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Thought Leadership

Risk-based auditing: Aligning internal audit to what matters most

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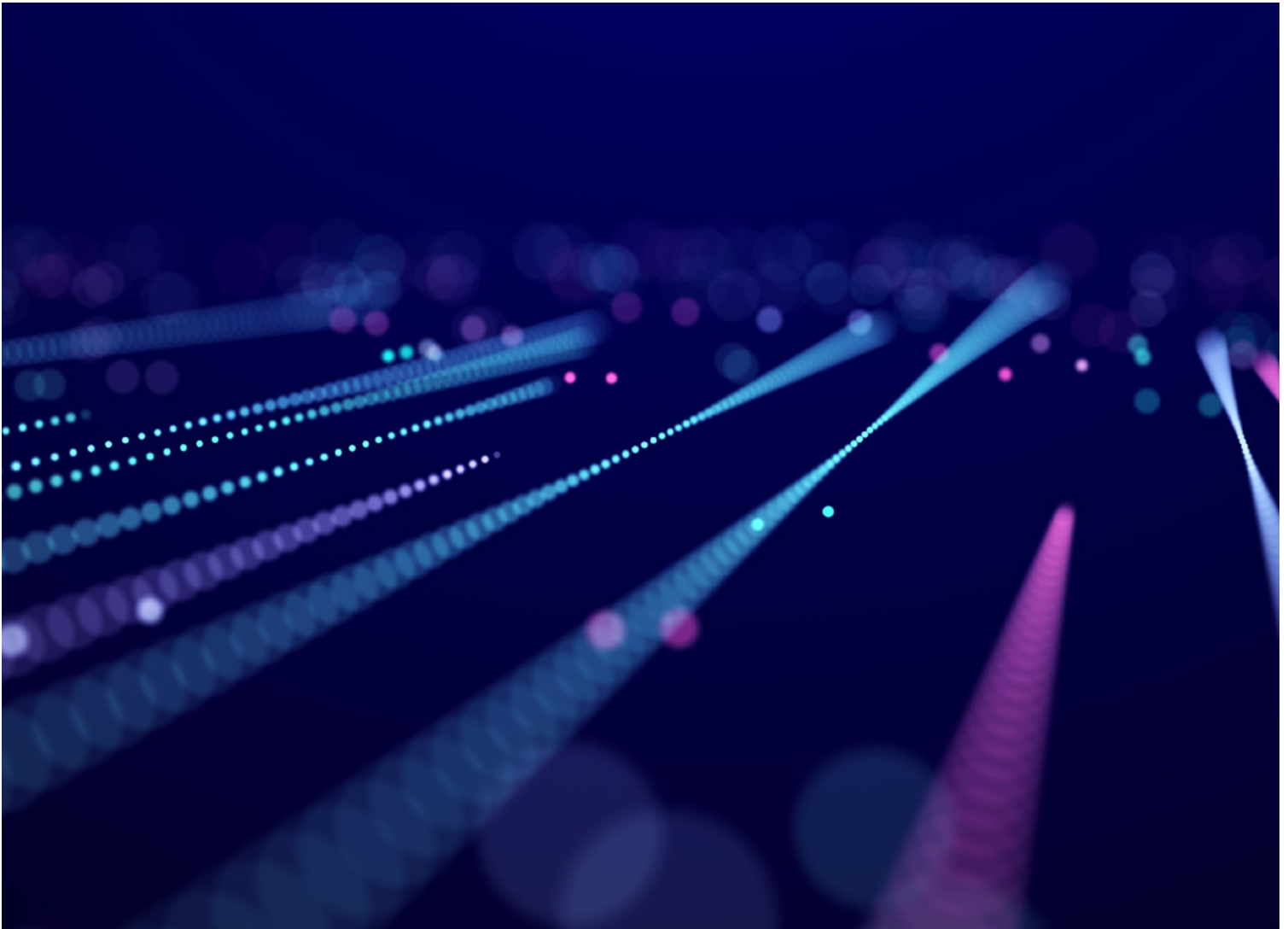
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Pete Zimmerman, CPA, CISA, is a Senior Consultant in the TeamMate Professional Services practice. He is responsible for implementing TeamMate Audit for internal audit, internal controls, and compliance functions. Pete has more than 15 years of experience in accounting and auditing. Prior to joining Wolters Kluwer in 2022, Pete worked as an internal auditor at CoBank, specializing in IT audit. He also worked in public accounting at KPMG and Hein & Associates, providing attestation and advisory services for publicly traded companies. Outside of work, Pete competes in rowing regattas and volunteers with the First Tee of Greater Washington, D.C.



Introduction

Risk-based auditing has been part of the internal audit vocabulary for a long time. Most audit professionals understand the concept, and many believe they are applying it. Yet in practice, fully realizing risk-based planning and execution remains challenging, especially as organizations face rapid change, tighter resources, and higher expectations of internal audit.

From my experience, the issue is rarely a philosophical disagreement. The challenge is practical. Audit teams are expected to commit to plans well in advance, maintain consistency, and still respond when risks emerge or shift. Balancing

those expectations is not easy. Risk-based auditing is how internal audit navigates that tension. It is not a theoretical exercise, it is a practical approach that helps audit remain relevant, credible, and aligned to what matters.





Challenges facing CAEs and internal audit teams

Many internal audit functions struggle to operationalize risk-based auditing because of how audit planning and execution have traditionally been structured. Annual plans are often finalized months before the year begins, yet few organizations experience twelve months of stability. As priorities, technologies, and risks change, audit teams may find themselves delivering work that is technically sound but no longer clearly aligned to current risk.

Common challenges include difficulty explaining why certain audits are on the plan while others are not, reliance on established audit cycles that persist even when risk profiles change, and limited

connection between stated risk appetite and actual audit coverage. In some cases, these challenges are compounded by planning and documentation processes that are static by design.

When these disconnects occur, it becomes harder for internal audit to clearly articulate its value. Stakeholders may question whether audit focus reflects today's risks or yesterday's assumptions. This is why the IIA's Global Internal Audit Standards emphasize risk-based planning and due professional care—not as a compliance exercise, but as a foundation for effective assurance.

Risk-based auditing as a practical mindset

Risk-based auditing works best when it is treated as a mindset rather than a methodology to be implemented once and declared complete.

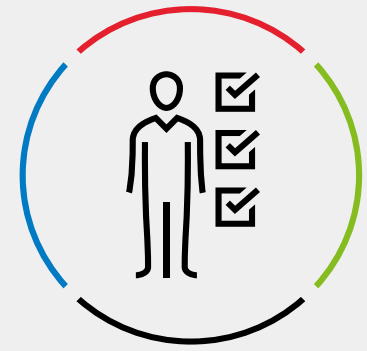
For CAEs, it means recognizing that the audit plan should reflect organizational

priorities as they evolve, not simply serve as a fixed checklist. For audit managers, it requires judgment—deciding where depth is truly warranted and where a lighter approach is sufficient. And for auditors, it means understanding the objectives and risks behind a process, not just whether controls are present.

This way of working aligns naturally with the intent of the IIA Standards. Internal auditing is meant to be risk based because risk is what gives context and meaning to the work. When audit effort is visibly aligned to the organization's most significant risks, conversations with leadership become more constructive and the function's credibility is strengthened.

Practical steps to build a more risk-based approach

Becoming more risk based does not require abandoning structure or rebuilding the audit function from the ground up. In practice, meaningful progress often comes from small but deliberate changes at key points in the audit process. Consider the following 4 tips:



Tip #1: Use the risk assessment to drive real dialogue

The annual risk assessment is one of the most valuable tools internal audit has—but only when it is used as a conversation rather than a formality.

In my experience, business leaders are usually willing to talk candidly about what concerns them, what is changing, and where they see uncertainty. Taking the time for structured discussions helps audit teams understand not only what the risks are, but why they matter. Because management owns the business, they are best positioned to explain how risks could affect objectives.

These conversations do not replace audit judgment. Instead, they inform it—providing context that makes audit plans more relevant and defensible.

Tip #2: Let risk shape the audit plan, not just validate it

It is easy to use risk assessment results to confirm a plan that already exists. A more challenging—but more effective—approach is allowing risk insights to genuinely influence audit priorities.

This does not mean constantly rewriting the plan or abandoning long standing audit commitments. Instead, it means being willing to revisit assumptions, adjust timing, or reconsider scope when risk conditions change. The IIA's guidance supports this flexibility, recognizing that risk-based plans should be responsive rather than rigid.

Tip #3: Match audit effort to risk significance

Risk-based auditing is not only about choosing the right audits—it is also about applying the right level of effort.

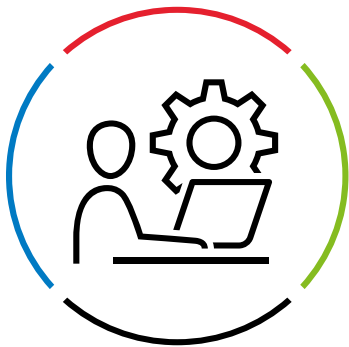
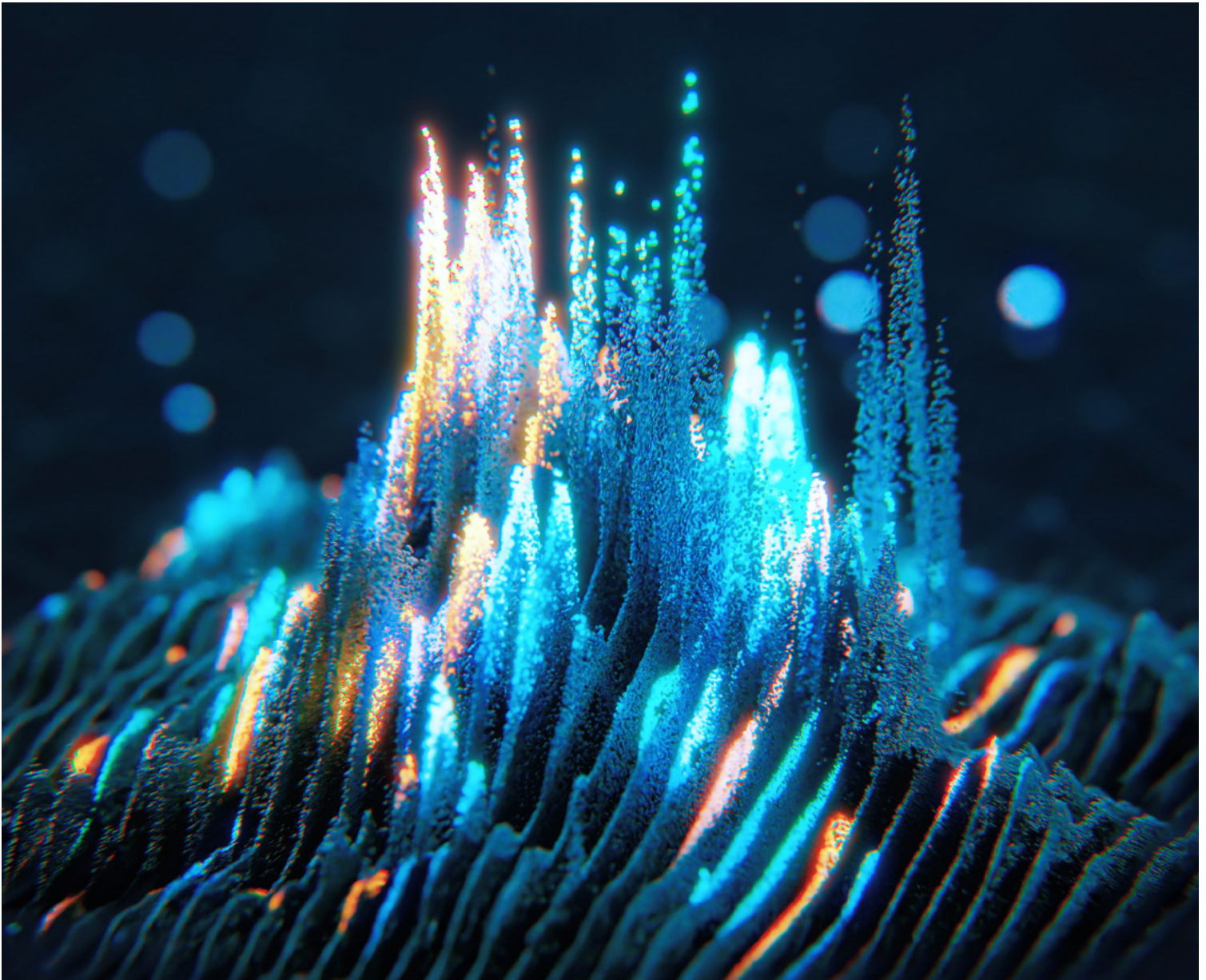
Higher risk areas may justify broader scope, deeper testing, or more experienced resources. Lower risk areas may warrant narrower focus or extended coverage cycles. Being explicit about these decisions improves resource efficiency and makes it easier to explain why audit effort is allocated the way it is.

Tip #4: Treat risk assessment as ongoing, not annual

Organizations rarely experience risk only once a year, and internal audit awareness should not be limited to an annual exercise.

There is no prescribed update frequency, and not every change requires plan modification. What matters is maintaining awareness—through ongoing dialogue, issue tracking, and environmental monitoring—so that audit leadership can apply judgment when emerging risks warrant attention.

This approach reflects both professional standards and practical reality.



The role of the first line in risk-based auditing

Risk-based auditing depends on input from the first line. Business leaders and process owners provide essential insight into how risks are identified, managed, and evolving. Structured assessments and transparent remediation tracking strengthen that understanding.

At the same time, roles remain clear. Management owns risk. Internal audit provides independent assessment. When those boundaries are respected, collaboration improves audit relevance without compromising independence.

Frequently Asked Questions

Is risk-based auditing only for large organizations?

No. Any organization benefits from aligning audit work to its most significant risks. The approach should scale appropriately.

Does risk-based planning eliminate audit cycles?

Not necessarily. Cycles can provide structure, but they should be informed by risk rather than followed automatically.

How often should risk assessments be updated?

There is no single answer. The goal is ongoing awareness and informed judgment—not constant change.



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