Savings, Optimization and Recovery to Overall Patient Care

In a highly-regulated, financially challenged industry, in which the risk landscape is rapidly evolving, every dollar matters. Health care organizations, big and small, are looking for ways to identify revenue opportunities and cost savings. Internal Audit can play a significant role in helping the organization achieve both of those objective. Below, we have briefly outlined a sample of projects where Internal Audit can make an impact, drive value and make a difference to the organizations.

Lease Audits — Health care organizations enter into numerous leasing arrangements, both as a lessor and a lessee. IA projects focused on the former typically identify revenue opportunities and missed charges. IA projects focused on the latter typically identify cost savings, overpayments, and incorrect financial terms/conditions.

Payroll Audits — Payroll is typically the largest expense for health care organizations, is highly complex, and is inherently susceptible to overpayment and abuse. IA projects focus on assessing whether pay amounts, hours, rates, and non-standard items are accurate and valid, thereby assisting with identifying over/improper payments (cost recovery) and opportunities for cost savings and cost efficiencies.

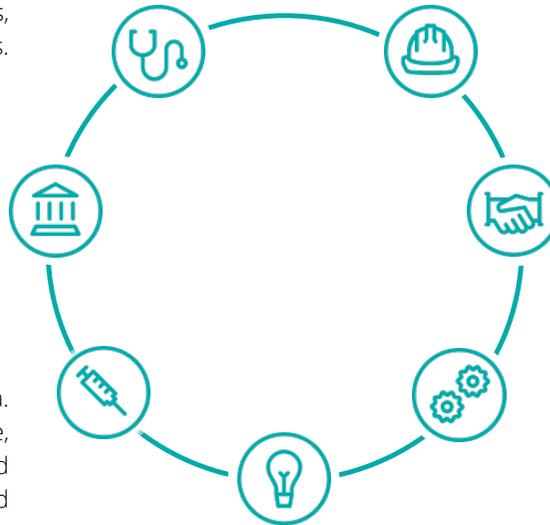
Pharmacy Audits — Pharmacy is a high-cost, highly-regulated area. IA projects focus on cost optimization by identifying areas of waste, sub-optimal vendor contracts, disjointed purchasing strategies, and inefficient controls. IA also focuses on cost recovery by reviewing billing and reimbursement activity to identify missed rebates and reduced payments.

Energy and Utilities Audits—Health care organizations, especially multi-state systems, use a variety of energy and utility providers. IA projects focus on identifying cost recovery opportunities through review of payments, discounts, rebates, specialized programs and incentives.

Construction Audits — Construction projects are significant investments for health care organizations and are fraught with potential financial issues: budget overruns, cost inflation, inaccurate/inappropriate expenses, and fraud. IA projects focus on identifying opportunities for cost savings (i.e., optimization), cost recovery (i.e., duplicate payments, duplicate charges), and cost maintenance.

Third-Party Contracts Audits — IA projects focus on reviewing contracts with vendors, service providers, and other third-parties to assess billing accuracy, compliance with contract terms, and identification of overcharges/unapproved fees, as well as improving contract management and negotiation strategies, leading to cost savings.

Supply Chain Audits — Supply Chain, specifically on-contract/off-contract purchasing, represents both an opportunity for cost optimization (effective use of contracts/bulk buying/GPO) and cost recovery. IA focuses on cost recovery by using data analytics to identify instances of overpayments, unused discounts, and missed rebates.





Get in touch

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