The ARC Pulse

ARC Hybrid

IS YOUR ORGANIZATION ACCEPTING "TOXIC" EVIDENCE?

The End of Implicit Trust.

For decades, the foundation of audit and risk management has been evidence. You ask for a vendor invoice, a signed contract, or a voicemail from the CEO, and you assume it is real. That era is officially over.

Relying solely on your eyes is becoming a professional liability. In a blind test of audit professionals, over 60% incorrectly flagged a standard human-edited photo as AI-generated. If trained experts cannot tell the difference, traditional visual controls are obsolete against synthetic media. We have crossed a threshold where AI-generated digital counterfeits easily bypass traditional verification. The biggest threat to your organization right now is the silent contamination of the data your leadership relies on to make decisions. Technology created the counterfeit, but it requires a human workforce to catch it.

Scott's Insight: *The "Digital Nutrition Label"*

We need to stop treating evidence gathering like a simple collection task and start treating it like a forensic investigation. Think of it like buying food at the grocery store. You do not just trust the packaging. You check the ingredients.

Audit evidence now requires a "digital nutrition label". Just as you read a cereal box to ensure there are no toxic ingredients, you must ensure evidence is labeled to prove where it came from, who touched it, and whether AI altered it. If the label is missing, the evidence is deemed "toxic" and should be rejected immediately. We can no longer take things at face value and must start looking for the digital fingerprints that AI leaves behind.

EVIDENCE FACTS

Serving size 1 Digital Asset / File
Servings Per Container: Single Source of Truth

Amount Per Serving

TRUST	100% Verified
	% Daily Value*
Total Provenance	**100%**
Verified Origin	Yes
Known Creator	Authenticated
Edit History	**Complete**
Log of All Edits	Tracked
Synthetic Injections	**0%**
Standards Compliance	**100%**
C2PA / Machine-Readable	Yes
Toxicity / Risk	**0%**

* The % Daily Value tells you how reliable a piece of evidence is. **Warning:** If this label is missing, the evidence is considered TOXIC and unreliable for audit purposes.

Moving from "Digital Sleuth" to "Informed Consumer".

Field Notes: The Reality of Disruption

If you think your methodology is immune, consider the conversations happening at the highest levels of global leadership this month.

1. DBS CEO Tan Su Shan: "If I can be replaced by AI, so can everything else"
- **The Article Link:** Fortune: DBS CEO Tan Su Shan
- **The Synopsis:** When Tan Su Shan was appointed to lead Southeast Asia's largest bank, her board explicitly warned her that even her role could eventually be displaced by AI.
- **The Takeaway (Resilience):** If a CEO recognizes this level of vulnerability, your Risk Committee cannot afford to be arrogant. If top-tier leadership can be replicated or disrupted, your standard control evidence is child's play for these models. Risk ownership requires assuming evidence is synthetic until it can be explicitly proven real.

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Bridging the gap between academic theory and real-world application.

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Field Notes: The Reality of Disruption Continued
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2. No 'jobless growth' as AI reshapes economy: PM Wong
- **The Article Link:** [Channel News Asia: PM Wong on Budget 2026](#)
- **The Synopsis:** Singapore's Prime Minister structured the national 2026 budget specifically to address AI disruption, deploying heavy capital to upskill the workforce.
- **The Takeaway (Adaptability):** This is what actual foresight looks like. They are aggressively funding human literacy alongside AI infrastructure. You cannot protect an organization from next-generation synthetic threats using a workforce trained on last-generation methodologies.

Practical Tip:

Stop accepting documentation at face value. This month, partner with your first-line owners to create a simple digital nutrition label checklist.

Require your teams to validate three specific components before trusting high-risk evidence:
1. **Origin:** Is there a verified capture point?
2. **Creator:** Can we authenticate the source using known cryptographic keys?
3. **Edits:** Are alterations logged cryptographically?

Building an infrastructure of trust means empowering your internal audit function to become penetration testers for human logic.

📌 Resources & Events 🗓️

→ **Webinar Recap & Slide Deck:**
Thank you to the 5,000 professionals who joined my Wolters Kluwer session, **AI-Generated Audit Evidence: The Digital Counterfeit**. We discussed the democratization of fraud and how to catch synthetic data. You can download the related slide deck here to share with your teams.

→ **Upcoming Webinar Session:**
Join me and OCEG for Mastering the AI Frontier: Innovation with Confidence (sponsored by Optro). We are tackling the 2026 regulatory shift and how to build a resilient strategy. [Register here](#).

→ **Podcast:**
Listen to my latest discussion on the intersection of human leadership and technical risk on the **Institute of Internal Audit's** *"All Things Internal Audit"* series. [IIA Website](#) | [YouTube](#).