White Paper #3

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WHAT THE AUDIT COMMITTEE WILL ASK ABOUT AI

And What Your CAE Cannot Currently Produce



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What the Audit Committee Will Ask About AI

And What Your CAE Might Not Be Able to Produce…*Currently*

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Five Evidence Categories | Efficient Advice
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WHO THIS WHITE PAPER IS FOR

Chief Audit Executives and Audit Committee members at organizations where AI is already being used in internal audit work, and where the question of AI governance has not yet been formally addressed in a committee meeting. Also, for CAEs preparing for an external quality assessment in which AI governance will be examined.

Executive Summary

The audit committee will ask about Artificial Intelligence (AI). Not eventually, right now. Board-level attention to AI risk has tripled in a single year: nearly half (48%) of companies now explicitly cite AI risk as part of the board's oversight of risk, up from 16% in 2024 (EY, via *The Harvard Law School Forum on Corporate Governance*, October 28, 2025). Separately, nearly half of Fortune 100 company boards have now delegated AI oversight to a specific committee, such as the audit or governance committee (Latham & Watkins, via *The Harvard Law School Forum on Corporate Governance*, February 23, 2026). At every organization where internal audit is using AI tools, a board member, a regulator, or an external quality assessor will ask the CAE to demonstrate that AI is being used responsibly. Most CAEs cannot currently answer that question with evidence.

This white paper identifies the five questions audit committees are asking (and will ask), about AI in internal audit. For each question, it explains what an adequate answer requires, what evidence must exist to support that answer, and what most CAEs cannot currently produce.

It then introduces a five-category approach that defines the complete set of evidence a CAE needs, to demonstrate AI governance at the workpaper level, at the function level, and at the board level. The approach is not aspirational. Every category can be built in thirty to ninety days with the right protocols in place.

THE CENTRAL FINDING

The gap between what audit committees expect and what CAEs can produce is not a gap in effort or intention. It is a gap in infrastructure. The committees expect documented governance. Most audit departments have informal practice. Informal practice, no matter how careful, cannot produce the evidence an audit committee needs to fulfill its own oversight obligations.

1. Why the Audit Committee Will Ask

The audit committee's oversight responsibilities are expanding. For decades, audit committees focused primarily on financial reporting risk, external audit quality, and fraud prevention. That scope has been broadening since the mid-2010s to include cybersecurity, data privacy, and enterprise technology risk. AI has entered that expanding scope faster than any preceding technology category.

The reason is straightforward: AI use in internal audit directly affects the quality of the assurance the committee receives. If the internal audit function is using AI to draft findings, risk assessments, and audit reports, and if that AI use is not governed (not validated, not disclosed, not quality-controlled), then the committee's reliance on internal audit's work product is reliance on something whose quality it cannot assess. That is a governance problem, not a technology problem.

1.1 Three Forces Driving Committee Attention

Regulatory Momentum	Financial regulators in the United States, European Union, and Latin America are increasingly issuing guidance on AI governance in financial services and regulated industries. Audit committees in regulated sectors are receiving direct pressure from external regulators to demonstrate that AI use within their organizations (including within the internal audit department) is governed. The question is no longer hypothetical.
External Quality Assessment Pressure	The IIA's external quality assessment process (required every five years for functions claiming conformance with IIA Standard 1312 (Former) and Standard 8.4 (Current), is increasingly examining AI governance as part of its conformance review. Assessors are asking whether audit departments have documented AI policies, validated AI output, and demonstrated staff competency. CAEs preparing for an EQA at any point, need AI governance documentation that can withstand external examination, and that window is already open. (1).
Board-Level AI Literacy	Board members are receiving more direct education on AI risk than at any prior point. As directors receive AI governance training (often from the same external consultants advising their executive teams), they arrive at audit committee meetings with more specific questions. 'Are we governing AI in internal audit?' is no longer a question only a technology-focused director asks.

Sources (1): *The AI Auditing Framework* | *2026 Strategic Directives (March 2026 CAE Bulletin)* | *Board AI Governance Questionnaire*

1.2 The Committee's Oversight Challenge

The audit committee's challenge is not that it distrusts AI. Most committee members understand that AI tools can improve audit efficiency and capability. The challenge is that the committee has no way to assess the quality of AI-assisted work without governance documentation. In the absence of documentation, the committee's choices are: trust completely or prohibit entirely. Neither is a governance answer.

The five-category evidence approach gives the committee a third option: verify. It defines the five categories of evidence that allow a committee to confirm (without technical expertise), that AI is being used responsibly, that outputs are validated before use, and that the audit function's professional standards are being maintained. Without those five categories, the committee cannot verify. It can only trust.

2. The Five Questions the Audit Committee Will Ask

These five questions represent a comprehensive set of AI governance inquiries an audit committee, external quality assessor, or regulator is likely to raise. For each, this section defines what an adequate answer requires, and what most CAEs cannot currently produce.

Question 1

Do you have a formal policy governing how your team uses AI tools?

WHY THE COMMITTEE ASKS THIS: This is the threshold question. Before any substantive governance conversation can occur, the committee needs to know whether the audit function has established a foundational boundary: what is authorized, what is prohibited, what is required when AI is used. Without a policy, every other answer is built on air.

WHAT AN ADEQUATE ANSWER REQUIRES: An adequate answer requires a signed, dated document, not a general statement of intention. The policy must specify which tools are authorized, what categories of data may not be entered into AI tools, what validation is required before AI output is used, how AI use must be disclosed in workpapers and reports, and who is accountable for compliance. It must carry the CAE's signature and a version date.

WHAT MOST CAEs CANNOT CURRENTLY PRODUCE: Most CAEs have no document to show. Some have informal understandings within the team. Some have sent an email with guidance. An email is not a policy. An informal understanding cannot be produced in a committee meeting or an EQA review. The absence of a signed policy is the single most common AI governance gap in internal audit functions today.

EVIDENCE REQUIRED: A signed AI Use Policy with version number, effective date, and CAE signature. At minimum twelve sections covering: purpose, scope, authorized tools, prohibited actions, data governance, validation requirements, disclosure standards, training requirements, supervisor accountability, enforcement, review schedule, and a signature block.

Question 2

How do you validate AI output before it enters a workpaper or report?

WHY THE COMMITTEE ASKS THIS: This is the quality question. The committee is not asking whether AI is capable of producing useful content. It is asking what the audit function does to confirm that AI-produced content is accurate, evidence-grounded, and professionally defensible before it becomes part of the audit record. This question goes directly to the integrity of the work product the committee relies on.

WHAT AN ADEQUATE ANSWER REQUIRES: An adequate answer requires a named, documented validation protocol, a specific sequential process with defined steps, applied consistently across all AI-assisted content. The answer must be able to describe not just what the process requires, but how compliance with that process is documented. Documentation of validation is what transforms a process from an intention into a governance record.

WHAT MOST CAEs CANNOT CURRENTLY PRODUCE: Most CAEs answer this question with a variation of: 'Our auditors review AI output carefully before using it.' That answer does not satisfy the question. It describes an intention, not a process. It cannot be verified, audited, or examined. It does not tell the committee which failure modes the review is designed to catch, how the review is documented, or who confirms that the review occurred.

EVIDENCE REQUIRED: A named validation protocol (Output Validation is the Efficient Advice, LLC standard), applied to every AI-assisted item, with completed workpaper AI notations as the documentation record. The notation must include: tool used, version, task performed, validation method, checklist used, modifications made, prepared by, and reviewed by. Without completed notations, there is no governance evidence.

Question 3

Can your team demonstrate that they have the competency to use AI correctly?

WHY THE COMMITTEE ASKS THIS: This is the capability question. The committee understands that AI tools are only as reliable as the auditors using them. An auditor who does not understand how AI generates output (who cannot identify the six failure modes, apply a validation protocol, or recognize when AI output has exceeded the evidence), is an auditor who cannot use AI responsibly. The committee wants to know that capability has been established and can be demonstrated.

WHAT AN ADEQUATE ANSWER REQUIRES: An adequate answer requires documented competency evidence, not an assertion that training occurred, but records showing what training was delivered, what was assessed, and what the results were. Competency must be demonstrable: the CAE must be able to show a committee member or external assessor specific evidence that specific individuals completed specific training with specific outcomes.

WHAT MOST CAEs CANNOT CURRENTLY PRODUCE: Most CAEs answer this question with: 'We have done training on AI tools.' That answer does not demonstrate competency. It describes an activity. Without pre/post assessment results, knowledge check scores, competency evaluation rubrics, and certificates of completion, 'we did training' cannot be verified or assessed. The absence of competency documentation is indistinguishable from the absence of competency.

EVIDENCE REQUIRED: Pre- and post-training assessment results showing measurable skill improvement. Module knowledge check scores. A competency evaluation rubric with named dimensions. Individual certificates of completion. The training must cover the six AI failure modes, a named validation protocol, the workpaper notation standard, and the audit function's AI Use Policy.

Question 4

How are you governing AI risk on an ongoing basis, not just through initial training?

WHY THE COMMITTEE ASKS THIS: This is the continuity question. AI tools change. The model underlying ChatGPT today is different from the model that existed twelve months ago. New tools enter the market. IIA standards evolve. Regulatory guidance updates. A governance framework that was adequate at initial implementation may be inadequate six months later if it has not been maintained. The committee wants to know that governance is continuous, not historical.

WHAT AN ADEQUATE ANSWER REQUIRES: An adequate answer requires documented evidence of ongoing governance activity, not a description of the initial implementation. It must include: dated records of quarterly AI risk reviews, evidence that the AI Use Policy is reviewed and updated on a defined schedule, a process for evaluating new AI tools before adoption, and a mechanism for monitoring IIA and regulatory AI guidance as it develops.

WHAT MOST CAEs CANNOT CURRENTLY PRODUCE: Most CAEs answer this question by describing their initial governance implementation. 'We implemented a policy in Q2 and trained the team in Q3' is a historical answer to a present-tense question. It tells the committee what happened, not what is happening. Ongoing governance requires ongoing documentation. Without quarterly review records, governance is a historical event, not a current state.

EVIDENCE REQUIRED: Dated quarterly AI governance review records in a standardized format. A policy review log showing version history and update dates. A tool evaluation framework applied to any new AI tool before adoption. Evidence of IIA and regulatory monitoring, at minimum, a record of standards updates reviewed and their implications assessed for the function.

Question 5

What results has AI produced for this audit function, and how do you know?

WHY THE COMMITTEE ASKS THIS: This is the accountability question. The committee needs to know that AI adoption is producing measurable results, and that those results are being tracked and reported. This is not primarily a performance question. It is a governance question. An audit function that cannot measure AI results cannot detect when AI is producing poor results, cannot identify adoption problems, and cannot make informed decisions about governance adjustments.

WHAT AN ADEQUATE ANSWER REQUIRES: An adequate answer requires a results measurement framework that was established before or at the point of AI adoption, not constructed after the fact. It must track: time savings on AI-assisted tasks, tool adoption rates by audit phase, AI output quality indicators (specifically the Modifications Made field from workpaper notations), and a comparison of findings quality in AI-assisted versus non-AI-assisted engagements.

WHAT MOST CAEs CANNOT CURRENTLY PRODUCE: Most CAEs cannot answer this question at all. AI was adopted without establishing baseline metrics. Time savings are described anecdotally rather than measured. Adoption rates are unknown because AI use is not tracked at the task level. Quality indicators do not exist because the workpaper notation that would capture them (specifically the Modifications Made field), was never implemented. The absence of results evidence is not a measurement failure; it is a governance design failure.

EVIDENCE REQUIRED: A baseline metrics report established within thirty days of AI adoption. Monthly or quarterly results tracking covering: AI-assisted task count, time savings (hours), tool adoption rate by audit phase, notation quality compliance rate, and Modifications Made field distribution (None / Minor / Substantial). A trend analysis showing whether AI quality is improving, stable, or declining over time.

3. The Five Evidence Categories

Five categories of evidence define what a CAE needs to demonstrate AI governance at the workpaper level, the function level, and the board level. Together, the five categories constitute a comprehensive governance record, the documentation a CAE needs to answer all five committee questions with evidence rather than assurance.

The five categories are organized around evidence, not process. A process that is not documented does not produce evidence. Evidence is what a committee member can examine, what an external quality assessor can verify, and what a regulator can audit. The categories define what that evidence must look like for each governance dimension.

THE FIVE EVIDENCE CATEGORIES

#	Category	Primary Evidence	Committee Question Answered
1	Policy Evidence	Signed AI Use Policy with version number, effective date, and CAE signature	**Question 1**: Do you have a formal policy governing AI use?
2	Validation Evidence	Completed workpaper AI notations (eight-field) on every AI-assisted item across all active engagements	**Question 2**: How do you validate AI output before use?
3	Competency Evidence	Pre/post assessment results, module knowledge check scores, competency evaluation rubrics, and individual certificates of completion for all AI-using staff	**Question 3**: Can your team demonstrate AI competency?
4	Governance Evidence	Quarterly AI risk review records, policy version history, new tool evaluation documentation, and IIA/regulatory monitoring log	**Question 4**: How are you governing AI risk on an ongoing basis?
5	Results Evidence	Baseline metrics report, monthly/quarterly tracking of AI-assisted task counts, time savings, notation quality compliance rates, and Modifications Made field distribution	**Question 5**: What results has AI produced, and how do you know?

4. Each Category Examined

4.1 Category 1 — Policy Evidence

Policy Evidence is the foundation of the five evidence categories. Without a signed, dated AI Use Policy, no other evidence category can be fully established, because the policy defines the governance framework within which all other evidence is produced. A validation protocol that is not referenced in a policy is an informal practice. A training program that is not required by a policy is a voluntary activity. The policy is what transforms informal governance into documented governance.

MINIMUM POLICY CONTENT

A compliant AI Use Policy must include at minimum:

- Purpose and scope — which functions, which staff, which tools are covered
- Authorized tools list — specific tools approved for specific use cases
- Prohibited actions — what audit staff must never do with AI tools, including data entry restrictions
- Data governance protocol — what data may and may not be entered into AI tools
- Validation requirements — the named validation protocol required for all AI-assisted content
- Disclosure standard — when and how AI use must be disclosed in workpapers and reports
- Training requirements — what training is required before AI tools may be used
- Supervisor accountability — supervisor sign-off obligations on AI-assisted work
- Enforcement provisions — consequences for policy violations
- Review schedule — how often the policy is reviewed and by whom
- Version number, effective date, and CAE signature

The policy must be signed by the CAE, not only approved by a committee, not only endorsed by the team, but signed by the CAE. The CAE signature is what establishes professional accountability for the governance framework. It is also what makes the policy auditable: an external quality assessor can examine a signed policy and confirm that accountability was established.

4.2 Category 2 — Validation Evidence

Validation Evidence is the most operationally consequential category. It is produced at the workpaper level, on every AI-assisted item, by every auditor who uses AI tools. It is also the category most directly connected to the professional quality of the work product the committee relies on.

The primary instrument of Validation Evidence is the completed workpaper AI notation — an eight-field record that appears immediately adjacent to every AI-assisted item in every workpaper. As a reminder, the Output Validation steps are: **Step 1** = Verify the Facts, **Step 2** = Authenticate the Source, **Step 3** = Link to Evidence, **Step 4** = Interrogate the Conclusion, **Step 5** = Document the Method. The eight notation fields are: Tool Used, Version, Task Performed, Validation Method, Checklist Used, Modifications Made, Prepared By, and Reviewed By. All eight fields are required. A notation with missing fields is a partial record, not governance evidence.

> **THE MODIFICATIONS MADE FIELD — THE MOST IMPORTANT GOVERNANCE INDICATOR**
>
> Of the eight notation fields, Modifications Made is the most significant for governance assessment. A notation showing 'Substantial — IIA citation removed, cause rewritten from tested evidence, quantitative figure recalculated' tells a quality assessor three things: (1) the auditor applied validation actively rather than passively, (2) the auditor caught specific failure modes before they reached the finding, and (3) the AI output required substantial correction to meet professional standards. That is governance evidence. A notation showing 'None' on a complex finding is itself a quality signal that warrants supervisor attention.

Output Validation — Verify Facts, Authenticate Source, Link to Evidence, Interrogate Conclusion, Document Method — is the validation method that produces Category 2 evidence. Step 5 of Output Validation is the eight-field notation. Without Step 5, the validation occurred but left no evidence. Without evidence, the committee cannot verify that validation occurred.

4.3 Category 3 — Competency Evidence

Competency Evidence addresses the capability gap at its source: the individual auditor. The committee's question about competency is not rhetorical. It reflects a genuine governance obligation: if the committee is relying on AI-assisted work products, it needs assurance that the people producing those work products have the skills to use AI correctly, validate AI output, and catch the failure modes that AI consistently produces.

Competency Evidence must be individual, not aggregate. A statement that 'the team was trained' is not Competency Evidence. A file containing pre- and post-training assessment results for each named auditor, module knowledge check scores above a defined threshold, and a signed certificate of completion — that is Competency Evidence. The granularity is not bureaucracy. It is what makes the evidence verifiable.

Evidence Element	What It Shows	Without It
Pre-training assessment	Establishes the baseline — what auditors knew before training. Without a baseline, there is no way to measure whether training produced any skill improvement.	No measurable skill change can be demonstrated. Training is indistinguishable from no training.
Post-training assessment results	Demonstrates measurable skill improvement in specific AI competency areas. The delta between pre and post is the governance evidence of training effectiveness.	The function cannot show the committee that training changed anything.
Module knowledge check scores	Confirms that each participant demonstrated understanding of each module's content — not just attendance, but comprehension.	Attendance is not competency. A sign-in sheet proves presence, not capability.
Competency evaluation rubric	Defines what competent AI use looks like across six dimensions: failure mode identification, validation protocol application, notation completion, policy compliance, prompt quality, and supervisor review.	Without a defined rubric, 'competency' is undefined and unverifiable.
Certificates of completion	Creates individual, dated records that specific people completed specific training. Named, dated, individually issued.	A general statement that 'the team was trained' cannot be verified by an external assessor.

4.4 Category 4 — Governance Evidence

Governance Evidence addresses the committee's continuity question. It demonstrates that AI governance is an active, ongoing function, not a historical event. The distinction is critical: an audit department that implemented a policy in January and has no governance records since January has a historical policy, not current governance.

The primary instruments of Governance Evidence are quarterly AI risk reviews, structured, documented assessments of AI governance status conducted four times per year. Each review must examine: **policy currency** (is the policy still current relative to the tools in use and the standards in effect?), **tool governance** (are all tools in current use on the authorized list?), **notation quality** (what is the completion rate and quality distribution of AI notations?), and **incident review** (were there any AI-related quality issues, and how were they addressed?).

WHAT A QUARTERLY AI RISK REVIEW MUST CONTAIN

Review date and facilitator — Establishes the record as an active governance event, not a historical document.

Tools in current use vs. authorized tools list — Confirms that no unapproved tools have entered the function's AI workflow.

Notation quality metrics — Completion rate, Modifications Made distribution, 'Reviewed By' completion rate — the quantitative governance record.

Policy currency assessment — Has any IIA or regulatory guidance been issued since the last review that requires a policy update?

Training currency — Have any new staff members joined who have not yet completed AI training? Are annual refreshers due?

Incident log — Were there any AI-related quality issues identified in the quarter? How were they addressed?

Next review date — Confirms governance continuity. A quarterly review without a next review date is a closed event, not a continuing cycle.

4.5 Category 5 — Results Evidence

Results Evidence is the category most CAEs have thought the least about, and the one the committee will increasingly expect as AI governance matures. The committee's results question is a governance question in disguise: an audit department that cannot measure AI results cannot manage AI risk, because it cannot detect when AI is producing poor results.

Results Evidence requires a measurement framework established before or at the point of AI adoption. Retrospective measurement is possible but produces less credible evidence than prospective measurement, because it cannot establish a true baseline. The strongest Results Evidence begins with a thirty-day baseline report: how much time are AI-assisted tasks taking? What is the adoption rate? What are the initial Modifications Made distribution?

Metric	What It Measures	Why the Committee Cares
AI-assisted task count (monthly)	How many audit tasks (by phase and type), were completed with AI assistance during the period.	Confirms adoption is occurring at meaningful scale and can be compared across periods.
Estimated time savings (hours)	Time spent on AI-assisted tasks versus historical time for equivalent non-AI-assisted tasks.	Demonstrates productivity value. The committee increasingly expects AI adoption to produce measurable efficiency.
Notation quality compliance rate	Percentage of AI-assisted items with completed, eight-field notations.	A low compliance rate signals governance breakdown. The committee can assess whether the validation method is being applied.
Modifications Made distribution (None / Minor / Substantial)	What percentage of AI outputs required no modification, minor modification, or substantial modification before use.	The quality indicator the committee cannot get anywhere else. A high Substantial rate signals that AI is producing significant errors consistently. A low Substantial rate on complex content may signal that auditors are not validating rigorously enough.
Trend analysis (quarter-over-quarter)	How are the above metrics changing over time? improving, stable, or declining.	The committee's governance interest is forward-looking. Trend analysis confirms that governance is functioning as a quality improvement system, not a compliance checkbox.

5. The Gap Between What Committees Expect and What CAEs Can Produce

The gap between audit committee expectations and CAE current capability is not primarily a gap in effort. Most CAEs who are using AI are making genuine attempts to govern it responsibly. The gap is structural: the infrastructure that produces governance evidence (signed policies, completed notations, individual assessment records, quarterly review documentation, and results metrics), does not exist in most functions because it was never built.

AI adoption typically follows a pattern. An auditor discovers that a tool can draft findings faster. Other auditors start using it. The CAE endorses the efficiency gain. Informal guidance is issued. Training occurs in some form. A policy is discussed but not finalized. Months pass. The audit committee asks about AI. The CAE has no documentation.

What the Committee Expects	What Most CAEs Have	What the Categories Require
A signed, dated AI Use Policy with defined scope and authorized tools	An email with guidance, or no document at all	A signed policy with a minimum of twelve sections, effective date, and CAE signature, reviewable in a committee meeting
Documentation that AI output is validated before use	'Our auditors review it carefully'	Completed eight-field workpaper notations on every AI-assisted item, filed with the workpaper
Individual competency records for all AI-using staff	'We did train in Q3'	Pre/post assessments, module scores, rubric evaluations, and individual certificates, one file per staff member
Quarterly governance review records	Nothing, or an informal discussion	Dated quarterly review records in a standardized format, with a defined next review date
Metrics showing what AI has produced and what quality it has delivered	Anecdotal descriptions of time savings	A baseline report plus monthly tracking of task counts, time savings, notation compliance, and Modifications Made distribution

THE GOVERNANCE PARADOX

The audit departments that most need to demonstrate AI governance to their audit committees, are the ones that adopted AI earliest and most aggressively. Therefore, had the least time to build governance infrastructure before the questions started arriving. The audit departments that have governance infrastructure, are typically the ones where AI adoption was slower and more deliberate. The five-category approach is designed to close that gap in thirty to ninety days regardless of where adoption started.

6. Building the Five Categories — A Sequenced Implementation

The five categories can be built in sequence. Each category builds on the previous one. The sequence is designed to produce the most immediately useful evidence first (policy and validation), and to complete all five categories within ninety days.

Period	Category Built	Key Actions
Days 1–14	Category 1 Policy Evidence	Draft, review, and finalize the AI Use Policy. Minimum twelve sections. CAE signs and dates the final version. Distribute to all audit staff with a documented receipt acknowledgment. This document exists and can be produced in a committee meeting within two weeks.
Days 15–28	Category 2 Validation Evidence	Embed the eight-field notation template in all active workpaper templates. Train supervisors on notation review requirements. Output Validation becomes the mandatory validation method for all AI-assisted content from this date forward. Existing AI-assisted workpapers in current engagements are retrospectively notated where possible.
Days 29–45	Category 3 Competency Evidence	Deliver the AI training program to all audit staff who use AI tools. Administer pre-training assessments before the first session. Issue post-training assessments immediately after. Score and file individual results. Issue certificates of completion. Each participant's competency file is complete within forty-eight hours of training completion.
Days 46–60	Category 4 Governance Evidence	Conduct the first quarterly AI risk review. Complete the standardized review template. Schedule the next three quarterly reviews. Establish the policy version log. Document the tool authorization status for all tools currently in use. Create the internal audit and regulatory monitoring log.
Days 61–90	Category 5 Results Evidence	Compile the thirty-day baseline report from notation data collected since Day 28. Calculate initial metrics: task count, estimated time savings, notation compliance rate, Modifications Made distribution. This is the founding data point for trend analysis. Schedule the first monthly results report for Day 120.

At Day 90, a CAE with all five categories completed, can answer all five audit committee questions with evidence. The committee can examine the policy, review a sample of notations, confirm individual competency records, review the quarterly governance record, and see the results metrics. That is a governance conversation, not an assurance conversation.

7. What the Audit Committee Can Do with This Approach

The five-category approach is designed for the CAE. But it also has a direct application for audit committee members who want to fulfill their own AI oversight obligations without becoming technical experts in AI.

For the Audit Committee Chair

The five questions in Section 2 can be asked directly at the next committee meeting. They require no technical knowledge. They require only that the CAE produce evidence in response, and the five categories define precisely what adequate evidence looks like. A committee chair who asks these five questions and receives complete, documented answers has fulfilled the AI oversight obligation for that committee cycle. A chair who receives incomplete answers has identified the specific governance gaps that need to be closed before the next meeting.

For the Audit Committee Member

The five-category approach provides a structured lens for evaluating AI governance without technical expertise. A committee member who understands the five categories can assess governance quality by examining the evidence in each category, not by evaluating the underlying AI technology. The governance question is always: does the evidence exist? A signed policy either exists or it does not. A completed notation file either exists or it does not. The approach makes governance assessment binary and evidence-based.

For the CAE Preparing for an External Quality Assessment

External quality assessors examining AI governance in an internal audit department will ask questions that map directly to the five evidence categories. A CAE who has built all five categories has the documentation necessary to satisfy an External Quality Assessment (EQA) examination of AI governance, not by claiming compliance, but by producing evidence. The EQA reviewer can examine the policy, sample the notations, review the competency files, inspect the governance records, and assess the results metrics. That is an examinable governance record, not an assertion.

8. Closing the Gap — Monday-Morning Actions

The governance gap is closeable. It does not require a technology investment, a multi-month project, or external regulatory pressure. It requires two decisions and between fourteen to thirty days.

Decision 1: Commit to the Policy

1. Pull one recent AI-assisted workpaper. Try to answer all five committee questions using only what currently exists in your governance documentation. Record what you cannot produce. That is your gap map.

2. Brief your external auditor or your most committee-engaged board member on the five questions. Ask them which question they would ask first at the next committee meeting. Their answer tells you your first priority.

3. Draft and sign the AI Use Policy this week. Use the twelve-section structure. Do not wait for it to be perfect. A signed, imperfect policy is governance evidence. An unsigned, perfect draft is not.

Decision 2: Commit to the Notation

1. Embed the eight-field notation template in your active workpaper templates today. This single action begins producing Category 2 evidence immediately. Every AI-assisted workpaper notated from this point forward is governance evidence.

2. Brief your supervisors on the “Reviewed By” field requirement. The supervisor sign-off is the second line of defense in the validation chain. It also establishes the accountability structure the committee expects to see.

3. At your next audit committee meeting, tell the committee that you have implemented a formal AI governance framework. Bring the policy. Bring a sample notation. Show them Category 1 and Category 2. Commit to having Categories 3 through 5 complete within sixty days. That is a governance conversation the committee can assess and act on.

> “The audit committee does not need the CAE to be an AI expert. It needs the CAE to be an AI governance expert. Those are different things. The first requires technical knowledge. The second requires documentation, protocols, and accountability structures, the same tools the audit department has always used to govern its own work.”

Conclusion

The audit committee will ask about AI. The question is whether the CAE will be able to answer with evidence or with assurance. Assurance is a statement of confidence. Evidence is a document, a record, a file that can be examined and verified. The committee's oversight obligation requires evidence. Assurance does not satisfy it.

The five categories of evidence that constitute complete AI governance documentation are: Policy Evidence, Validation Evidence, Competency Evidence, Governance Evidence, and Results Evidence. Each category corresponds to one of the five questions an audit committee, external quality assessor, or regulator will ask. Each category can be built within ninety days of a commitment to build it.

The audit departments that build these five categories now (before the committee meeting where the questions are asked), are the audit departments that lead the AI governance conversation. The audit departments that wait will follow it. Both paths arrive at the same destination. Only one of them arrives on the CAE's terms.

> “The committee does not need to trust that AI is being governed responsibly. It needs to be able to verify it. Those are fundamentally different things, and only the five categories of evidence produce what verification requires.”

About Efficient Advice, LLC

Efficient Advice, LLC is a specialized consulting firm that works with internal audit departments on AI governance. All engagements are bilingual available in English and Spanish.

Areas of Practice — Efficient Advice, LLC	
Audit AI Failure Taxonomy	Six named failure modes: Fabrication · Confabulation · Precision Fraud · Certainty Inflation · Scope Blindness · Standard Drift
Output Validation	**Five steps:** Verify Facts · Authenticate Source · Link to Evidence · Interrogate Conclusion · Document Method
Structured Prompting	**Five parts:** Task Authority · Reality Brief · Actionable Output · Compliance Wall · Evidence Format
AI Audit Maturity	Six levels: Absent → Informal → Governed → Capable → Optimized → Leading
Governance Evidence	Five categories: Policy · Validation · Competency · Governance · Results Evidence
Governance Lifecycle	Diagnose (P1) · Design (P2+P3) · Defend (P4+P5)

Five Products. One Complete Governance Lifecycle.

Efficient Advice offers five products covering the complete AI governance lifecycle for internal audit functions:

- **P1 — AI Audit Readiness Assessment:** Scored diagnostic baseline. Six dimensions. 25-action 90-Day Roadmap. 30 business days. 42 statement diagnostic tool.
- **P2 — AI-Powered Audit Policy Package:** Eight governance documents. 16 bilingual files. Ready to sign and distribute. 30 business days.
- **P3 — AI Audit Staff Training Intensive:** Five IIA-aligned modules. Structured prompting and output validation. Prompt library. Competency certificates.
- **P4 — Continuous AI Audit Intelligence:** Monthly advisory. Prompt library maintenance. Standards monitoring. Month-to-month.
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Version Notes

Version 2.0 — October 2026. Terminology and editorial updates. The five committee questions, the five evidence categories, the six failure modes, the five validation steps, the eight-field notation, and their order are unchanged.

Version 1.0 — **August 2026**. First publication.

EDITORIAL CHANGES IN VERSION 2.0

- Added version number and publication date.
- Updated terminology for the evidence categories, the five validation steps, Section 7, and the Areas of Practice table.