

HLBNGA
Insight2Grow

The Future of Audit and Risk Assurance

**OVERCOMING REGULATORY HURDLES
IN ADOPTING LLM'S**

OCTOBER 2025



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EXECUTIVE SUMMARY

In an era of rapid digital transformation, audit and risk assurance professionals are grappling with escalating regulatory demands and the transformative potential of Large Language Models (LLMs). However, risk-averse regulators like Australia's ASIC and OAIC impose stringent requirements for traceability, audit trails, data sovereignty, and clear responsibility allocation (RACI), creating significant barriers to LLM adoption.

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Drawing from insights in [ASIC's Report 798 on AI in financial services](#) and [OAIC's 2024 AI privacy guidelines](#), this whitepaper examines the regulatory pitfalls of LLM integration in audit processes, supported by key 2025 statistics. It positions AuditCopilot—NGA's dedicated, hosted LLM solution—as a game-changer that delivers compliant, traceable AI-driven insights, slashing audit preparation time from weeks to hours while ensuring full regulatory alignment.

With built-in audit trails, data sovereignty in Australian-hosted environments, and RACI frameworks, AuditCopilot empowers audit teams to navigate high-stakes reviews confidently. From real-time risk assessments for mid-tier firms to comprehensive compliance mapping for large enterprises, it addresses low-, medium-, and high-risk scenarios, fostering proactive governance.

THE AUDIT REVOLUTION

Imagine an audit firm facing a surprise ASIC review, only to discover that LLM-generated risk assessments lack traceable logs—resulting in a \$5 million penalty and operational shutdown. This scenario, inspired by real-world compliance failures, highlights the critical need for regulated LLM adoption in today's volatile risk landscape.

A 2025 [Wolters Kluwer survey](#) reveals that internal audit AI adoption is set to double to 80% by 2026, yet 46.85% of GRC

professionals view AI as both an opportunity and challenge due to regulatory hurdles.

Meanwhile, [Deloitte's 2025 AI trends report](#) notes that adoption barriers like transparency and privacy persist, wasting up to 30% of audit prep time on manual compliance checks.

As [NIST's AI Risk Management Framework](#) emphasizes governance for traceability, platforms like AuditCopilot are vital for resilient audit practices.

According to Deloitte's 2025 AI trends report, nearly **60%** of AI leaders cite risk and compliance concerns, such as data privacy, transparency, and regulatory alignment as primary barriers to adopting advanced AI technologies in organizational processes, including audit and assurance functions.

KEY STATISTICS AT A GLANCE

This section, "Key Statistics at a Glance," offers a clear overview of the latest trends in audit and risk assurance, highlighting the growing adoption of AI and its benefits. It shows how more organizations are embracing AI, with many experiencing improved productivity and recognizing both opportunities and challenges.

AI Adoption in Audit by 2026



Set to double to **80%** by 2026
[Wolters Kluwer Survey](#)

Organizations Using AI



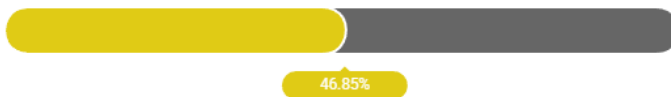
78% in at least one function
[Netguru](#)

Seeing AI Benefits



53% report at least one benefit
[Thomson Reuters](#)

AI Opportunity/Challenge in GRC



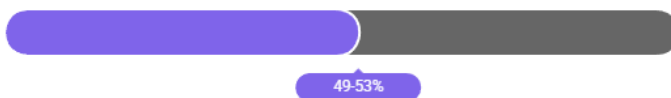
46.85% in GRC
[MetricStream](#)

Productivity Boost After AI Adoption



35% increase after AI adoption
[Karbon Report](#)

Top Trends in Adaptation



Increased tech-driven solutions (**49-53%**)
[Deloitte](#)

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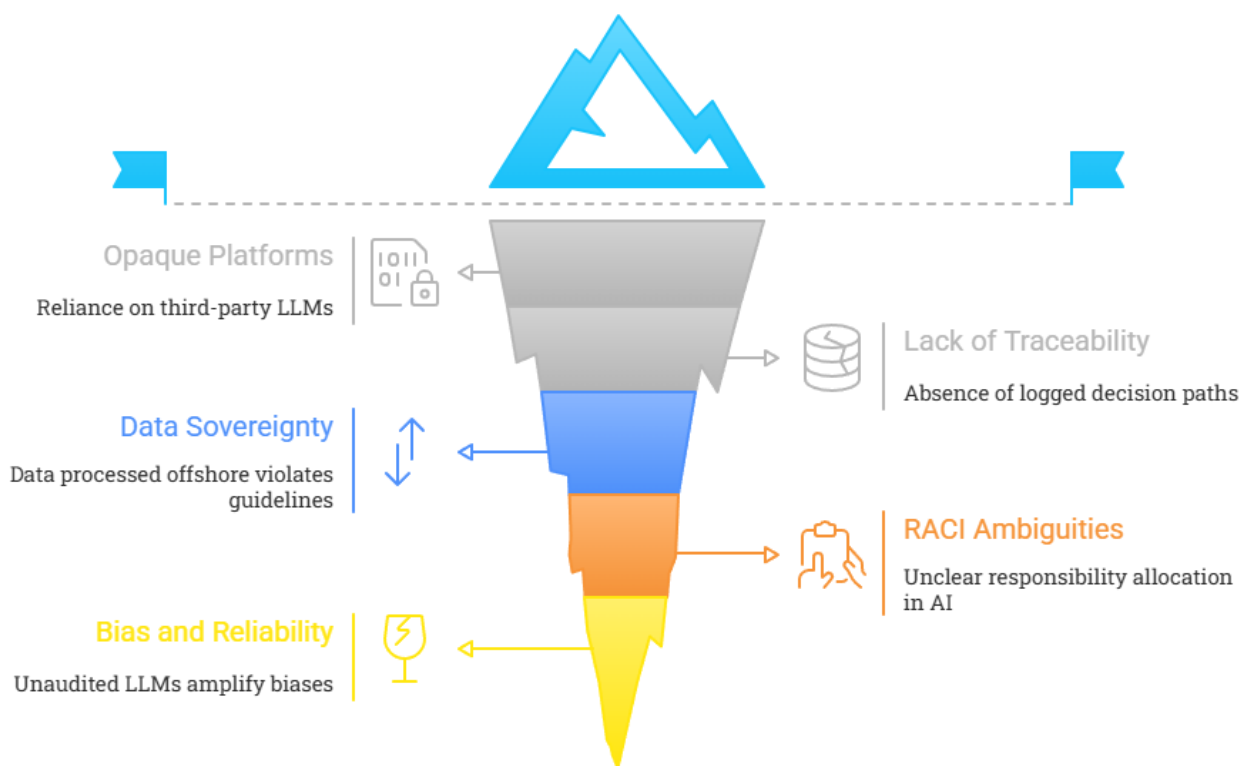
CHALLENGES IN TRADITIONAL LLM ADOPTION: A DEEP DIVE

Conventional LLM adoption in audit and risk assurance is hindered by regulatory misalignment and operational inefficiencies. Industry benchmarks show that manual compliance checks can take 2-3 weeks per audit cycle, far outpacing business needs, per insights from internal audit professionals.

A significant **90%** of respondents in a 2025 survey note rising regulatory pressures, with high costs (**42%**) and quick decision demands as top concerns. These issues result in failed audits, fines, and eroded trust.

OTHER CORE CHALLENGES

Here's a look at the key hurdles in audit and risk assurance, focusing on issues like inconsistent data, limited time for thorough reviews, and the difficulties of managing complex risks.



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An [OAIC report on AI](#) notes that inadequate governance exacerbates privacy risks, leading to undetected compliance breaches.

HOW AUDITCOPILOT WORKS: AI AT THE CORE

AuditCopilot uses hosted LLMs to process audit data securely. Users input parameters; AI generates reports with transparent scoring (e.g., risk likelihood via NIST-aligned factors). Audit trails log every step, while data remains sovereign in Australia. Enhanced for 2025 trends, it includes agentic capabilities for multi-step risk assessments and built-in bias mitigation tools.

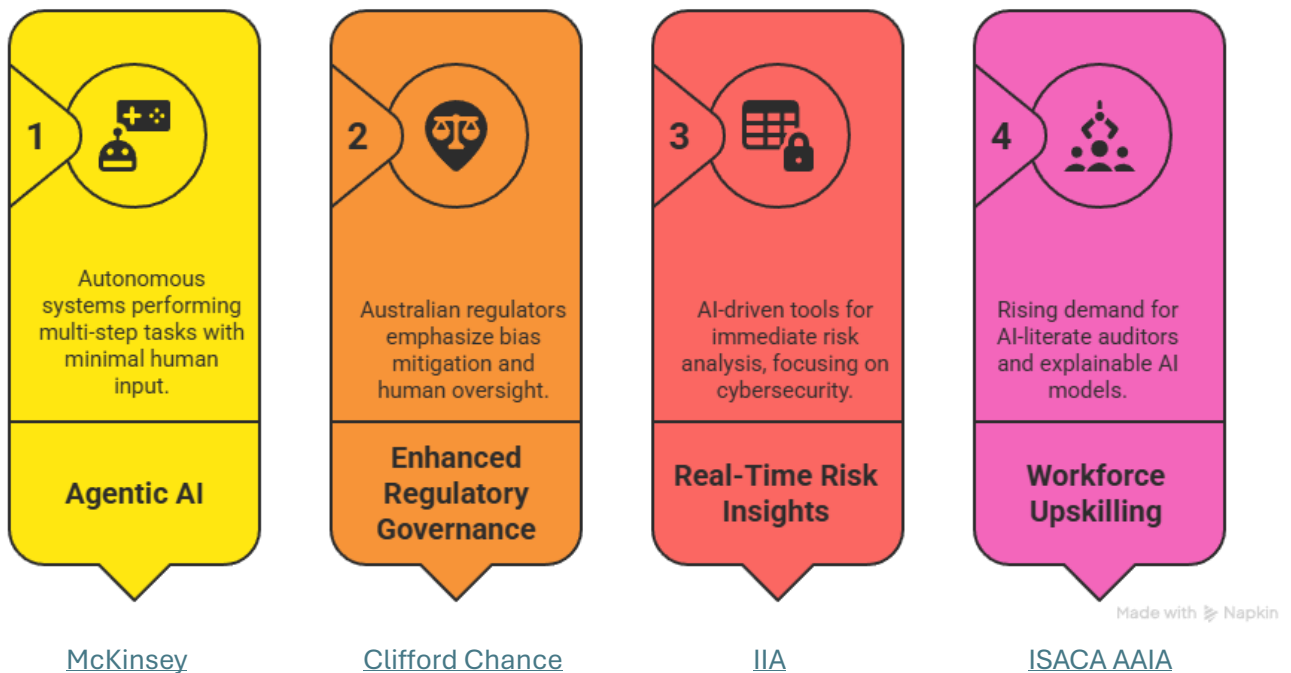
AuditCopilot Workflow Cycle



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EMERGING TRENDS IN AI FOR AUDIT AND RISK ASSURANCE

To enhance the relevance of this whitepaper, the following emerging trends have been identified based on 2025 industry insights. These trends align with the theme of overcoming regulatory hurdles in LLM adoption and are incorporated throughout the document for a forward-looking perspective.



CASE STUDY: GOLDMAN & COMPANY CPAS' \$25,000 PCAOB FINE FOR AUDIT DOCUMENTATION FAILURES (2025)

Background

Goldman & Company CPAs, P.C., a New York-based audit firm specializing in broker-dealer and financial services audits, faced intensified regulatory scrutiny in 2025 as the audit industry embraced rising AI adoption, projected to reach 80% by 2026. The firm, known for its expertise in serving a diverse portfolio of broker-dealers, encountered significant challenges that culminated in the PCAOB's July 11, 2025, order. This order imposed a \$25,000 fine on Goldman for violating AS 1215 (Audit Documentation), highlighting critical traceability gaps that resonate with the whitepaper's emphasis on the need for robust, transparent audit processes in an increasingly digital landscape.

The Challenge: Documentation Lapses

In its 2022 audit of Broker-Dealer A, an SEC-registered entity, Goldman & Company CPAs struggled to meet PCAOB standards, failing to assemble a complete set of audit workpapers within the mandated 45-day deadline. The situation worsened when, following the PCAOB's May 31, 2023, inspection notification, the firm revised 28 workpapers and added four more between June 6 and 22, 2023, without providing adequate justification. This lack of timely and traceable documentation significantly wasted valuable preparation time, exposing vulnerabilities in the firm's audit workflow.

The Failure and Consequences

The PCAOB's investigation revealed that Goldman's documentation deficiencies severely compromised audit quality, potentially misleading investors and stakeholders. As a result, the firm faced a \$25,000 civil money penalty, a formal censure to prevent future violations, and mandatory policy enhancements, including annual compliance certifications. The reputational strain was notable, with PCAOB Chair Erica Y. Williams emphasizing on July 11, 2025, that such failures "undermine trust in the audit profession," casting a shadow over the firm's credibility.

Lessons Learned

This case underscores the growing challenges associated with AI adoption in audits, where the absence of clear governance and traceable processes can lead to significant compliance risks. It highlights the critical need for robust oversight and structured frameworks to maintain audit integrity, ensuring that evolving technologies enhance rather than hinder regulatory compliance.

Reference:

<https://www.cpapracticeadvisor.com/2025/07/15/three-accounting-firms-got-in-trouble-for-breaking-pcaob-rules/164934/>

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-GET IN TOUCH-

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compliance.**

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