

PEMPAL IACOP Plenary Meeting

Impactful Internal Audit Reporting and Insights from Spain

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Session 4

Spain: IGAE Digital Transformation and Key Achievements and Challenges. Presenting and Discussing the Current Developments and Future

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Session 4. IGAE Digital Transformation and Key Achievements and Challenges

IGAE Digital Transformation and AI Strategy

Data

- Strengthen existing information systems, ensuring coverage of each business area and those that are interconnected (ESADI, AUDInet, BDNS)
- Leverage data for descriptive analytics and data cross-referencing to detect irregularities (continuous monitoring, conflict of interest, entity data sheet)
- Predictive analytics (*Machine Learning*) to identify irregularities and direct controls (subsidies, European funds, procurement)

AI (LLM)

- Automated verifications of sets of documents (supporting documents)
- Improve data quality and completeness (BDNS)
- Assistance with document consultation and preparation (report and summary generator, topic-specific chatbots)

IT Audit

- Strengthen the current IT audit team by incorporating specialized ICT profiles
- Ongoing specialized training in ICT controls for financial auditors
- Specialized ICT tools to support auditing
- Risk map of entities to direct controls

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ESADI – From electronic documents to data processing



The importance of data

Management systems operate with secure electronic documents (electronic signature).

The next phase involves the organization of all documents, ensuring that the data they contain can be processed.

Data processing enables automated generation and verification, as well as statistical processing and analyses to inform decision-making

A limited set of automated checks is currently in use and is being gradually expanded

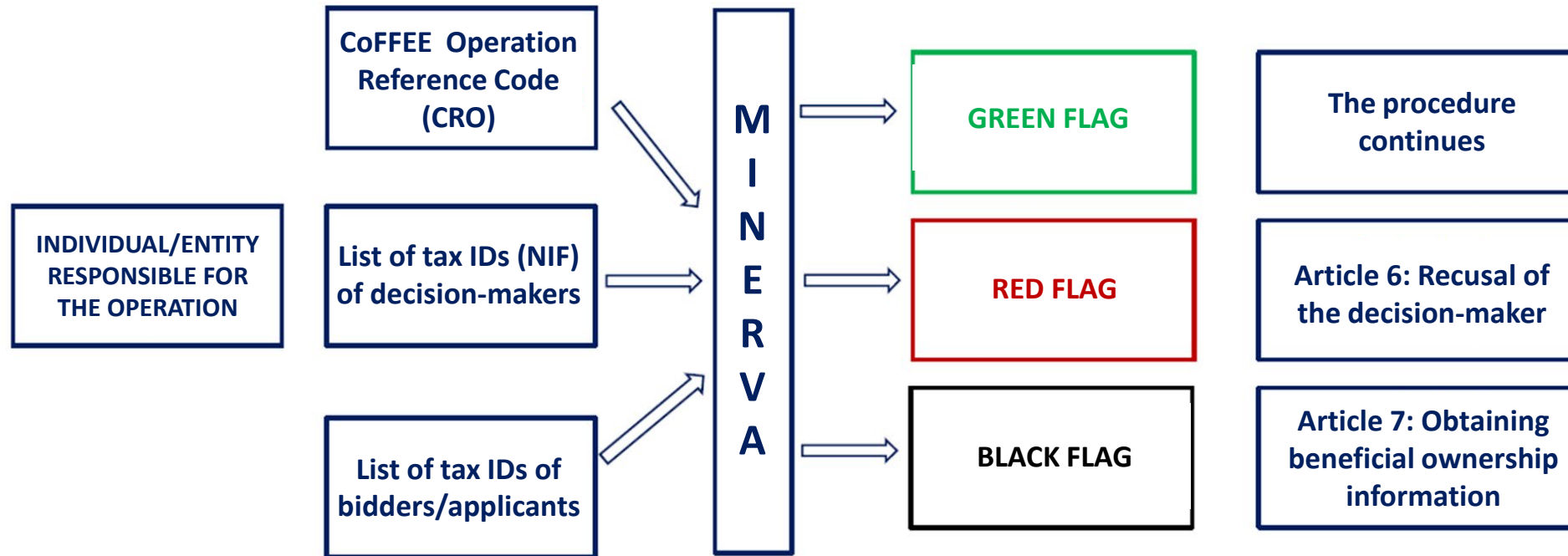
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Systematic Analysis of Conflicts of Interest

✓ The importance of data



Currently in use



Order HFP/55/2023 of January 24 on the systematic analysis of conflict-of-interest risk in procedures implementing the Recovery, Transformation and Resilience Plan.



Use of AI Technologies in Controls:

Control of subsidies

Currently in use

✔ Project purpose

Assessment of fraud risk in grants and subsidies using machine learning techniques

✔ Why subsidies?

The IGAE is tasked with overseeing subsidy recipients, and therefore has access to data (BDNS) and information pertaining to controls

✔ Key elements for project implementation

Availability within the organization of the required expertise and the necessary datasets.

- National Subsidies Database
- Control of subsidies

✔ Objective

Leverage the available data on grants and subsidies to **identify the most critical risk areas**, thereby enhancing audit planning, optimizing the allocation of resources for oversight, strengthening efforts to combat fraud and corruption, and fostering a sense of control among beneficiaries and entities that award subsidies.

To this end, the goal is **to identify a pattern in the characteristics** of the subsidies where an irregularity has been identified in previous audits, so that this pattern can be applied to all subsidies recorded in the BDNS.



Project developed in collaboration with the European Commission and OECD.

<https://www.oecd.org/governance/countering-public-grant-fraud-in-spain-0ea22484-en.htm>



Use of AI Technologies in Controls

✓ **Control of European funds**

The same approach as with the subsidies: initial data from the database of operations and controls carried out.

In this case, predictive outcomes and integrated with statistical techniques for sample stratification: it combines a sampling model with a predictive model based on risk probability.

Under development



Use of AI Technologies in Controls

✓ **Public Procurement.**

AI-based risk assessment for the selection of controls.

The context is different and presents greater challenges:

- A heterogeneous initial dataset from various external sources of lower quality.
- There are no specific controls available to serve as a foundation for supervised learning.

A new model based on unsupervised learning is proposed, strengthened by predefined risk criteria.

Under development



Use of AI Technologies in Controls

✓ Automated Review of Supporting Documents

Analyzes various types of documentation: account summaries, supporting documents, certificates, invoices, etc.

Performs checks within each document and across documents

Implemented in delegated international units: accepts documentation in any language

Service performed on the external infrastructure of a commercial provider

Pilot successfully completed; currently procuring the general service



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Use of AI Technologies in Controls. Additional Cases

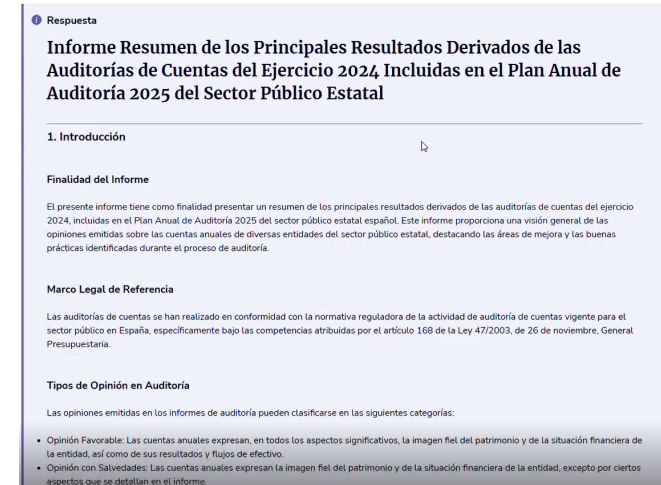
✓ Authorizing officer/Budget manager of financial audit projects. Leveraging AI and LLMs.

2 Pilot projects. Based on commercial solutions using customized LLM engines

✓ Global report and audit summary generator. Leveraging AI and LLM technologies.

- Input: Internal audit reports
- Output:
 - ✓ Summaries with a predefined format
 - ✓ Horizontal data aggregation
- In-house development based on a commercial LLM engine
- Ensures data protection (private cloud)
- Provides control over the response:
 - ✓ Prevent hallucinations
 - ✓ Specific and restricted information sources

Under development



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Use of AI Technologies on Controls. Additional Cases



Topic-specific chatboxes.

By functional area. Verification checklists.

Under development



Duplicate funding. Use of AI.

Data filtering project for European fund operations using AI, including ML and LLMs
Detection of duplicate funding through large-scale data analysis

Project in development leveraging the AGE's shared infrastructure

Under development



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IT Audit (Information Systems)

- ✓ Auditors are navigating an increasingly automated environment (ICT)

Traditional controls and skills need to evolve

- ✓ IGAE strategy:
 - ✓ IT audits. Specialized in-house team of IT auditors who support the financial auditor
 - ✓ Engagement of specific IT audits
 - ✓ Specialized training on ICT topics for financial auditors
 - ✓ ICT risk and maturity maps of entities

Currently in use/under development



Human Resource Management



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✓ **Process automation. Additional cases**

✓ **Continuous monitoring system**

Currently in use

✓ **Entity-level dashboard**

Entity record.

In progress

✓ **Control risk management.**
In progress

