

Internal Audit Hot Topics: The Next Risk Horizon

A curated view of the risk priorities shaping Internal Audit.

In FY27, organisations are operating in an environment defined by compounding uncertainty and accelerating change. Globalisation pressures, climate volatility, geopolitical disruption and heightened regulatory expectations continue to converge, while the rapid, enterprise-wide adoption of artificial intelligence is fundamentally reshaping how decisions are made, risks emerge and controls operate.

In this context, the role of Internal Audit is evolving beyond periodic assurance to a more dynamic, forward-looking function - one that anticipates emerging risk and adapts audit approaches in step with the pace of change.

To support Heads of Internal Audit, we have developed a curated portfolio of key thematic areas and associated risks to inform the development of FY27 Internal Audit Plans. These topics are organised across three overarching priorities - **External Pressures**, **Operational Challenges** and **Technology**.



External Pressures



Geopolitics & 'The Trump Effect'

- Renewed U.S. trade protectionism, export controls and sanctions disrupting global supply chains, with greater exposure to tariffs, customs enforcement and rules-of-origin requirements.
- Ongoing policy volatility increasing the need for scenario planning.



Regulator Scrutiny & Regulatory Change

- Regulatory focus shifting from compliance to resilience and accountability, with increased board and executive liability.
- Greater scrutiny of evidence-based assurance.



Environmental, Social & Governance

- Mandatory sustainability reporting under ASRS and alignment to ISSB and global frameworks.
- Increased scrutiny of climate disclosures, transition plans, Scope 3 emissions, greenwashing and ESG data quality.
- ESG risks increasingly influencing strategy and capital decisions.



Third Party Risk

- Growing reliance on third parties for critical operations.
- Increased regulatory focus on third-party and concentration risk.
- Greater complexity in outsourcing and global supply chains.

The Role of Internal Audit

- Assess exposure to tariffs, export controls and sanctions across the value chain.
- Evaluate trade compliance, customs control, supply-chain resilience and contingency arrangements.
- Support scenario analysis of financial and operational impacts.
- Embed high-accountability regulatory obligations into audits.
- Test readiness for major regulatory reforms.
- Identify gaps before regulatory intervention occurs.
- Use AI tools to support identification of relevant regulatory obligations, identify controls and assess effectiveness.
- Assess readiness for mandatory ESG and climate disclosures.
- Review governance, controls and data quality supporting ESG reporting.
- Evaluate alignment between ESG risks, strategy and risk management.
- Provide assurance over ESG governance frameworks.
- Review third-party risk management governance and frameworks, including due diligence, contracting and ongoing monitoring.
- Test resilience planning for critical third-party dependencies.
- Provide assurance over third-party controls supporting compliance.

Technology



AI & Emerging Technology

- Rapid AI adoption outpacing governance and controls.
- Increased scrutiny of bias, transparency and explainability.
- Growing use of autonomous tools and AI agents.



Cybersecurity

- Increasingly sophisticated cyber threats, including ransomware.
- Shift from framework alignment to control-level testing.



Data Governance & Privacy

- Stronger privacy obligations and enforcement.
- Heightened impact of data breaches and poor data quality.
- Greater use of automated decision-making and analytics.

The Role of Internal Audit

- Inventory and risk-tier AI use cases.
- Assess AI governance, ownership and human oversight.
- Review controls over data, models and third-party providers.
- Perform pre- and post-deployment reviews for bias, drift and monitoring.
- Assess incident detection, response and recovery capabilities.
- Test ransomware and cyber incident scenarios.
- Coordinate assurance over IT general controls.
- Review data governance roles, frameworks and accountability, and controls over data quality, access, retention and security.
- Test data breach response and notification processes.
- Evaluate readiness for enhanced privacy requirements.

Operational Challenges



Cost Optimisation & Containment

- Continued cost pressures driving restructuring, automation and outsourcing.
- Risk of control gaps as cost initiatives accelerate.
- Tension between efficiency and resilience objectives



Operational Resilience

- Increasing frequency and severity of operational disruptions.
- Heightened regulatory expectations for resilience and continuity, with stronger focus on critical operations, tolerances and dependencies.



Proactive Payroll Compliance

- Criminalisation of wage theft significantly increasing legal and reputational risk.
- Payday Super requiring real-time superannuation payments from July 2026.
- Persistent risks from industrial relations reform, award complexity, record-keeping and payroll systems.
- Assess alignment of cost initiatives with risk appetite.
- Identify control weaknesses arising from restructures or automation.
- Review governance over major cost-transformation programs.
- Provide assurance that savings do not undermine key controls.
- Test critical operations mapping and tolerance setting.
- Review business continuity and disaster recovery plans.
- Assess third-party dependencies and resilience measures.
- Perform scenario testing and tabletop exercises.
- Shift from periodic reviews to continuous, risk-based payroll monitoring.
- Use analytics to detect pay and entitlement anomalies.
- Assess payroll system configuration, automation and integration.
- Review remediation programs for historical underpayments.
- Assess readiness for Payday Super and future reforms.

Contact us

For further guidance, please contact KPMG's Governance, Regulation and Assurance team.



Richard Cassidy
Partner
Brisbane
+61 410 657 544
rcassidy@kpmg.com.au



Jeff O'Sullivan
Partner - Internal Audit
Leader Australia
+61 477 354 163
jsullivan@kpmg.com.au



Clare Power
Partner
Melbourne
+61 423 024 386
clarepower@kpmg.com.au



Caron Cobarg Sugars
Partner
Perth
+61 402 254 054
ccobargsugar@kpmg.com.au



Philip Masters
Director
Sydney
+61 408 337 429
pmasters@kpmg.com.au

KPMG.com.au



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