



Chief Audit Executive Outlook for 2026

Navigating the shifting economic landscape

“*The expectation for internal audit is only increasing, and the complexity of managing today's interconnected risks is increasing with it.* **”**

—Ric Kimball, Internal Audit & Controls Offering Leader, KPMG LLP



The new playbook for 2026: four truths from the front lines

Based on the key findings from our December 2025 webcast, where we polled over 1,600 audit and risk leaders, four key truths have emerged that will define the year ahead:

A crisis of confidence

62% of audit leaders believe a recession is likely or has already begun.



Focus on the external threat

25% are prioritizing external threats like Cybersecurity (**14%**) and Third-Party Risk (**11%**).



AI: The ultimate disruption

AI is the **#1** driver of economic growth, while also being the **#1** risk on the board's agenda.



The SOX pressure cooker

27% cite the impact of new technology as the top challenge for their SOX program.



The view from the top: An economy of contrasts



A crisis of confidence

The story of a strong economy is misleading. Growth is dangerously dependent on high-income earners, creating a fragile and uneven recovery.

“

Without the AI boom, which accounts for as much as half of our GDP growth this year, the economy would be significantly weaker, growing at just over 1%.

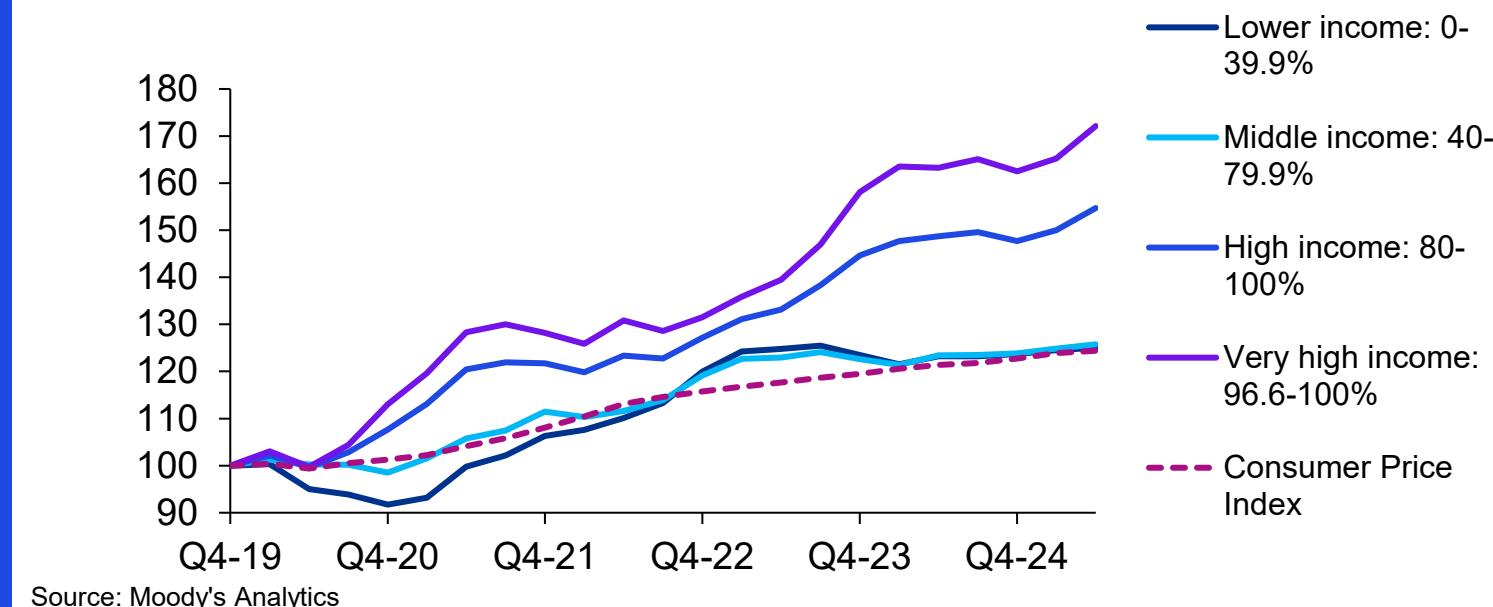
”

—Ben Shoesmith,
Senior Economist,
KPMG LLP



High income individuals powering consumer spending

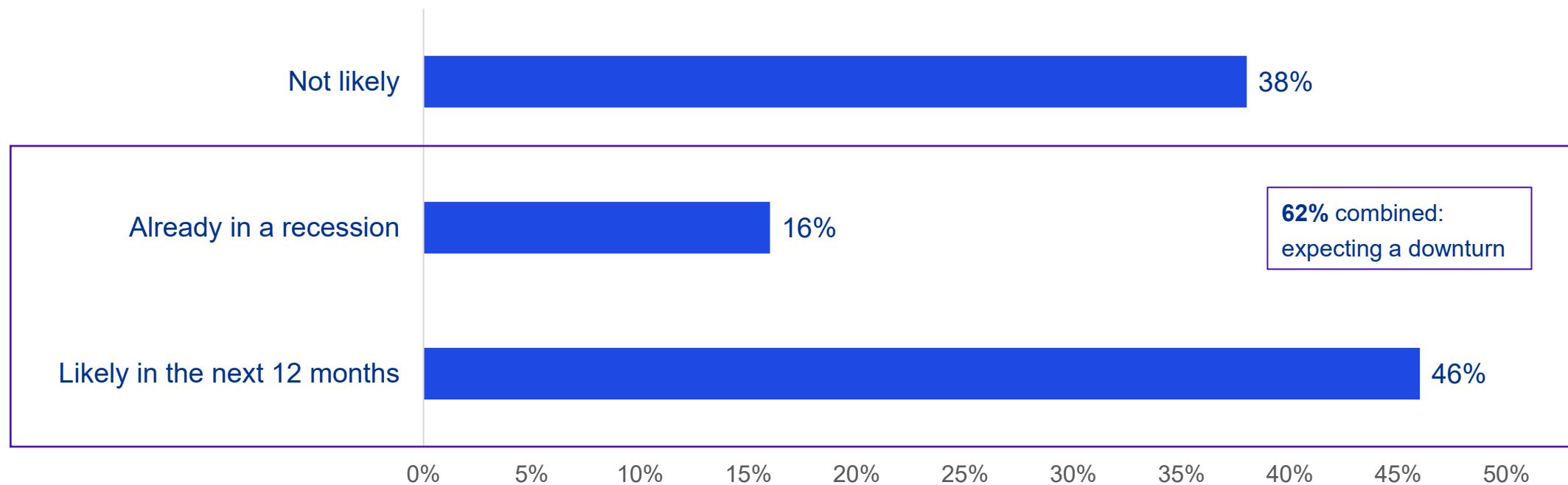
Personal outlays by income group, index, Q4-2019=100



The view from the trenches: 62% see a recession ahead

Ben's caution is echoed by internal audit, SOX, and risk professionals, as indicated in our webcast's polling results that show a clear sense of pessimism for the year ahead.

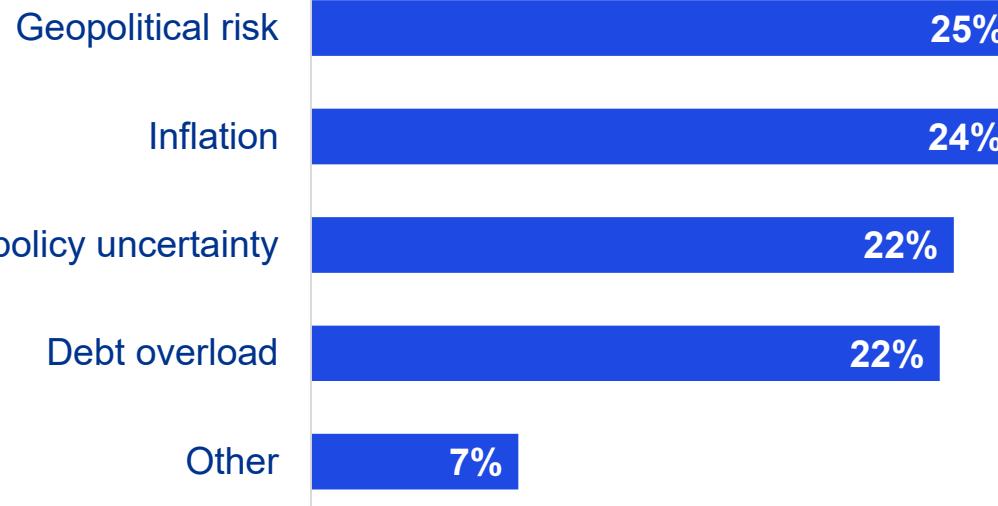
Predictions on the likelihood of a recession within the next year:



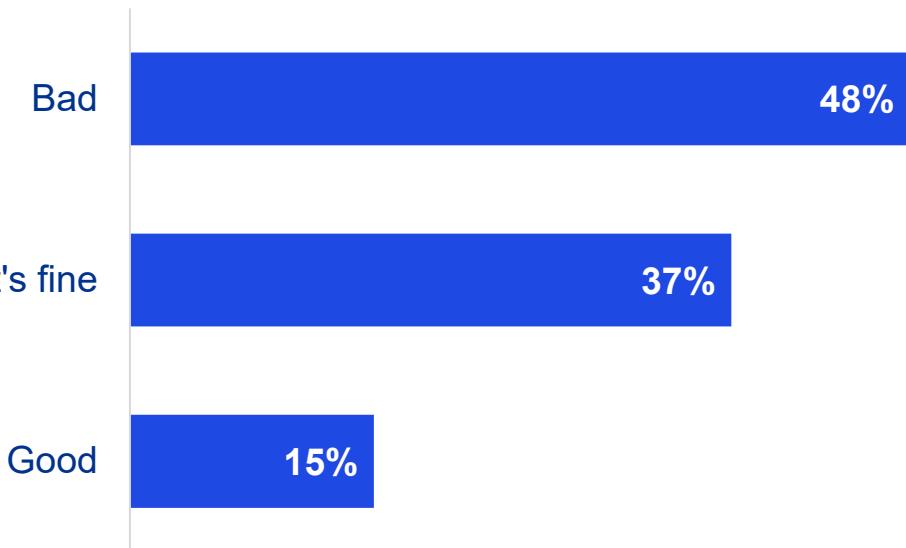
Data deep dive: the headwinds facing the US economy

The prevailing sentiment among audit leaders is clear, with nearly half (48%) feeling pessimistic about the economy. This feeling is rooted in specific risks like inflation and geopolitical conflict and is creating a strong market expectation that the Fed will be forced to cut rates in the near future.

Biggest threat to the US economy

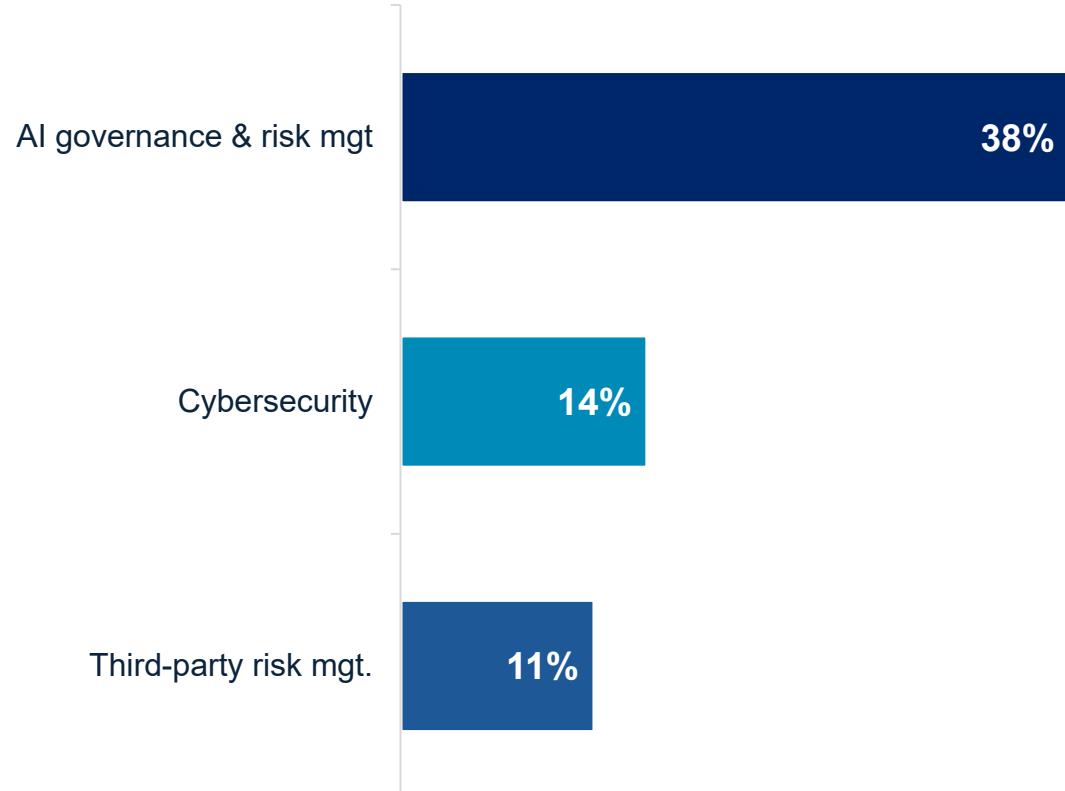


How do you feel about the economy?



A trio of tech risks defines the new agenda for audit plans

Polling on audit committee priorities revealed a new hierarchy of technology-driven risks.



“

We're seeing a convergence. Ten years ago, cyber was its own silo and third-party risk was about procurement. Now, they're all interconnected tech risks, and AI is the accelerator. You can't audit one without understanding the others. ”

—Mike Smith,
US Internal Audit
Solution Leader,
KPMG LLP



The strategic response: move upstream

The goal: to be a strategic adviser that can drive change



Macroeconomic sensing

Integrate external economic signals into your audit plan.



Technology acumen

Develop deep experience in auditing new technologies like AI.



Stakeholder impact

Frame every finding in the context of "so what does this mean for the business?"



Data at scale

Leverage analytics to provide broader assurance beyond small samples.



Storytelling

Master the art of communicating insights in a compelling, narrative-driven way.

“

I am persistently seeing this desire from boards and desire from audit leadership teams to move upstream in the business.

”

—Mike Smith, US Internal Audit Solution Leader, KPMG LLP



2025/2026 Sue's ICFR predictions

Rapid pace of technology change

01



Data integrity, data flow, C&A, user access

03



Third-party data, service and tools

05



Auditing estimates including cashflow and forecasts

07



02

AI across all 3 lines of defense



04

Disclosure controls e.g., Tax, DISE, ESG



06

Revenue controls including impacts of tariffs

The SOX pressure cooker: doing more with less

SOX leaders indicate that they may face a variety of challenges in 2026. The top drivers creating this pressure are:

Budget/headcount turnover	7%
Fraud and cyber risk	8%
Macroeconomic impacts on estimates	9%
Impact of new technology	28%
All of the above	48%

This is our time to shine... To demonstrate that we can build a better, more efficient, more technology-enabled SOX program.

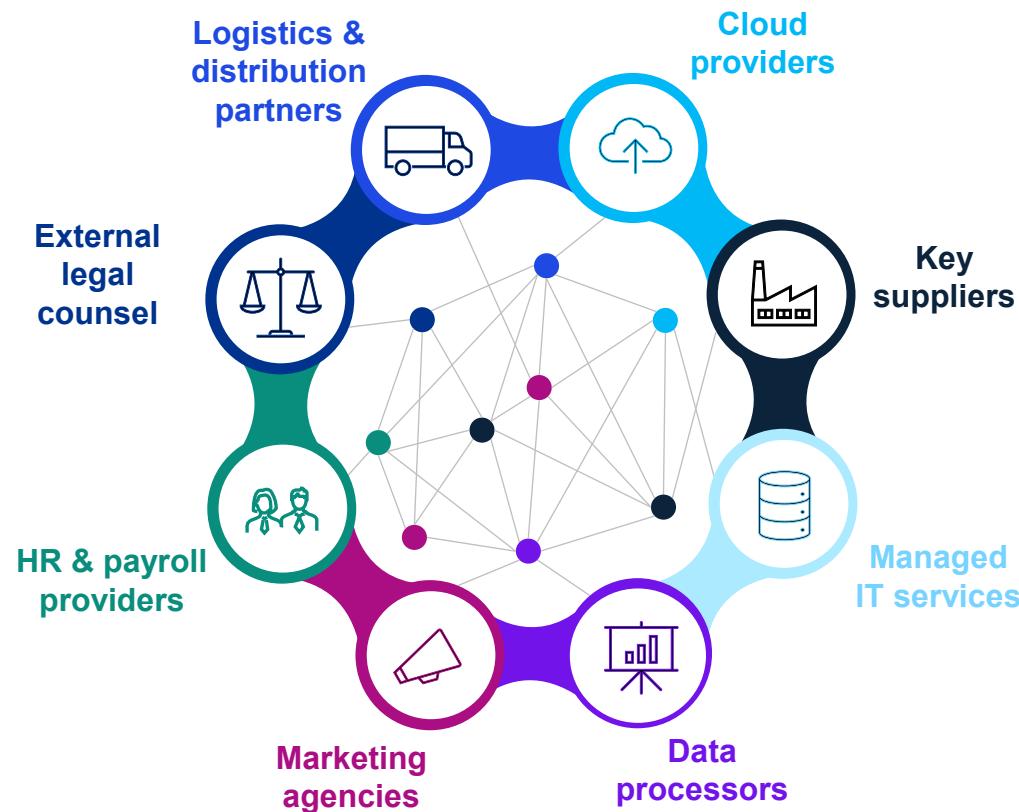
—Sue King,
SOX Solution Leader,
KPMG LLP



The growing ecosystem: a new generation of risk

The fundamental nature of risk has changed. Organizations need to stop thinking about protecting the company's four walls because in a world of growing partner ecosystems, the perimeter itself is dissolving. The challenge now is to extend governance to this new reality, where critical risks like Cybersecurity (14%) and Third-Party failures (11%) manifest.

Your risk surface is your ecosystem



“As partner ecosystems grow, the biggest question I hear from clients is, ‘who really owns third-party risk?’ Is it HR? Procurement? Cybersecurity? The truth is, until you have a unified answer, this confusion itself becomes your biggest vulnerability. ”

—Joey Gyengo,
ERM & TPRM
Solution Leader,
KPMG LLP



The path forward: a new playbook for the strategic CAE

To navigate this new landscape of economic uncertainty and shifting risks, audit leaders need a new playbook.

We recommend focusing on four key strategies to deliver greater value:



Integrate macroeconomic sensing

Beyond traditional audits, incorporate external economic signals and geopolitical analysis into your risk assessments.

01



Embrace technology for efficiency

Use AI and analytics to automate testing, cover more ground, and free up human talent for strategic thinking.

02



Master fact-based storytelling

Improve reporting by transforming complex data into actionable narratives that guide strategic decisions.

03



Build a "unicorn" team

Cultivate a team with blended skills across IT, data science, and deep business process knowledge.

04

Explore more by reading our recently-published thought leadership



For more internal audit insights, visit our thought leadership webpage:

[The KPMG Future of Internal Audit](#)

Contact us:

Ric Kimball
Partner, and US Internal Audit & Controls Services Leader
KPMG LLP
E: ekimball@kpmg.com

Michael A. Smith
Partner, and US Internal Audit Solution Leader
KPMG LLP
E: michaelasmith@kpmg.com

Sue King
Partner, and US SOX Solution Leader
KPMG LLP
E: susanking@kpmg.com

Joey Gyengo
Principal, and US ERM & TPRM Solution Leader
KPMG LLP
E: jgyengo@kpmg.com

Ben Shoesmith
Senior Economist
KPMG LLP
E: bshoesmith@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us:



kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

© 2026 KPMG LLP, a Delaware limited liability partnership and its subsidiaries, are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



A pulse on what Chief Audit Executives (CAEs) are focused on, with a lens on top risks being considered.