

The State of AI Adoption in Internal Audit in 2026

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Research in Collaboration With
CANISIUS UNIVERSITY
CHERRY HILL ADVISORY

June 2026

AUDIT Lab Briefing No. 06/2026
Aletheia Research Institution

I. OVERVIEW

In our prior brief we discussed AI adoption as a broad phenomenon, mapping existing research on the gap between promise and practice in accounting, audit and upstream disciplines ([Redpath et al. 2026](#)). This briefing narrows that lens under the guidance of Mike Levy CIA, CRMA, CISA, CISSP, CDPSE, to investigate AI adoption in Internal Audit (IA), specifically how the profession is positioned to govern it.

Internal Audit (IA) exists to catch what others miss. As a profession, IA provides independent oversight for governance, risk management, and control processes ([The IIA, 2024, Domain I](#)). As a discipline, activities are designed to accurately map risks and assess whether processes operate as they should. If any practice should model a calibrated, skeptical assessment of emerging technology, it is the one whose professional identity is built on those qualities.

In December 2025, Cherry Hill Advisory invited attendees at a training event to participate in the 'Ethics in the Age of Algorithms' survey and gathered responses from 3,088 internal audit professionals across 60 countries, 7 continents, 1,039 unique organizations, and 12 industries. The findings provide a great deal of evidence for optimism, with 73% of respondents indicating that they feel AI improves the quality of internal audit work and 81% expecting its overall impact to grow over the next three years. IA, as a discipline, believes in AI.

In this brief we offer insights from survey results that indicate there is a governance gap between the rate of adoption and the rate of institutional adaptation.

Although there is a surplus of optimism, 30% of survey respondents report that AI is not being audited at their firms; 84% report a governance at Level 3 or below.¹ Internal audit has been charged with closing that gap for everyone else, but has it closed it for itself? The data suggests not. Our findings indicate that the industry is integrating AI into daily work

¹ Level 5 - Leading (continuous monitoring, ethics by design)
Level 4 - Integrated (formal reviews, clear accountability)
Level 3 - Managed (controls exist, ethics not fully integrated)
Level 2 - Basic (policy exists but not implemented)
Level 1 - Ad Hoc (no defined oversight)

faster than it is building the infrastructure needed to police it. As a result, a profession increasingly expected to set standards for responsible AI use has stalled on governing itself. Our prior research found that firms across the profession primarily track usage and licensing, thus measuring adoption rates rather than adaptation (Redpath et al. 2026). This briefing attempts to address that gap with preliminary findings on adoption stages and adaptation personas developed as part of a wider research initiative at AUDIT Lab. A detailed report on survey findings and recommended interventions is forthcoming.

II. THE GOVERNANCE GAP

There is a measurable disconnect between a strong belief in the value of generative AI and the lack of formal structures to control its use. Respondents reported a high degree of trust in AI outputs when accompanied by human input and review, with an average score of 3.78 on a scale between 1 and 5.² Respondents also generally agree that generative AI is capable of making measurable improvements to audit quality, with an average score of 3.89. However, this confidence is advancing quicker than the governance structures required to support it.

The number of participants who feel confident adopting the technology into their common workflows far exceeds the number of participants with viable governance structures in place.

Stage	Description	Respondents
Awareness and Acceptance	There is a perception that AI will improve workflow and outcomes.	84%
Exposure and Interaction	Engagement that results in the use of at least one AI tool.	47%
Governance Development	The organization has deployed policies and practices for AI oversight.	15%
Oversight Coverage	Procedures to audit AI systems for compliance are being offered.	70%
Comprehensive Adoption	Practitioners feel confident presenting work produced using AI in workflows.	38%

Table 1 - Adoption Funnel

² A score of 5 represents the in total agreement and a score of 1 represents not in agreement.

We have illustrated the governance gap emerging in internal audit and adjacent positions using a 5 stage adoption model (see Table 1). Although 84% of respondents feel AI will be able to improve operational processes of internal audit, only 47% have actually engaged with the tools and only 15% reported that their own organizations have established governance practices. Organizations are investing heavily in early and end stages of adoption, but not in the governance that will lead to optimization.

IA professionals are adopting AI and tracking usage, but have not built the governance confidence needed to ensure it is used responsibly. Around 50% of respondents report limited or low levels of governance, whereas only 2.5 % report a high level of governance. Regardless of readiness, the average score for perceived magnitude of change over the last 3 years was 3.19 on a scale between 1 and 5.³ An average score of 4.28 for the perceived magnitude of change over the next 3 years, captures the feeling of acceleration.

III. THE READINESS CHALLENGE

While the pace of AI adoption has accelerated, the foundational guidelines necessary to use AI effectively for internal audit are slow to be established. Survey respondents identified necessary skills as a top barrier to adoption with 55% of respondents indicating it as a concern. Notably, VP and C-Suite respondents flagged skills most consistently; however, whether this reflects concern about their own capabilities, or that of their teams, is still an unanswered question.

To contextualize the readiness challenge, we identified 10 emergent personas from survey responses and assigned them readiness scores.

Of the 3,088 respondents, 2,864 provided complete sentiment data that was used to construct practitioner-oriented heuristics that can be used to assess team composition and develop intervention strategies. Although these personas are not validated typologies, they are useful groupings developed from responses to tool adoption, GRC platform usage, sentiment scores, governance maturity, and willingness to take action. The reported results are preliminary findings from a broader initiative to ground adaptation personas in organizational behavior and psychological theory, and to develop evidence-based practice-oriented interventions (see Table 2).

³ A score of 5 represents the greatest change and a score of 1 represents the least change.

Persona	Key Profile Details	Readiness	Respondents
The Vanguard	High Readiness, High AI Exposure, High Confidence	8.94	16.8%
The Complacent	High Readiness, No AI Exposure, No Governance, Low Perception of Risk	8.57	4.8%
The Foundation	High Readiness, No AI Exposure, High GRC Exposure, High Governance	7.16	10.2%
The Explorer	Moderate Readiness, High AI Exposure, No GRC Exposure, High Confidence	6.89	12.3%
The Believer	Moderate Readiness, No AI Exposure, High Confidence	6.41	10.1%
The Equipped	Moderate Readiness, Moderate AI Exposure, Moderate GRC Exposure	5.44	9.8%
The Overwhelmed	Low Readiness, No AI Exposure, No GRC Exposure, Low Governance, High Confidence	4.27	3.7%
The Observer	Low Readiness, Moderate AI Exposure, Moderate GRC Exposure, Moderate Confidence	4.13	23.3%
The Anxious	Low Readiness, High Perception of Risk, High Confidence	3.37	3.4%
The Bureaucrat	Low Readiness, No AI Exposure, High GRC Exposure, Moderate to High Governance	1.45	5.6%

Table 2 - Adaptation Personas

Despite a majority of respondents reporting no or low levels of governance, the average response to whether they would present AI assisted findings to a board or audit committee was around 3 out of 5⁴. Within internal audit, this translates directly into quality risk. If practitioners are deploying AI tools without understanding the boundaries of appropriate use, the outputs informing audit judgments may be compromised in ways that go undetected. While it has been established that internal auditors largely trust the potential of AI, the issue is that confidence and competence are being conflated. This reflects a real-world manifestation of the “illusion of competence” (Dolan, 2025).

IV. THE OVERCONFIDENCE BIAS

One of the most interesting trends illustrates a possible overconfidence bias among respondents who reported no or ad-hoc governance. When agreeing or disagreeing

⁴ A score of 5 represents the greatest agreement and a score of 1 represents not in agreement.

whether various elements⁵ were included in AI audits performed by their firms, those reporting the lowest levels of governance were in agreement more often, and more consistent in their responses across components, than those reporting the highest levels.

The uniformity in scoring may signal a knowledge gap rather than actual assessment across the different components. Respondents with high governance ratings are expected to express more self-criticism in their scores, leading to lower coverage scores and greater variance among respondents. These results are reminiscent of Kahneman's 2003 article, *"Delusions of Success: How Optimism Undermines Executives' Decisions."* When respondents have less exposure to governance, they have to rely on their internal perception.

While one could argue that the respondents subject to lower governance may have simpler organizational processes and genuinely perform better than their more governed counterparts, this may not be the case. Uniform scoring across different components could be evidence of non-engagement with the complexity of distinct components rather than actual, unvaried performance. The variance across components by respondents who reported higher governance scores suggests more in-depth calibration. Further research is required to validate these assumptions.

V. THE RESPONSIBILITY

The survey responses indicate a disconnect between a belief in the capabilities of AI and a willingness to stake professional reputations on it. Confidence in AI's ability to improve the quality of internal audit work had an average rating of 3.98 out of 5; however, when asked if they would present AI-assisted findings to the board, the same respondents scored an average of 3.28. The disconnect between confidence and willingness to adopt could come down to the burden of responsibility. Managers and senior auditors are the practitioners reviewing AI-assisted outputs, signing off on analyses, and deciding what moves forward. Despite this, the reputational load tends to fall on staff auditors, whose capabilities often outrun their authority. Neither group is structurally protected when AI-assisted work goes wrong.

The people reviewing AI-assisted work and the people who would bear the reputational cost of failure are not always the same.

⁵ Audit Elements 1) LLM prompt logic; 2) Training data bias controls; 3) Model version/Change control; 4) Output validation; 5) Human override processes; 6) Governance, and 7) Ethics.

Broken down by seniority, the disconnect between confidence in AI work product and willingness to adopt narrows, meaning those with greater authority are more willing to present AI output. It is not assumed that senior leaders know more about AI, though it is assumed they have more organizational permission to be wrong. Presenting an AI-assisted finding that proves incorrect has career consequences that scale with positions lower down the chain of command. This is most evident among 62 staff auditor respondents that reported an average score of 4 out of 5 on indicators of confidence in AI, and by every additional measure are champions of AI adoption, but are observably less willing to present AI-assisted findings. The practitioners most capable of driving AI adoption are also the practitioners whose career trajectories are most exposed.

VI. THE RESPONSE

The Institute of Internal Auditors' Global Internal Audit Standards (effective January 2025) establish profession-wide, mandatory requirements for governance, risk management, documentation, and accountability in IA practice. These requirements apply across all risk domains, including emerging technologies such as AI ([The IIA, 2024](#)). COSO's Achieving Effective Internal Control Over Generative AI ([COSO, 2026](#)) further formalizes these expectations by linking accountability, transparency, data integrity, and continuous monitoring directly to audit procedures. Together, these frameworks provide a structural foundation for AI governance and assurance.

The ambition for AI is nearly universal, but the infrastructure and organizational mechanisms required to support it remain unevenly developed. The next three years will determine whether this gap closes or widens. In struggling to operationalize governance into audit practices, the profession is actively constraining the responsible adoption of AI within assurance functions.

Risk is being avoided through limitation of AI instead of mitigated through evidence based structural interventions, leaving the underlying governance gap unresolved.

As the profession moves forward, it must decide if it will continue to rely on restriction as a safeguard or if it will commit to implementing evidence based governance. IA appears to be managing AI exposure rather than validating AI performance and demonstrates a tendency to adopt policies of cautious containment over comprehensive governance.

The AI Governance Gap: Internal Audit's High-Stakes Race to Catch Up

Based on a May 2026 survey of over 3,000 practitioners, this infographic highlights a "governance gap." While enthusiasm for AI's impact is nearly universal, formal structures, technical skills, and organizational authority are failing to keep pace with adoption.

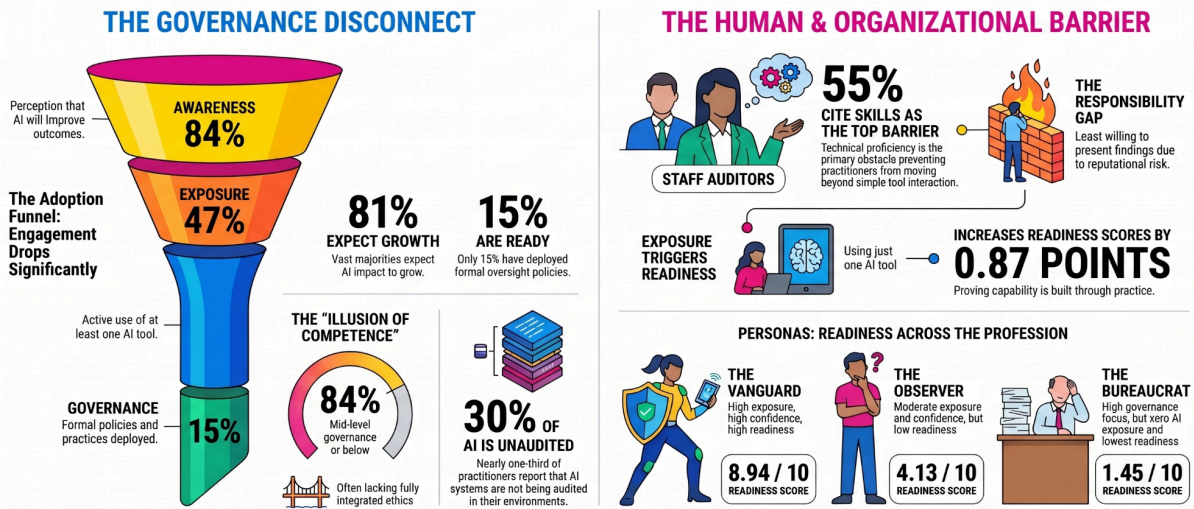


Figure 1 - Infographic Developed by Processing Research Content using NotebookLM

Furthermore, awareness of AI capabilities and confidence in potential outcomes does not produce audit coverage, and frameworks absent of behavioral anchors do not translate into execution. The only intervention in the dataset that meaningfully shifts readiness is 'exposure'. Practitioners with exposure to even one AI tool score 0.87 points higher on readiness, indicating that capability is built through use, not instruction (see Figure 1).

More importantly, the findings suggest that different practitioner profiles require different interventions. "Believers" already trust AI but lack structured exposure and organizational permission to act, while "Foundations" possess governance discipline but require AI tool exposure to activate readiness. "Explorers," by contrast, demonstrate enthusiasm and experimentation but lack the governance infrastructure necessary to operationalize that capability at scale. The profession's challenge is not just a matter of education, it is organizational and behavioral. These preliminary findings will be expanded on at different levels of abstraction in a forthcoming report.

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Disclosure Statement: This briefing was developed in collaboration with Aletheia's AUDIT Lab at Canisius University and received nonfinancial support from Aletheia Research Institution and Cherry Hill Advisory. All opinions expressed are those of the authors and not the institutions they represent in their professional capacities. GenAI was used for early-stage research and image creation for this manuscript. Authors transcribed final written content and validated results of survey analysis with manual data transcription and robustness checks.