THE INTELLIGENCE SERIES

Building Capability: Rethinking the Internal Audit Team

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Global Business Consulting

If judgment is now internal audit's differentiator, the profession has to build it with intention because the system that used to build it is quietly breaking down.

The foundational paper in this series made the case for internal audit's evolution from assurance to intelligence — a model in which the function delivers timely, relevant risk context grounded in independent judgment. The prior chapter showed how technology becomes the throughline, embedding it across the audit lifecycle so the function senses risk earlier. It closed on a deliberate handoff: As technology expands capacity and visibility, leaders face new choices about talent — the topic of this chapter.

Chapter 1 drew a clean line: Technology surfaces the patterns, anomalies and signals; auditors decide what they mean. If that holds, the ability to interpret, challenge and stand behind what technology produces becomes the work itself. The question few functions have had to answer until now: If technology performs the execution that once taught auditors to judge, where does the next generation of judgment come from?

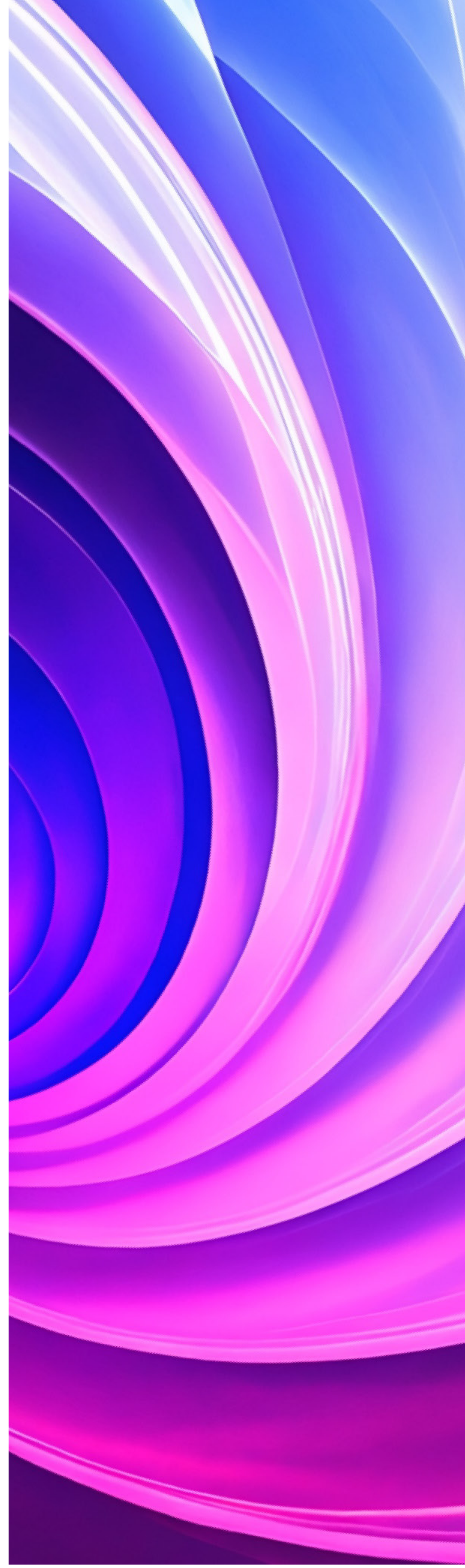
For decades, the profession rarely had to ask. Judgment came built into the work. Auditors learned what good looked like by doing the testing themselves, until the patterns became instinct.

Take the execution away and the function loses more than a task — it loses the mechanism that produces its future reviewers and leaders. That is the quiet problem beneath everything that follows: The profession is changing the work faster than it is changing how it builds the people who do it.

The audit team of the future will look different, and building it will take intent. AI literacy and data fluency matter, but they are fast becoming baseline; the harder work is developing the human capability technology can't supply on its own. Auditors are already learning to aim their judgment differently — not doing the work but questioning how the technology does it and whether its output holds. The change will be gradual, not a switch that flips.

Judgment becomes the work

As technology absorbs more of the evidence gathering, testing, documentation and first-level analysis, the auditor's contribution moves toward interpretation, skepticism, challenge and



communication. Judgment can no longer be assumed inside every step. Internal audit functions have to be deliberate about where it is applied and where it stays visible.

But visibility is the hard part. How will a leader know the judgment is actually there? A confident, clean-looking output can move through a review without anyone truly weighing it. Building capability means making judgment visible — expecting auditors to show their reasoning, not just their conclusion, so a reviewer can see whether the thinking holds.

Business context is the input that makes that judgment possible. An auditor who understands the business — its strategy, its key risks, how its processes run — can look at a result and know whether it is what they expected or an early signal of something wrong. Strip that context away and even a technically capable auditor is guessing. Context now comes first, because it turns a technology-generated output into a relevant confirmation that the business is, or isn't, operating as intended. Business fluency is no longer something we primarily target in experienced hires. It is a core capability we must also build early and deliberately.

You cannot stand behind output you cannot evaluate.

So how is that context built? It's rarely through training alone. It comes from exposure — rotations, cross-functional work, a seat in the strategic discussions where the business talks about itself, and the habit of reading the filings and investor materials that reveal what leadership actually worries about. The question worth considering is whether the current model supports developing that understanding at all, or simply assumes it. The goal isn't to help auditors see what happened; it's to help them understand why it happened and what could happen next.

Defensibility is where this becomes concrete. When technology generates a test, an analysis or a conclusion, someone still has to understand the work well enough to challenge it. Who defends that output to the business, the audit committee, the regulator or the external auditor? That is the moment skepticism stops being a soft skill and becomes part of assurance quality, and audit committees and regulators are already looking past audit coverage to the capability underneath it. The issue is not whether the technology works. It is whether internal audit can credibly stand behind what the technology produces — and that is a human question answered by the people doing the reviewing.

Questions for audit leaders to consider

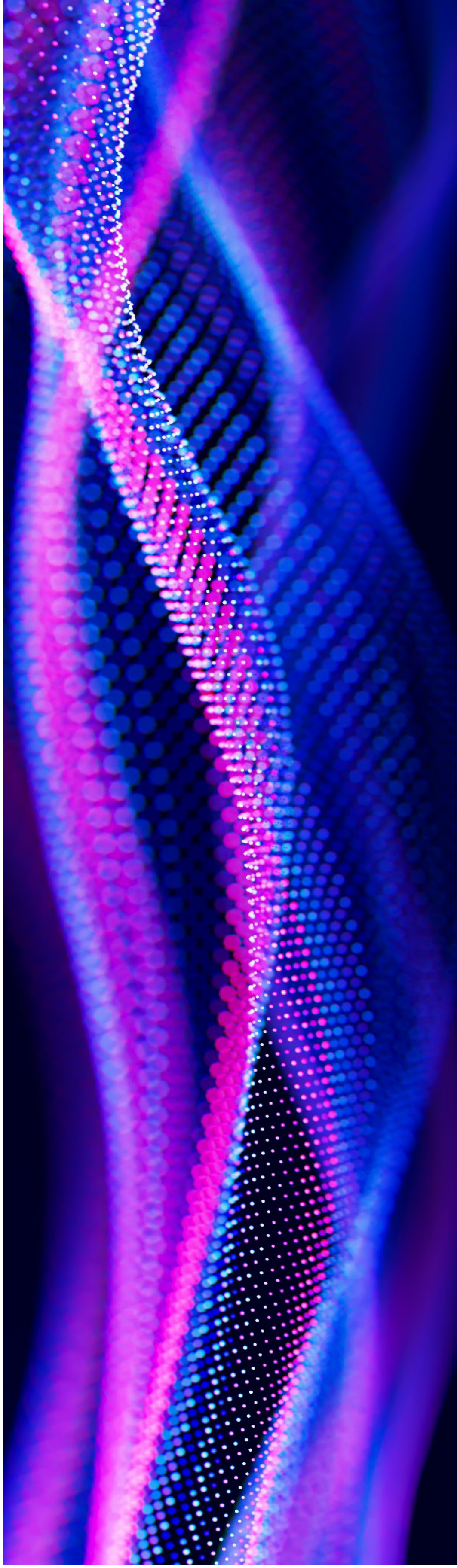
- If technology performed far more of today's execution, what would we most want our auditors doing instead?
- Does our development model build business acumen as intentionally as it builds technical audit skills?
- When must an auditor be able to explain, defend or challenge a technology-generated output?
- How much of our team's capacity goes to judgment versus repeatable execution?
- Are we developing auditors to use technology, to judge what it produces, or both?
- Are our auditors building business understanding through participation, observation or assumption?

The system that built judgment is breaking down

Execution did two jobs at once: It delivered the audit and developed the auditor. Testing controls, working through evidence, running into the same patterns over and over — that is how auditors learned to sense when something was off. Automate it and the function faces two risks that are easy to blur together.

The first is non-formation. Junior auditors may be asked to review work they have never performed themselves. This isn't a skill eroding — it's a skill that never formed. The leap to reviewer assumes a foundation that execution used to lay, and that foundation is being pulled out from under it.

The second is atrophy. Skills fade when they go unused. An experienced auditor who spends years supervising machine output slowly loses the feel for when something is wrong. The danger isn't that our best auditors become incompetent — it's that they become comfortable. Plausible output invites less scrutiny, and the reviewer furthest from the work is least equipped to catch what the tool missed. Nothing looks broken until the moment judgment was needed but wasn't there.



Neither risk fixes itself. Left alone, both compound. This is not hypothetical. There are already cautionary — and very public — examples of professional services organizations standing behind AI-generated work no one reviewed closely enough. The answer isn't to slow the technology down; it's to make sure human review, judgment and skepticism keep pace with it.

Rethink how auditors develop, not just what they adopt

Here is the imbalance at the center of this chapter. Nearly every internal audit function has a plan for adopting technology — a budget, a pilot, a path up the curve. Almost none has rethought how its people build judgment. Fund the technology but not the judgment, and you build what's easy to count while starving what actually matters. To put it plainly, most audit functions can articulate their technology priorities for the next three years. Far fewer can articulate how they intend to develop judgment, business fluency, skepticism and influence over the same period. Capability has to be planned as deliberately as technology, but it seldom is.

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Judgment rarely develops from receiving answers. It develops in the friction of the work — defending a conclusion under review, reconciling evidence that points in two directions, navigating ambiguity when the data doesn't resolve cleanly, and holding a position when a stakeholder pushes back. Through repetition and reflection, that friction becomes pattern recognition, business context and professional skepticism. For decades, the work supplied those moments on its own. As more execution becomes technology-enabled, leaders will have to create these moments deliberately — preserving the developmental outcomes, not every task that previously produced them.

Closing the gap doesn't mean a mandated curriculum — judgment doesn't come from a course catalog. It means designing those experiences deliberately rather than waiting for them to happen. And it means being honest about the timeline. This will take longer and feel messier than the popular "Three years and everything changes" storyline suggests. That candor builds credibility rather than costing it.

Examples of evolving capabilities

- **Business context up front** — Auditors learn the strategy, risks and process before evaluating a result, so they know the answer they expected to see.
- **Scenario-based review** — Curated sets of correct and subtly flawed output are used to train reviewers to spot the difference.
- **Reasoning made visible** — Experienced auditors narrate how they decide something is off, not just whether it is.
- **Reviewer-first development** — Staff evaluate technology-assisted work under close coaching, learning validation and reasonableness assessment as early-career skills.
- **Calibration and coaching** — Structured discussion keeps skepticism sharp at senior levels, not only junior ones.
- **Credibility and trust** — Explaining uncertainty, defending conclusions and working through stakeholder challenge to turn insight into action.

We're transforming the audit faster than we're transforming the auditor.

The traditional team was built for a different operating model

Start with a shared anxiety: Nearly every audit leader feels behind on AI. The most advanced internal audit functions think they should be doing more; others think they should be moving faster. Both are usually right. The instinct is to buy more capability. But what holds most functions back isn't the tooling — it's how the team is built.

Begin with the shape of the department itself. The familiar audit pyramid — many junior auditors at the base, fewer reviewers above, a narrow band of leaders at the top — is an artifact of labor-intensive, periodic execution. Automate much of that execution and the logic of the pyramid weakens. What comes next is unsettled — a diamond, a rectangle or a trapezoid with a narrower base — but the shape is a symptom, not the strategy. What actually changes is where capability sits and how it is built; headcount simply follows.

Leaders are already landing in different places. Some plan to shrink the base, reasoning that technology will do what junior auditors do today. Others intend to keep hiring there — but for people who arrive fluent in the tools and can seed that fluency into the culture. Both instincts may be right; the answer depends on a function's risk appetite, culture, size and technology maturity.

Internal audit functions have to define and develop the middle directly rather than assume it will accumulate through experience. The same pressure drives specialization: Once baseline tool fluency is a given, distinct roles emerge, and the question becomes which specialties a function needs and where roles differ from today.

Structure is also a sourcing question. Because business context now matters so much to judgment, more functions are looking outside audit to build it — rotations, an intentional import from the business, and senior hires, including chief audit executives, who came up through the business rather than audit. That instinct is sound, but it isn't a shortcut. Business acumen doesn't bring risk instincts, skepticism and a control mindset with it. None of this ends the career auditor — many of these experiences make better ones, and many can happen inside the internal audit department.

When the base is automated, the ladder that built our future leaders no longer builds itself.

Questions for audit leaders to consider

- Which aspects of our department's structure reflect a periodic, execution-heavy operating model?
- As we plan our AI investments, are we rethinking the shape of the team alongside them — or after?
- What should the "middle" of our department look like when people no longer reach it by mastering the base? When do we think that will happen?
- Where will deeper business knowledge come from? Would rotations or business hires help?
- How do we lean into differentiated experiences without alienating committed career auditors?
- Are we intentionally creating chances for auditors to communicate uncertainty, defend conclusions and navigate challenge from stakeholders?

Building capability starts with understanding the work

Before leaders redraw roles, career paths or the team structure, they need a sharper view of what their people actually do today — and the role internal audit intends to play next. The question isn't which skills the team wants; it's which work creates assurance and insight, which builds judgment, and which can shift to technology without losing either. Answer that on evidence, not instinct.

This last point sets an important boundary. Technology may make it possible to monitor more activity and test broader populations — but capability is not permission. Assess the full cycle continuously and an internal audit function risks becoming the very control it is meant to evaluate. Sometimes the right move is to build a capability and hand ownership to the business, so the enterprise benefits and audit stays independent of it. Knowing where to build, oversee, challenge, advise or step back is itself an act of judgment.

From concept to practice

- Which activities consume the most human effort in our function today?
- Which activities create the greatest assurance value, insight or decision-relevant context?
- Which experiences build the judgment our future managers and leaders will need?
- Which activities could become technology-enabled without weakening development, defensibility or assurance quality?
- Which work should stay with internal audit — and where should we build a capability and transition ownership elsewhere?
- Are our role expectations and advancement criteria aligned to old activity patterns or to the work we need going forward?

A different measure of team capability

Chapter 1 argued that technology invites a new measure of audit maturity — how much risk-sensing capability the internal audit function builds and keeps. Team capability deserves the same rethinking. Headcount, experience, certifications and training hours still matter, but they say little about whether a function can develop, sustain and deploy judgment, business understanding and the capability to turn insight into action.

A future-ready internal audit team will be defined less by its size than by what it can do: Interpret and challenge technology-generated output, ground it in real business context, hold its skepticism as automation expands, and develop judgment without relying on execution to produce it by accident. The real test isn't whether auditors can review conclusions, but whether they question how those conclusions were reached — and whether advancement rewards the judgment we say we value.

Building that capability is necessary but not sufficient. The payoff of building it on purpose isn't auditors who keep pace with the technology, but auditors whose judgment makes what audit delivers worth acting on. The next question is where that judgment gets applied — how the internal audit function turns capability into influence, credibility and context that drive decisions.

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Ari is a Managing Director in Protiviti's CAE Solutions group, where he partners with chief audit executives and their leadership teams to advance their strategic priorities, transformation agendas, and alignment with executive and board stakeholders. He helps internal audit leaders elevate governance, strengthen technology risk oversight and build future-ready internal audit strategies that deliver meaningful impact. He also helps audit teams sharpen their insights, anticipate emerging risks, work more effectively across the organization, and communicate clearly and confidently with executives.

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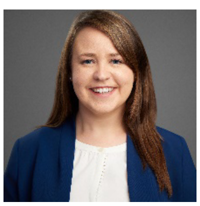

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