

2025

RISK IN FOCUS

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auditors

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ASIA PACIFIC



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ABOUT GLOBAL RISK IN FOCUS

Know your risks. Plan strategically.

Risk in Focus provides practical, data-driven research to help internal auditors and their stakeholders understand today's risk environment and update their audit plans.

Using survey results and regional roundtables, Risk in Focus reveals key insights from internal audit leaders worldwide about:

- Current risk levels and audit priorities.
- Risk level changes in the past year.
- Risk drivers per region.
- Leading practices for addressing top risks.

Global Risk in Focus is a collaborative partnership facilitated by the [Internal Audit Foundation](#) with generous support from IIA regional bodies, IIA institutes, and corporate sponsors. The Foundation gratefully acknowledges the participation of all IIA regional bodies:

- African Federation of Institutes of Internal Auditors ([AFIIA](#))
- Arab Confederation of Institutes of Internal Auditors ([ARABCIIA](#))

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- European Confederation of Institutes of Internal Auditors ([ECIIA](#))
- Fundación Latinoamericana de Auditores Internos ([FLAI](#))

Risk in Focus was originally created in 2016 by the European Institutes Research Group (EIRG), which continues to publish the report in Europe through the ECIIA.

Designed as a resource for internal auditors and their stakeholders, Risk in Focus will spark conversations and bring new insights to risks that impact your organization, and the world.

Risk in Focus reports and presentations are available for free at the [Risk in Focus Knowledge Center](#).

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RESEARCH PARTICIPATION WORLDWIDE

124
countries/
territories

3,544
survey
responses

18
roundtables with
138
participants

27
in-depth
interviews



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EXECUTIVE SUMMARY – ASIA PACIFIC

Proactive advisors for strategic success

Digital disruption (including AI) and climate change are expected to be the fastest-climbing risks in Asia Pacific and worldwide in the next three years, according to the Risk in Focus survey. At the same time, market competition risks are staying particularly high for Asia Pacific.

Survey responses from more than 3,500 internal audit leaders globally, including more than 1,000 from Asia Pacific, paint a clear picture of these two risk areas growing in significance and priority. None of the other 14 risk areas are expected to see such dramatic changes.

- Digital disruption (including AI) is already one of the five highest rated risks this year for Asia Pacific and is expected to increase to third in three years.
- While climate change risk is ranked in eighth place this year for Asia Pacific, survey responses indicate it will climb to fourth in three years (just behind digital disruption).

Recognizing the importance of planning for future risks, the Asia Pacific 2025 Risk in Focus report focuses on these two areas and brings in discussion of the ever-present influence of market competition.

Artificial intelligence (AI) and market competition are accelerating the pace of change in Asia Pacific. Market demands push digitalization as organizations seek to serve customers in Asia Pacific's broad, sometimes hard-to-access, geography. Early technology adopters may gain market share, but they also face additional cybersecurity and compliance risks.

ASIA PACIFIC REPORT SPONSORS



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- IIA–Chinese Taiwan

ASIA PACIFIC RESEARCH PARTICIPATION

- 1,024 survey responses from CAEs and directors
- 28 countries participating
- 3 roundtables with 23 participants
- 4 in-depth interviews



PAGE 4 OF 44

EXECUTIVE SUMMARY – ASIA PACIFIC

On the horizon, extreme weather and regulatory risks related to sustainability are forcing climate change into the boardroom and onto audit plans for CAEs. Boards are turning to internal audit for objective risk reviews and understanding of sustainability requirements.

Internal auditors in the region are positioning themselves as advisors for strategic success — building knowledge, assessing risks, and aiding strategic decision-making.

Enhanced risk analysis

New this year for Risk in Focus, the survey data analysis incorporates comparisons for industry and Asia Pacific subregions. Findings include:

- For Asia Pacific, the risk levels for cybersecurity, business continuity, and human capital remain high from last year to this year across industries and subregions.
- Asia Pacific is the only region where market changes/competition ranks as a top 5 risk for most industries (except for government).

- Climate change risk is relatively high for mining/energy/water supply, construction, and manufacturing.

Risk drivers

Based on discussions with audit leaders around the world, the research project identified six risk drivers for emerging risks worldwide:

Direct influence

- Regulations
- Financial impact
- Business opportunity

Indirect influence

- Politics
- Public opinion
- Social impact

Awareness and understanding of these risk drivers can help internal audit leaders and their stakeholders with short-term and long-term strategic decision-making.

REGIONAL REPORTS

Gain insights from regional Risk in Focus reports for:

- Africa
- Asia Pacific
- Europe
- Latin America
- Middle East
- North America

BOARD BRIEFING

Download the Asia Pacific 2025 Board Briefing (a summary of key findings for stakeholders)



theiia.org/RiskInFocus



INTRODUCTION

Risk drivers for emerging risks

Based on discussions with audit leaders around the world, six risk drivers were identified as key elements that influence how internal audit leaders rank and respond to risks. These were divided into two types — direct pressure and indirect pressure.

The risk drivers that create direct pressure were regulations, financial impact, and business opportunity. These have a strong influence on how the board sets priorities and internal audit scope, particularly in the short term.

Indirect risk drivers — politics, public opinion, and social impact — may take longer to influence risk levels at the organizational level. However, indirect pressure may ultimately lead to direct pressure. For example, political priorities can lead to regulations, while public opinion can turn into market pressure. In addition, social impact can lead

to new priorities for both the public and private sector. The interplay between direct and indirect pressure creates long-term influence on risk levels and audit priority.

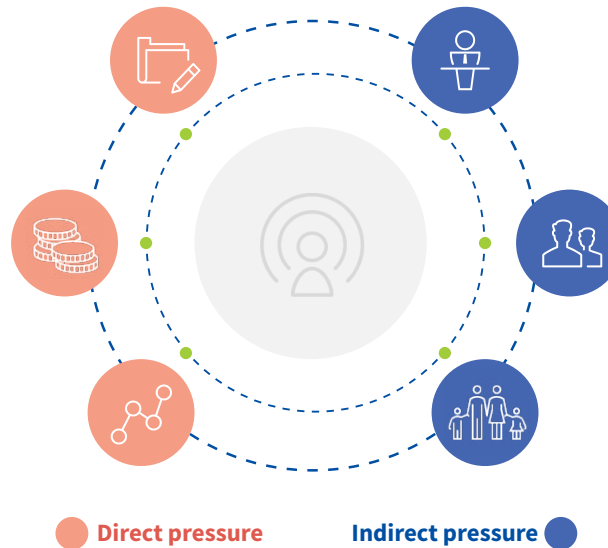
During Risk in Focus roundtables and interviews, these risk drivers were evident in how organizations worldwide approach climate change and digital disruption (including AI). Awareness of these risk drivers can help internal audit leaders and their stakeholders with short-term and long-term strategic decision-making.

Risk Drivers for Emerging Risks

Regulations
Specific regulations and consequences for noncompliance

Financial impact
Impact on revenues or assets (including fraud)

Business opportunity
Advantage for business, or risk of falling behind



Politics
Political priorities or trends related to the risk area

Public opinion
Pressure from the public, the market/customers, or stakeholders

Social impact
Harm or benefit for people or society in general



INTRODUCTION

How we do the research

Each year, Risk in Focus research starts with a survey of CAEs and heads of internal audit to identify current and emerging risks for each region. Results are used to identify areas for follow-up roundtables and interviews with CAEs and other industry experts. The survey focuses on 16 risk categories, shown below.

Respondents were asked two key questions:

- What are the top 5 risks your organization faces?
- What are the top 5 audit areas on which internal audit spends the most time and effort?

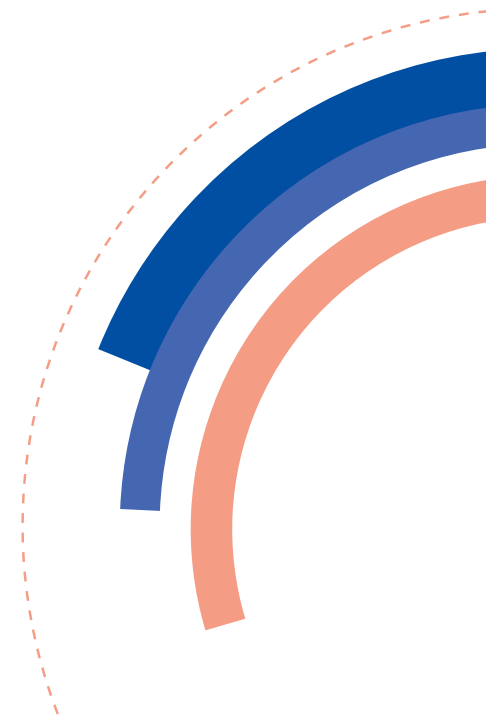
To assess risk trends, respondents were also asked about their expectations for risk levels and audit priorities three years in the future.

The global survey for all regions except Europe was conducted from 21 March 2024 to 20 May 2024 and received 2,559 responses. The survey specifically for Europe was conducted from 4 March 2024 to 1 April 2024 and received 985 responses. Combined, the two surveys received a total of 3,544 responses. Both surveys were conducted online through contacts associated with IIA institutes and regional bodies.

In Asia Pacific, please note that survey participation per country/territory varied significantly. Responses were high for Taiwan, Japan, and the Philippines, accounting for 65% of responses for Asia Pacific overall. Responses were low for some large areas, particularly China, India, and Hong Kong. The response rates per country/territory are provided in the section that follows, titled Survey Response Rates. Analysis has been added by subregion to aid with interpretation of survey results.

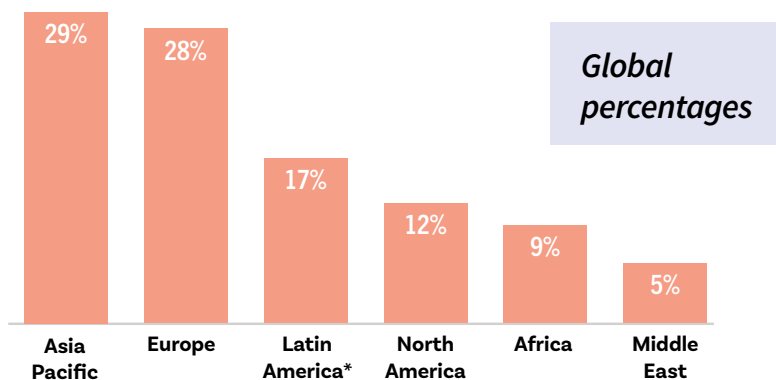
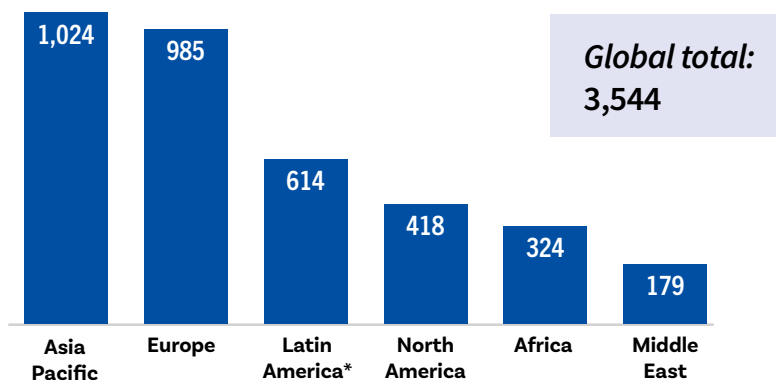
Risk Areas Included in the Report

	Risk Name	Risk Description Used in the Survey
1	Business continuity	Business continuity, operational resilience, crisis management, and disaster response
2	Climate change	Climate change, biodiversity, and environmental sustainability
3	Communications/reputation	Communications, reputation, and stakeholder relationships
4	Cybersecurity	Cybersecurity and data security
5	Digital disruption (including AI)	Digital disruption, new technology, and AI (artificial intelligence)
6	Financial liquidity	Financial, liquidity, and insolvency risks
7	Fraud	Fraud, bribery, and the criminal exploitation of disruption
8	Geopolitical uncertainty	Macroeconomic and geopolitical uncertainty
9	Governance/corporate reporting	Organizational governance and corporate reporting
10	Health/safety	Health, safety, and security
11	Human capital	Human capital, diversity, and talent management and retention
12	Market changes/competition	Market changes/competition and customer behavior
13	Mergers/acquisitions	Mergers and acquisitions
14	Organizational culture	Organizational culture
15	Regulatory change	Change in laws and regulations
16	Supply chain (including third parties)	Supply chain, outsourcing, and 'nth' party risk



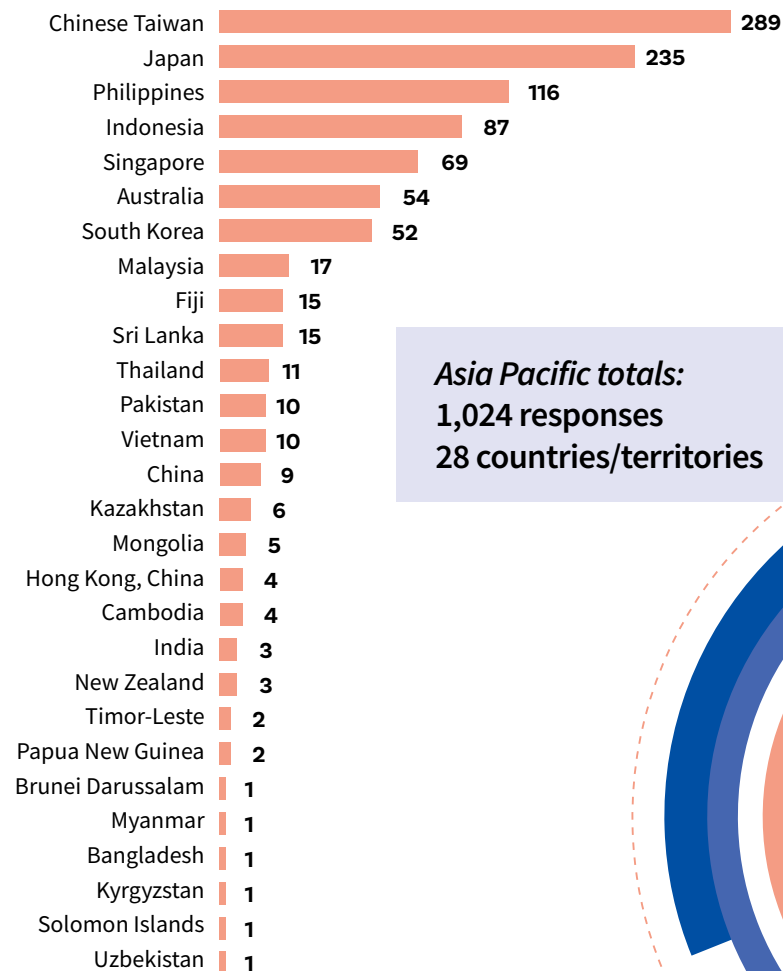
SURVEY RESPONSE RATES

Global – Response Rate per Region



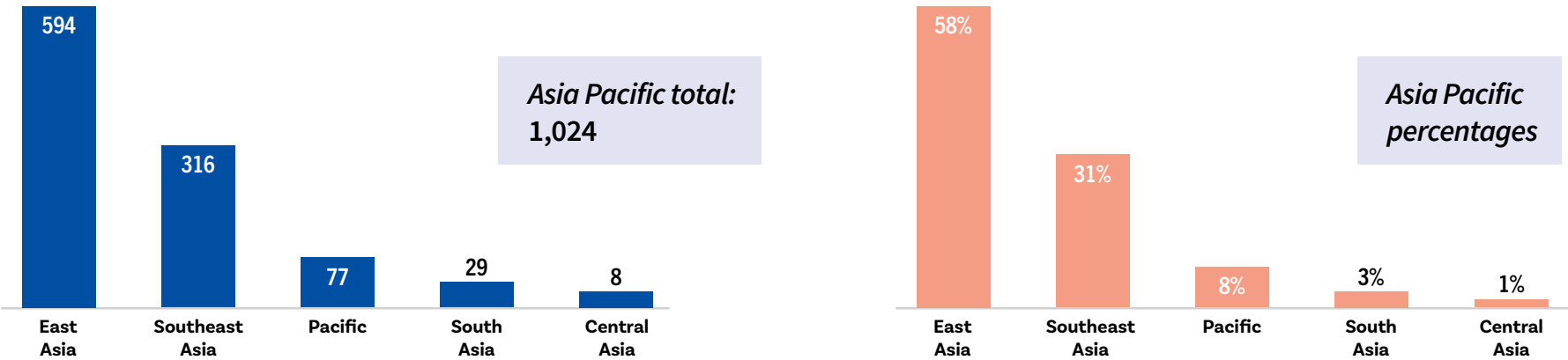
*Caribbean countries that speak English or Dutch are included with North America. (These were Trinidad and Tobago, Jamaica, Bahamas, Barbados.) Caribbean countries that speak Spanish are included with Latin America.

Asia Pacific – Response Rate



Asia Pacific – Demographics

Asia Pacific – Survey Responses per Subregion



Asia Pacific – Countries/Territories per Subregion

Southeast Asia		East Asia		Pacific		South Asia		Central Asia	
Philippines	116	Taiwan	289	Australia	54	Sri Lanka	15	Kazakhstan	6
Indonesia	87	Japan	235	Fiji	15	Pakistan	10	Kyrgyzstan	1
Singapore	69	South Korea	52	New Zealand	3	India	3	Uzbekistan	1
Malaysia	17	China	9	Timor-Leste	2	Bangladesh	1	Total	8
Thailand	11	Mongolia	5	Papua New Guinea	2	Total	29		
Vietnam	10	Hong Kong	4	Solomon Islands	1				
Cambodia	4	Total	594	Total	77				
Brunei Darussalam	1								
Myanmar	1								
Total	316								

Note: Risk in Focus survey conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation. n = 1,024 for Asia Pacific.



Asia Pacific – Demographics

Asia Pacific – Industry per Subregion

Industry	East Asia	Southeast Asia	Pacific	South Asia	Central Asia	All	Total per industry
Manufacturing	44%	14%	1%	21%	13%	30%	310
Financial services	10%	28%	26%	38%	38%	18%	184
Information/communication	11%	5%	5%	3%	0%	8%	84
Public sector (government)	2%	9%	27%	3%	0%	6%	60
Professional/technical activities	5%	6%	6%	7%	0%	5%	55
Wholesale/retail	5%	3%	6%	3%	0%	5%	49
Transport/storage	3%	7%	3%	7%	0%	4%	43
Mining/energy/water supply	4%	5%	6%	0%	0%	4%	42
Construction	4%	4%	3%	3%	0%	4%	38
Health/social work	4%	3%	6%	7%	0%	4%	36
Education	2%	4%	4%	3%	13%	3%	28
Accommodation/food services	2%	2%	0%	3%	0%	2%	16
Administrative/support services	2%	1%	0%	0%	13%	1%	15
Arts/entertainment	1%	2%	3%	0%	0%	1%	15
Real estate	2%	2%	0%	0%	0%	1%	15
Charities	0%	3%	1%	0%	0%	1%	11
Agriculture/forestry/fishing	0%	2%	0%	0%	13%	1%	8
Other	1%	2%	1%	0%	13%	1%	15
Total per subregion	594	316	77	25	8	100%	1,024

Asia Pacific – Internal Audit Function Size per Subregion

Internal audit function size	East Asia	Southeast Asia	Pacific	South Asia	Central Asia	All	Total per size group
1 to 5	71%	35%	68%	21%	88%	58%	596
6 to 10	13%	22%	14%	41%	0%	16%	166
11 to 15	5%	15%	3%	10%	0%	8%	79
16 to 25	3%	7%	4%	10%	0%	5%	46
26 to 50	4%	12%	6%	0%	13%	6%	66
51+	5%	10%	5%	17%	0%	7%	68
Total per subregion	592	315	77	29	8	100%	1,021

3 largest industries per subregion

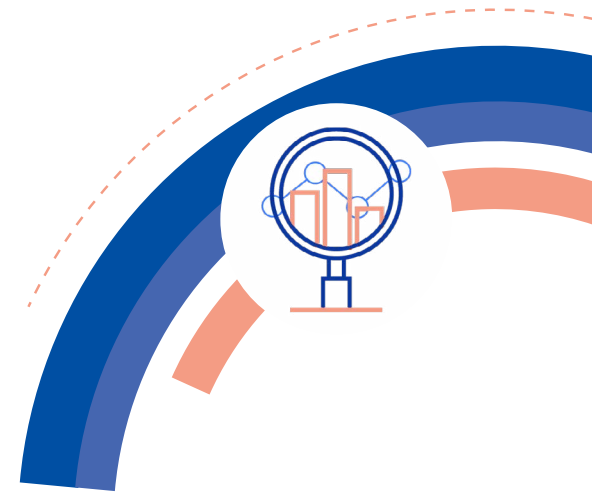
If there is a tie for third, all of the tied percentages are highlighted. Totals may not equal 100% due to rounding.

Note: Risk in Focus survey conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation. n = 1,024 for Asia Pacific.



ASIA PACIFIC – RISK TRENDS

Risks related to cybersecurity, business continuity, and human capital were the three highest last year and this year. In the next three years, digital disruption (including AI) is expected to increase 19 percentage points to rank third. At the same time, climate change is expected to increase 21 percentage points to be ranked fourth in three years. Risks related to market changes/competition stay high, reflecting the market sensitivity in the manufacturing industry, which made up 30% of the survey respondents for Asia Pacific this year.



Asia Pacific – Top 5 Risk Levels – Trend

Survey questions: What are the top 5 risks your organization currently faces?
What do you think the top 5 risks will be 3 years in the future?

Last Year's Risk		Current Year's Risk		Risk Expectations in 3 Years	
1. Cybersecurity	66%	1. Cybersecurity	64%	1. Cybersecurity	62%
2. Business continuity	61%	2. Business continuity	62%	2. Business continuity	59%
3. Human capital	59%	3. Human capital	57%	3. Digital disruption (including AI)	55%
4. Market changes /competition	47%	4. Market changes/competition	49%	4. Climate change/environment	47%
5. Regulatory change	35%	5. Digital disruption (including AI)	36%	5. Human capital	46%
6. Digital disruption (including AI)	30%	6. Regulatory change	32%	6. Market changes/competition	44%
7. Geopolitical uncertainty	28%	7. Geopolitical uncertainty	30%	7. Geopolitical uncertainty	34%
8. Supply chain (including third parties)	27%	8. Climate change/environment	26%	8. Regulatory change	31%
9. Governance/corporate reporting	24%	9. Supply chain (including third parties)	24%	9. Supply chain (including third parties)	21%
10. Organizational culture	23%	10. Organizational culture	23%	10. Governance/corporate reporting	21%
11. Climate change/environment	22%	11. Governance/corporate reporting	22%	11. Fraud	17%
12. Fraud	22%	12. Fraud	22%	12. Organizational culture	17%
13. Financial liquidity	21%	13. Communications/reputation	21%	13. Financial liquidity	15%
14. Communications/reputation	18%	14. Financial liquidity	19%	14. Communications/reputation	14%
15. Health/safety	12%	15. Health/safety	11%	15. Health/safety	10%
16. Mergers/acquisitions	4%	16. Mergers/acquisitions	4%	16. Mergers/acquisitions	7%

Note: Risk in Focus survey conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation. n = 1,024 for Asia Pacific.



GLOBAL – RISK TRENDS

Cybersecurity, business continuity, and human capital risks remain high. Looking to the future at the global level, digital disruption is expected to increase 20 percentage points to rank second in three years. At the same time, climate change is expected to increase 16 percentage points to be ranked fifth in three years.



Global – Top 5 Risk Levels – Trend

Survey questions: What are the top 5 risks your organization currently faces? What do you think the top 5 risks will be 3 years in the future?

Last Year's Risk		Current Year's Risk		Risk Expectations in 3 Years	
1. Cybersecurity	73%	1. Cybersecurity	73%	1. Cybersecurity	69%
2. Human capital	51%	2. Business continuity	51%	2. Digital disruption (including AI)	59%
3. Business continuity	47%	3. Human capital	49%	3. Business continuity	47%
4. Regulatory change	39%	4. Digital disruption (including AI)	39%	4. Human capital	42%
5. Digital disruption (including AI)	34%	5. Regulatory change	38%	5. Climate change/environment	39%
6. Financial liquidity	32%	6. Market changes/competition	32%	6. Regulatory change	37%
7. Market changes/competition	32%	7. Financial liquidity	31%	7. Geopolitical uncertainty	31%
8. Geopolitical uncertainty	30%	8. Geopolitical uncertainty	30%	8. Market changes/competition	30%
9. Governance/corporate reporting	27%	9. Governance/corporate reporting	25%	9. Financial liquidity	25%
10. Supply chain (including third parties)	26%	10. Organizational culture	24%	10. Supply chain (including third parties)	24%
11. Organizational culture	26%	11. Fraud	24%	11. Governance/corporate reporting	22%
12. Fraud	24%	12. Supply chain (including third parties)	23%	12. Fraud	21%
13. Communications/reputation	21%	13. Climate change/environment	23%	13. Organizational culture	20%
14. Climate change/environment	19%	14. Communications/reputation	20%	14. Communications/reputation	15%
15. Health/safety	11%	15. Health/safety	11%	15. Health/safety	10%
16. Mergers/acquisitions	6%	16. Mergers/acquisitions	6%	16. Mergers/acquisitions	9%

Note 1: The global average is calculated by summing the averages from each region and dividing by the number of regions.
Note 2: Risk in Focus surveys conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation and the European Institutes Research Group. n = 3,544.



HOT TOPIC – DIGITAL DISRUPTION

Racing to secure digital advantage

CAEs at the Risk in Focus roundtables said digital disruption in the region is fueling market competition, while creating new avenues for cybersecurity breaches and increasing needs for tech-savvy talent.

Nearly all Asia Pacific countries are taking proactive steps to produce national digital masterplans, according to the [World Economic Forum](#). The focus is on creating new operating models and AI-powered products, services, and experiences.

In practical terms, businesses have used technology to slash product development times, streamline production capabilities, and cut costs. At the same time, services utilizing AI, for example, are often launched in beta so as not to miss first-mover advantage in the market; however, the speed to market comes with increased risks. (See the graph on page 15.)

Auditing at speed

“A key question is how we can audit at the speed of change because the product and business lifecycle is much shorter,” said Helen Li, CAE at Hong Kong’s Bank of East Asia, in an interview for this project. Internal audit teams must be plugged into trends in technology, markets, and cybersecurity as well as developments within the business — all of which requires a lot of conversations, networking, and research. Li has seen much more demand for pre-and post-implementation reviews related to technology transformation. The internal audit plan at Li’s organization is refreshed regularly, with approximately 20% of the time spent on ad hoc projects, she said.

Digital Disruption
Asia Pacific Survey Results

36%
Say it is a top
5 risk now

55%
Expect it to be a
top 5 risk in 3 years



DIGITAL DISRUPTION

Returns and cost efficiency

Given the potentially high cost of adopting cutting-edge new technologies and a lack of historical data on how to calculate returns on investment, cost efficiency is a key consideration. In addition, a CAE from a bank in Indonesia said his function was heavily involved in procurement audits, especially of the governance processes surrounding IT system/application acquisition.

Cybersecurity solutions

Cyberattacks are becoming more sophisticated, as hackers take advantage of AI to enhance phishing/social engineering attacks. For example, a [UK engineering firm was duped](#) into sending HK \$200 million (US \$25 million) to criminals by an AI-generated video call.

To counter such hacks, the [FBI urges](#) individuals and employers to:

- Beware of urgent messages asking for money or credentials.
- Explore IT security measures to reduce to reduce how many phishing emails or texts reach employees.
- Provide regular employee education about phishing and the importance of verifying digital communications.
- Set up multi-factor authentication for sensitive accounts and systems.

At the same time, organizations have started using AI to tackle cyberattacks and enhance cybersecurity. AI can be used to detect anomalies in network traffic, block suspicious IP addresses, isolate compromised devices, or shut down malicious processes before they can cause damage. AI can also analyze emails and other messages for signs of phishing attacks.

Human capital risks

The rapid advancement of AI and automation technologies could lead to certain skills becoming obsolete. Also, the widespread use of AI systems to collect and analyze vast amounts of data raises concerns about privacy and data protection. If not properly regulated, AI could erode individual privacy.

Cyberbreach liability

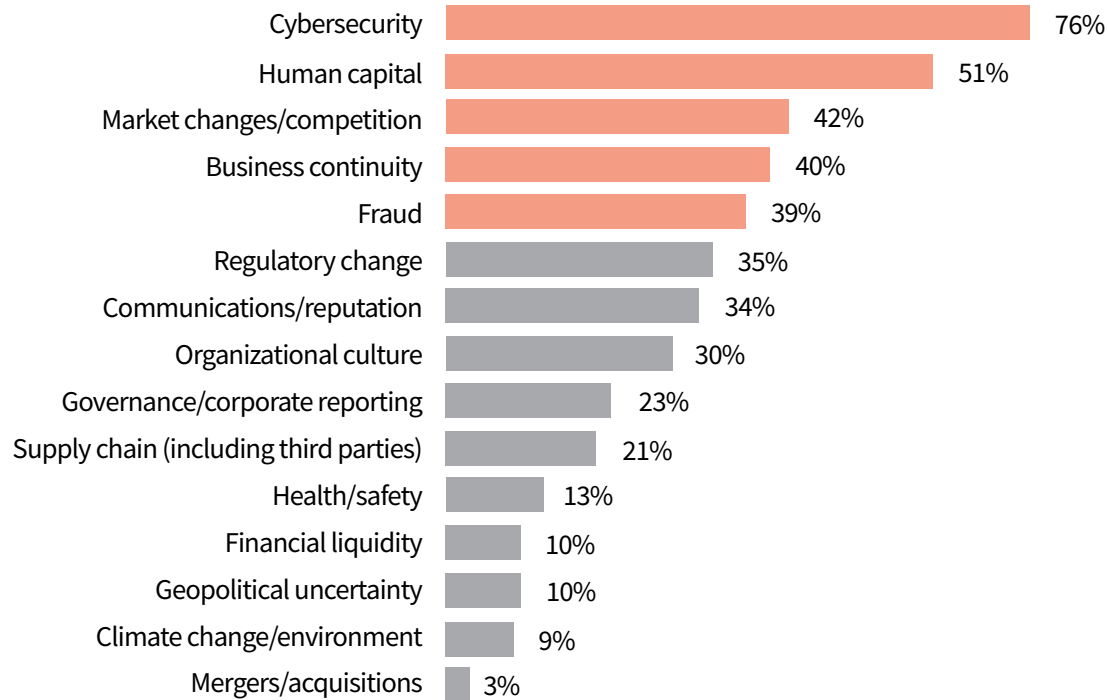
Failure to implement adequate cybersecurity measures can come at a personal risk to board members. EU regulators are pushing for board members to have personal liability for failings in data security. As noted in the [NIS2 Directive](#) (Network and Information Security Directive): “...Management bodies can be held directly and personally liable for infringements by the legal entity for a lack of compliance with implementing cybersecurity risk-management measures.”



DIGITAL DISRUPTION

Asia Pacific – Highest Risk Levels Related to AI

Survey question: What are the top 5 areas where artificial intelligence has the most negative impact?



Note: Risk in Focus survey conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation. $n = 1,024$ for Asia Pacific.



DIGITAL DISRUPTION

Waiting for regulations

Some CAEs at the roundtable said their organizations had achieved an initial level of implementation for artificial intelligence, blockchain, and facial recognition, but few had done so broadly across their organizations. According to a CAE from a bank in Australia, one of the challenges is that regulations are developing slowly, creating competitive friction — move too early and risk non-compliance when regulations are put in place; move too late and miss market opportunity.

A consultant from Taiwan said his organization prefers to wait for the regulations to be in place: “Without regulatory guidance, we can only use such models internally.” A CAE at a Taiwanese manufacturer said his organization created an isolated environment for generative AI and other untested technologies to protect against exposure to data breaches, intellectual property loss, and ethical concerns from external use.

AI governance

Board awareness of AI has grown recently, but knowledge about AI use within the organization is often low. One of the CAEs at the roundtable said that she had helped the business create an inventory of the current use of AI across the business, before the organization developed an AI governance framework around those processes. “Providing comfort to people at the highest level that this area is properly managed allows them to have more confidence in their strategic decision-making,” she said.

“Internal audit has an important role to play in making boards aware of both the opportunities and the risks associated with digitalization,” said Amitava Saha, Secretary General of IIA-Bangladesh, in an interview for this report. He said that it was important for CAEs to help boards understand what it means to be strategically and operationally ready to take advantage of fast-moving digital trends — and to develop the security framework it needs to do so safely.

“Internal audit has an important role to play in making boards aware of both the opportunities and the risks associated with digitalization.”



DIGITAL DISRUPTION

The ethics of AI

Internal audit leaders recognize the need to assess the ethical ramifications of AI usage at their organizations. However, it can be challenging to find resources in this area. In terms of regulation, the most comprehensive release to date is Europe's AI Act, approved in May 2024. In addition, UNESCO has developed a [Recommendation on the Ethics of Artificial Intelligence](#), which provides recommendations for governments. The U.S. White House released a [Blueprint for an AI Bill of Rights](#) in October 2022, which gives principles for AI usage and practical ways to apply the principles. Some ethical considerations for AI use can be found for specific industries; for example, the European Union has provided [ethical considerations for use of AI in education](#).

Internal audit leaders recognize the need to assess the ethical ramifications of AI usage at their organizations.



DIGITAL DISRUPTION

Risk in Focus Roundtable Insights

Audit

- Audit procurement processes for IT acquisition, paying attention to return on investment.
- Monitor regulations related to new technologies.
- Create an inventory of the current use of AI across the organization.

Advisory

- Support the business's digital initiatives with pre-implementation and post-implementation reviews of transformation and technology projects.
- Develop relationships with technology experts to stay aware of trends in technology, markets, and cybersecurity.
- Support awareness, training, and monitoring processes for cybersecurity and data security.
- Support the development of ethical guidelines for organizational use of AI.

Board Considerations

- Educate the board about the risk of board members being held personally liable for lack of compliance for cybersecurity risk management measures, under the EU's [NIS2 Directive](#).
- Help the board understand how the business needs to change to be strategically and operationally ready for the risks and opportunities of digitalization.
- Ensure the board has full visibility over the organization's use and governance of emerging technologies such as AI.

For auditing resources, see Appendix A: Artificial Intelligence Resources



HOT TOPIC – MARKET CHANGES/ COMPETITION

Capturing markets through digital innovation

Market competition is a powerful driver for technology in Asia Pacific. Digitalization and AI have accelerated the rate at which customer tastes and trends must be satisfied, prompting the need for rapid product development, mass customization, speed to market, and inventory management.

Business transformation

Market changes and increased competition have forced many organizations to transform their business models. A CAE at a Singapore media group said that changing customer reading habits had impacted revenue and introduced sharp pricing pressures — ultimately affecting profitability. “To adapt, our business model has essentially switched from a manufacturing to digital model,” she said. Her organization changed from a production business to a content-creation company. Those that succeed at adapting can reach a global marketplace with higher profitability levels, CAEs at the roundtable agreed.

AI market advantage

To keep up with competition, “technology is now the key differentiator,” a CAE at a financial services business in Singapore explained. The collection, processing, and interpretation of data has become critical for monitoring trends and competition. “AI has helped us keep our room rates competitive so we can adapt to the market — and it has improved hotel management,” a CAE at a hotel business in Hong Kong said, “but data accuracy is a risk.”

The CAE at an Indian footwear company said digitalization had enabled his business to create tailored products to reach new markets and had

Market Changes

Asia Pacific Survey Results

49%

Say it is a top 5 risk now

44%

Expect it to be a top 5 risk in 3 years



MARKET CHANGES/COMPETITION

made product customization a key strategic objective. Digitalization and AI had sped up product development and optimized supply chains to tap into fast-moving fashion trends. But customer tastes change rapidly, raising inventory risk. That has led businesses such as his to launch smaller quantities of a minimum viable product and modify and scale it as customer demand dictates.

AI can even help manage supply chain challenges driven by geopolitical uncertainty. A CAE at a Philippines-based manufacturer said that their organization was vulnerable to fluctuations in the price of steel produced in China. Starting and stopping production because of the availability of such raw products is expensive, and accurately predicting and controlling costly inventory is difficult. The business was investing in AI to improve the efficiency of manufacturing processes.

Small businesses

While AI can create business advantages for some, small businesses may struggle to compete with larger enterprises that have the resources to invest in AI technologies. This could lead to a concentration of power and market share in the hands of a few dominant players, reducing competition and innovation in the market.

Product performance and inventory

CAEs said they were providing pre-implementation advice and post-implementation assurance on the performance of products. In a post-implementation review, CAEs were looking specifically at the impact of sales incentives and the return of goods. “The key question is whether the company can deliver in terms of customer specifications,” the CAE from the Philippines-based manufacturer said. The customer complaints hotline could provide information for how products and services needed improvement.

“There is little point in doing an audit on a discontinued product unless it has value for upcoming initiatives,” said Helen Li, CAE at Hong Kong’s Bank of East Asia, in an interview for this report. Internal audit may initiate an advisory project after a post-implementation review or regular dialogue with the business or operations. There is a wide spectrum of advisory services but, she added, “It’s important to be able to connect the dots and see how risk management, data governance, and compliance, for example, are all working together and how those might be improved.”



MARKET CHANGES/COMPETITION

Internal partnerships

Partnering with the first line (governing body) and second line (management) was also critical. In a Singapore-based financial services business, the CAE worked with the second line to coordinate assurance coverage. In addition, the risk assessment for all products was refreshed quarterly. “On the advisory side, we act as an observer to identify risk and provide a risk perspective to different stakeholders across the business,” he said. Others said they reviewed processes that risk managers use to assess risk.

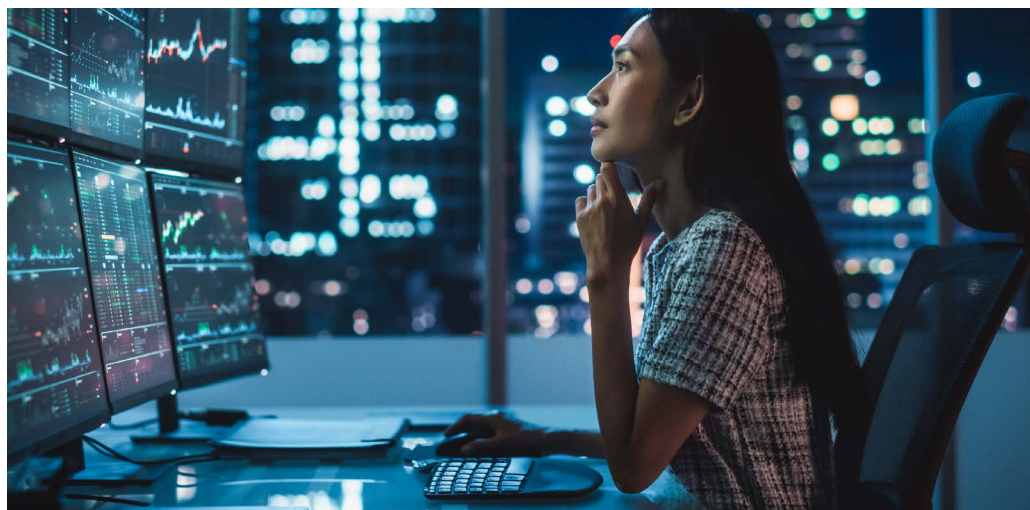
A CAE at a Philippines-based consultancy said it was important to partner with operations and people outside the business and in other industries to keep abreast of rapid market changes and, in particular, the likely skills needed by the organization in the future.

What boards want to know

Boards wanted to know how to take advantage of market changes using AI — and to understand what the risks and opportunities were and how they could be managed. Most were asking for the development of an effective AI governance framework, although regulatory guidance in this area is limited.

Boards were asking whether internal audit had the skills to audit this area and whether internal audit could also rapidly add AI to its assurance toolkit.

“We update the audit committee on the status of all products and plans, sit on the executive committee, and track KPIs and how those are achieved in different parts of the business,” the CAE from the Singapore media group said.



MARKET CHANGES/COMPETITION

Addressing Market Change/Competition Risks

Audit

- Provide assurance for the effectiveness of risk management related to market changes and competition.
- Provide assurance on assessment of product performance and follow up with rapid advisory projects on any areas of concern for management.
- Provide assurance on customer services (for service-oriented organizations).
- Provide assurance on branding and reputation management.
- Provide assurance on inventory management and overall supply chain management.

Advisory

- Provide advisory services on new product lines to ensure that processes are streamlined, and decisions are risk-informed.
- Provide advisory services for market scanning/competitor scanning and other market risk research.
- Partner with experts inside and outside of the business to keep abreast of market trends, developments, and risks.

Board considerations

- Keep the audit committee up to date on the status of all products and plans across the enterprise, with a focus on KPIs and outcomes.
- Support the board in understanding the implications of integrating AI into its operations to keep up with market changes.



HOT TOPIC – CLIMATE CHANGE

Striving to meet sustainability goals

Internal audit functions are becoming climate change knowledge centers to ensure risk impacts and compliance requirements are properly understood within the business and reported regularly to the board to aid strategic decision-making.

Asia Pacific is home to half of the top ten [plastic-polluting countries](#) in the world, and Asia Pacific generates more than half of the [world's CO2 emissions](#). Almost 50% of survey respondents expect effects of climate change to be a top 5 risk at their organizations in the next three years. Many governments and businesses have pledged to achieve [net zero by 2050](#), but the transition to a carbon neutral economy will be economically challenging.

New regulations and policies are driving increased involvement from internal audit functions. “The business accepts we need to audit processes that

support climate change regulation with specific requirements,” a CAE at a charitable organization in Australia explained.

At the same time, countries face challenges in developing and implementing a comprehensive regulatory framework that effectively addresses sustainability issues across various sectors such as environment, energy, water resources, and social development. Inconsistencies in regulations, overlapping jurisdictions, and gaps in enforcement can hinder progress towards sustainability goals.

Climate Change

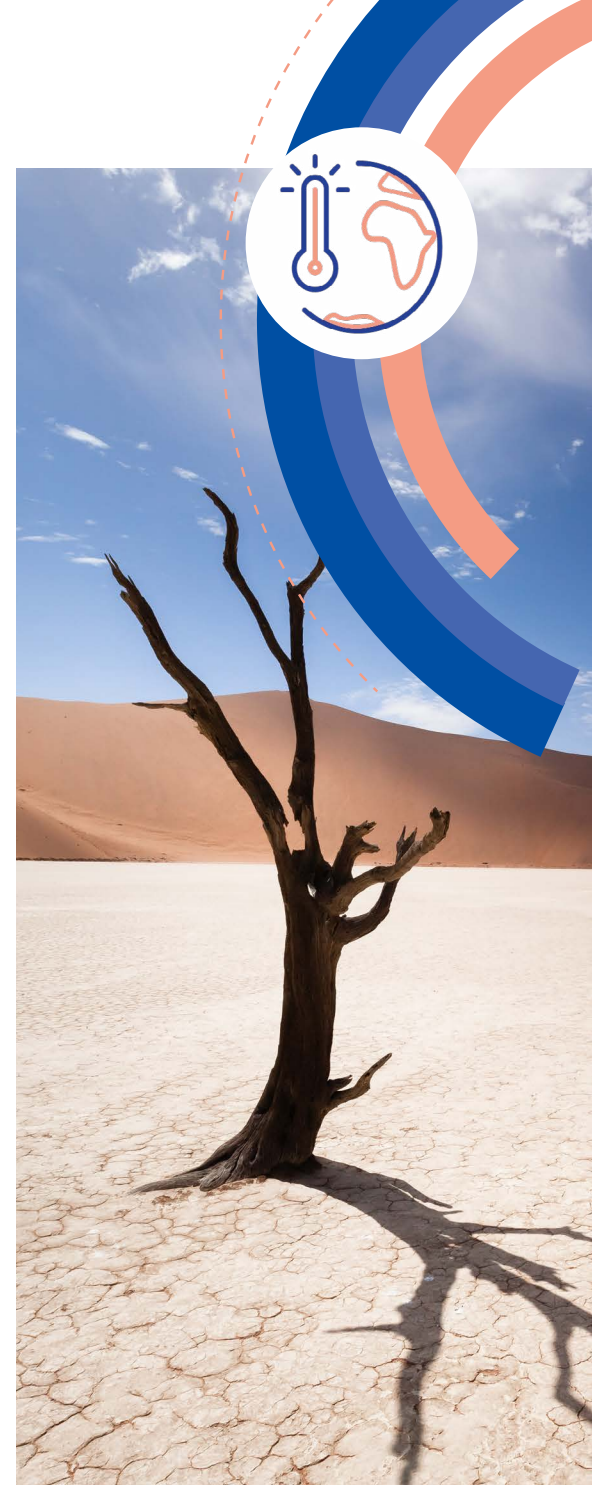
Asia Pacific Survey Results

26%

Say it is a top 5 risk now

47%

Expect it to be a top 5 risk in 3 years



CLIMATE CHANGE

Education and reputation

CAEs are receiving requests from their boards for education and help defining the board's role in sustainability requirements and overseeing the processes around approving disclosure reports. Boards also want to know how the business is operationalizing sustainability requirements into their processes to avoid regulatory action and reputational damage.

"In the past, boards were just asking about regulation," said a CAE from Australia. "Now reputation is more involved."

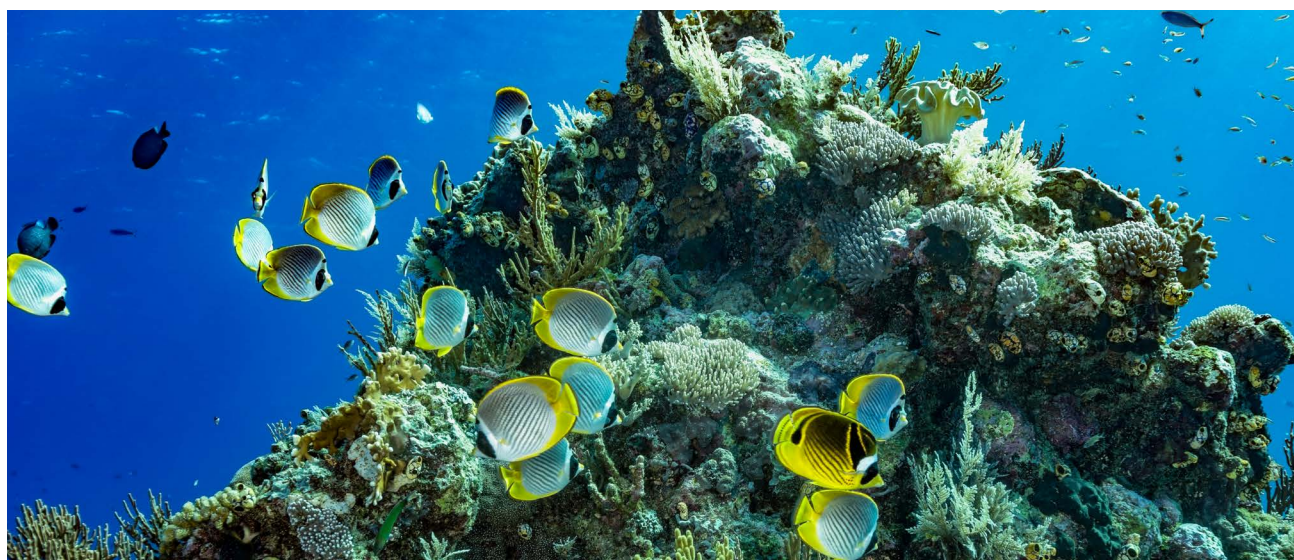
To ensure sustainability becomes embedded into the entire value chain, the Australian charity's CAE said he audits procurement and suppliers together to ensure that requirements for sustainability are consistent and enforced. "The message from the business is that you do not do business with us if you do not have a credible sustainability plan," he said.

Business risks and opportunities

Climate change disruption can affect the longer-term viability of some business models, especially during the transition to net zero. "The board needs a factual view of the situation," noted Helen de Guzman, previous

CAE of the largest electric utility in the Philippines and current independent director at two organizations, in an interview for the project. "I appreciate having a courageous auditor to tell us where our [business's] weaknesses are so that we can develop realistic long-term strategies and future business models."

On the other hand, climate change also creates new opportunities for boards to consider — for example, launching green products. "Things are moving at speed, so we need to be involved early, as mistakes are harder to fix than to avoid," a CAE at a major development bank said.



CLIMATE CHANGE

Independent perspective

CAEs can act as trusted advisors in this complex area. Given the highly charged political discourse among many stakeholders around sustainability-related issues, it is crucial for internal audit to focus on the facts.

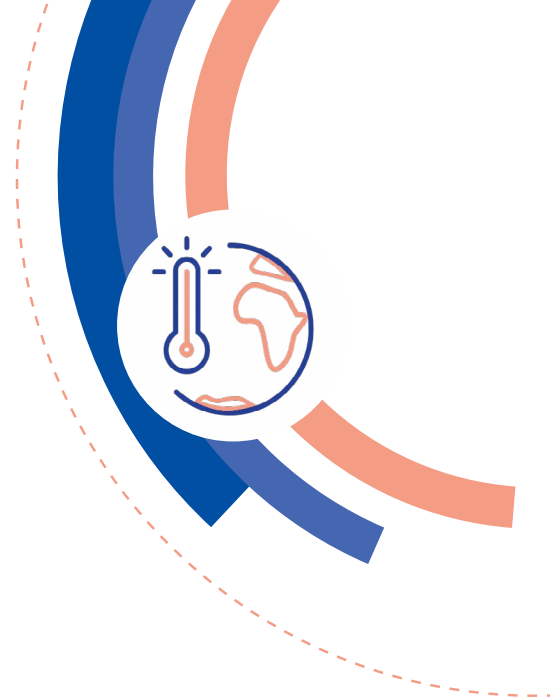
“Climate change can be an incendiary political issue,” said Stephen Coates, a former assurance partner at a global consulting firm in Australia with experience as a company secretary, board member, and audit committee chair. “Internal audit may be the only truly independent voice in the room, and they need to help boards with risk-based decision-making and not allow the organization to be swayed by overtly political arguments that do not affect its strategic objectives.”

Extreme weather

Extreme weather and climate-related events are on the rise, to devastating effect. Parts of Northern Australia, for example, could become “[near unlivable](#)” because of rising temperatures. Storms, floods, and tornadoes are increasing insurance costs. “Every country has faced a natural catastrophe that has affected its portfolio,” a CAE from Australia commented during the Risk in Focus roundtable.

Organizations are preparing for the reality of increasing physical impacts on their operations by buying new technologies and improving physical protection around key assets. The public sector is especially vulnerable to extreme weather and must find funding to prepare and respond.

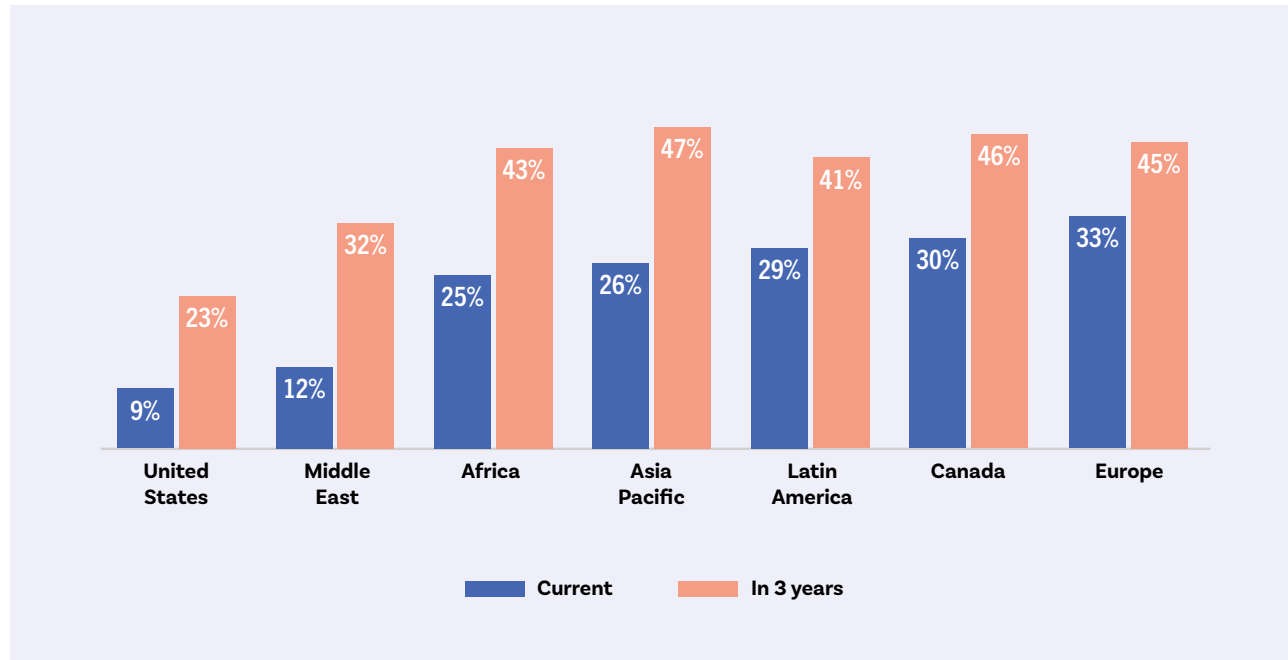
“Climate change can be an incendiary political issue... Internal audit may be the only truly independent voice in the room.”



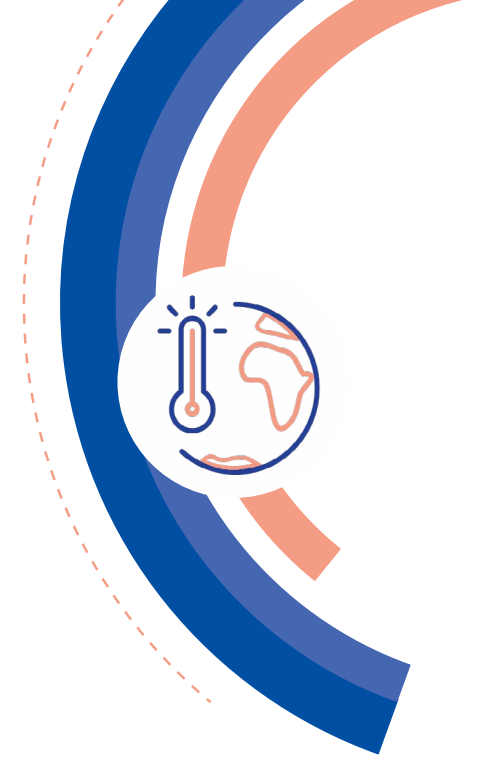
CLIMATE CHANGE

Global – Climate Change as a Top 5 Risk Level per Region

Survey question: What are the top 5 risks your organization currently faces? What do you think the top 5 risks will be 3 years in the future? Topic: Climate change/environment



Note 1: The United States and Canada are shown separately because of significant differences in their responses.
Note 2: Risk in Focus surveys conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation and the European Institutes Research Group. $n = 3,544$.



CLIMATE CHANGE

New regulations/reporting

Regulatory compliance is often the gateway that engages internal auditors in climate change processes as leaders turn to internal audit for assurance over reporting. “What we do in the climate space needs to be backed up by a good understanding of reporting standards and global trends,” a CAE at a major development bank commented.

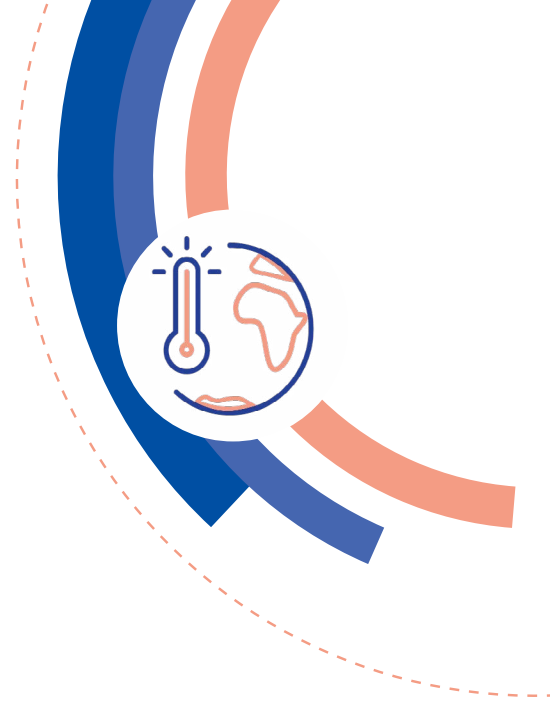
The European Union already imposes [corporate sustainability reporting](#) requirements on large companies to ensure sustainable practices throughout their enterprises. New [supply chain rules](#) from Europe will come into effect in 2029 and impact all Asia Pacific companies trading with European businesses. In addition, the SEC in the United States issued its [Climate Disclosure Rule](#) in March 2024.

New regional regulations are requiring stricter sustainability reports for the first time (for example, revised [sustainability reporting guidelines](#) in the Philippines). This creates challenges with accessing information. “We are setting up processes and systems to report on sustainability issues, but we do not always have the data that we need,” a CAE from a regional development bank said. Every area of the business is affected by the reporting requirements, she said.

For manufacturers in the region, extended producer responsibility (EPR) regulations have expanded the responsibility of organizations that produce plastics. For example, plastics manufacturers may be required to account for the entire lifecycle of their products, from creation to disposal, so they can calculate the overall impact of their activities on the environment.

To help meet global transition goals, [bank regulators](#) are putting pressure on banks to review their portfolios to reduce investments in organizations that contribute to high levels of CO2 emissions. In addition, shareholders and stakeholders in the region are putting their own pressure on financial institutions to reduce financing for organizations with poor Environmental, Social, and Governance (ESG) ratings.

As regulatory requirements expand in scope, assurance in these areas will become routine and expected. “The business accepts we need to audit processes that are supported by climate change regulation with specific requirements,” a CAE at a charitable organization in Australia said.



“What we do in the climate space needs to be backed up by a good understanding of reporting standards and global trends.”



CLIMATE CHANGE

Greenwashing

The potential market advantage for organizations perceived as “green” has produced a new kind of risk — greenwashing. Greenwashing is “the act or practice of making a product, policy, activity, etc. appear to be more environmentally friendly or less environmentally damaging than it really is” ([Merriam-Webster Dictionary](#)).

“Greenwashing is now the biggest challenge for banks in conjunction with ESG and social investing,” a CAE at an Australian bank said.

Greenwashing risk is being incorporated into the overall risk assessment. “With the regulator asking us to assess the risk, we have the right authority to make greenwashing a central part of our assurance plan for this area,” a CAE in Australia noted.

In Europe, new guidance on the [Anti-Greenwashing Rule](#) from the UK’s Financial Conduct Authority is particularly specific and restrictive, and may pave the way for similar approaches globally.

Upskilling

One challenge is the broad range and depth of knowledge needed to provide assurance across the full sustainability agenda.

A CAE at a Philippines-based consultancy said the internal audit function is partnering with businesses to increase knowledge of new technologies to both upskill their function and to get a better grasp on the potential risks. In addition, he was partnering with IIA Global to gain knowledge of how to apply extrajudicial regulations — such as the [European Union’s Deforestation-Free Supply Chain Regulation](#) — to entities in the Philippines.

In Europe, new guidance on the Anti-Greenwashing Rule from the UK’s Financial Conduct Authority is particularly specific and restrictive, and may pave the way for similar approaches globally.



CLIMATE CHANGE

Risk in Focus Roundtable Insights

Audit

- Monitor regulatory requirements and provide assurance for compliance.
- Provide assurance for the accuracy of sustainability reporting and guard against potential greenwashing.

Advisory

- Assess strategic risks related to physical impacts of climate change.
- Explore impact of climate change on the business model.
- Provide advice on sustainability requirements for new initiatives.
- Provide support for developing a sustainability roadmap.
- Review data governance and information systems supporting disclosure.
- Review corporate governance arrangements for sustainability reporting.

Board Considerations

- Update the board on the organization's sustainability activities and advise whether these align with the overall strategy/business model of the organization.
- Educate the board on sustainability requirements that affect the organization.
- Provide independent perspective for risk-based decision-making that avoids politicization.



For auditing resources, see Appendix B: Climate Change Resources



ASIA PACIFIC ANALYSIS

Comparing risk and priority

In the survey, respondents were asked two key questions:

- What are the top 5 risks your organization faces?
- What are the top 5 audit areas on which internal audit spends the most time and effort?

Audit priority data reflect the percentage of respondents who ranked a risk as one of the five where they spend the most time and effort. For example, 63% of respondents said cybersecurity was one of the five highest audit priorities at their organization.

This graph shows gaps between risk levels and audit priorities.

Blue text shows where audit priority is *comparatively high* compared to risk levels:

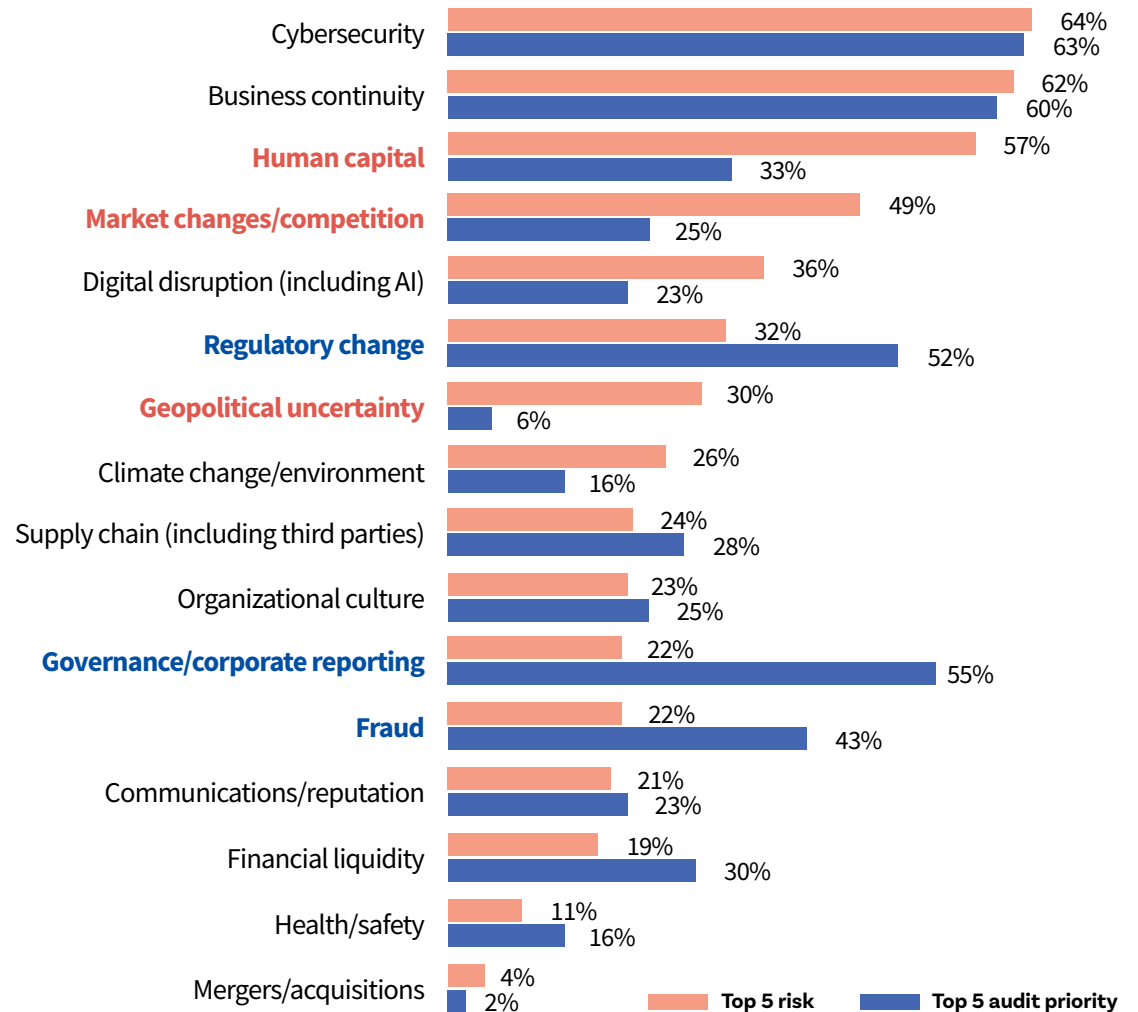
- Regulatory change (+20)
- Governance/corporate reporting (+33)
- Fraud (+21)

Orange text shows where audit priority is *comparatively low* compared to risk levels:

- Human capital (-24)
- Market changes/competition (-24)
- Geopolitical uncertainty (-24)

It should be noted that internal audit priority is contingent on how much action the organization can take related to the risk. For example, geopolitical uncertainty may be a top risk but not a top audit priority if there is little direct action that internal auditors can take related to that risk. Another consideration is that internal audit effort for geopolitical uncertainty could be included in other risk areas, such as business continuity, regulatory change, or supply chain.

Asia Pacific – Top 5 Risk Levels vs. Top 5 Audit Priorities



Note 1: Risk in Focus survey conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation. n=1,024 for Asia Pacific.

Note 2: Top 5 audit priority is not a measure of whether the risk is on the audit plan. Top 5 audit priority indicates whether the risk was chosen as one of the 5 highest areas for audit time and effort.



Asia Pacific – Risk levels

With only a few exceptions, top risks in Asia Pacific were consistent across industries. The three highest risk areas are cybersecurity, business continuity, and human capital. Asia Pacific is the only region where market changes/competition ranks in the top 5 overall for most industries. Note that digital disruption now ranks as the fifth highest risk overall in Asia Pacific (up from sixth in the prior year). Climate change risks are comparatively high for mining/energy/water supply, construction, and manufacturing.

Asia Pacific – Top 5 Risk Levels per Industry

Survey question: What are the top 5 risks your organization currently faces?

Risk area	All	Manufacturing	Financial services	Information/communication	Public sector (government)	Professional/technical activities	Wholesale/retail	Transport/storage	Mining/energy/water supply	Construction
Cybersecurity	64%	56%	80%	74%	68%	73%	43%	47%	55%	68%
Business continuity	62%	69%	58%	67%	60%	64%	53%	70%	74%	61%
Human capital	57%	55%	49%	55%	55%	49%	69%	53%	40%	63%
Market changes/competition	49%	65%	41%	52%	17%	38%	63%	40%	45%	39%
Digital disruption (including AI)	36%	26%	46%	45%	57%	49%	35%	37%	26%	8%
Regulatory change	32%	31%	36%	33%	27%	31%	27%	19%	38%	29%
Geopolitical uncertainty	30%	39%	28%	30%	25%	27%	33%	37%	21%	26%
Climate change/environment	26%	33%	18%	12%	25%	24%	12%	26%	67%	32%
Supply chain (including third parties)	23%	30%	18%	21%	20%	25%	31%	28%	17%	26%
Organizational culture	23%	21%	22%	18%	22%	18%	18%	28%	29%	24%
Governance/corporate reporting	22%	22%	17%	29%	28%	31%	24%	28%	10%	21%
Fraud	22%	17%	29%	18%	20%	16%	29%	21%	19%	26%
Communications/reputation	21%	12%	21%	25%	37%	25%	24%	19%	14%	18%
Financial liquidity	19%	14%	28%	11%	20%	24%	12%	19%	19%	21%
Health/safety	11%	8%	3%	11%	18%	4%	10%	26%	21%	32%
Mergers/acquisitions	4%	2%	4%	0%	2%	2%	16%	5%	5%	5%

 5 highest risk areas per industry

Note 1: Some industries are not included because the response rate was too low for analysis.

Note 2: Risk in Focus survey conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation. n = 1,024 for Asia Pacific.



Asia Pacific – Risk levels

Areas of highest risk were generally consistent across subregions, with highest ranking for cybersecurity, business continuity, human capital, market changes/competition, and digital disruption (including AI). The only notable difference was geopolitical uncertainty ranked higher in South Asia (where respondents were primarily from Sri Lanka and Pakistan).

Asia Pacific – Top 5 Risk Levels per Subregion

Survey question: What are the top 5 risks your organization currently faces?

Risk area	All	East Asia	Southeast Asia	Pacific	South Asia
Cybersecurity	64%	58%	72%	74%	69%
Business continuity	62%	65%	60%	56%	55%
Human capital	57%	61%	51%	45%	59%
Market changes/competition	49%	59%	37%	35%	34%
Digital disruption (including AI)	36%	28%	47%	44%	48%
Regulatory change	32%	32%	35%	29%	38%
Geopolitical uncertainty	30%	31%	28%	19%	41%
Climate change/environment	26%	26%	24%	30%	17%
Supply chain (including third parties)	24%	24%	22%	31%	17%
Organizational culture	23%	24%	19%	30%	14%
Governance/corporate reporting	22%	26%	15%	25%	21%
Fraud	22%	16%	33%	18%	31%
Communications/reputation	21%	21%	18%	26%	17%
Financial liquidity	19%	15%	25%	13%	31%
Health/safety	11%	10%	12%	19%	7%
Mergers/acquisitions	4%	4%	3%	5%	0%

 5 highest risk areas per industry

Note 1: Central Asia is not included in the graph because the response rate was not high enough for analysis.

Note 2: Risk in Focus survey conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation. *n* = 1,024 for Asia Pacific.



Asia Pacific – Audit priorities

On average, 63% of respondents said cybersecurity was one of the five audit areas where internal audit spends the most time and effort. Other top audit priorities selected by respondents were business continuity (60% of respondents), governance/corporate reporting (55% of respondents), regulatory change (52% of respondents), and fraud (43% of respondents).

Asia Pacific – Top 5 Audit Priorities per Industry

Survey question: What are the top 5 audit areas on which internal audit spends the most time and effort?

Risk area	All	Manufacturing	Financial services	Information/communication	Public sector (government)	Professional/technical activities	Wholesale/retail	Transport/storage	Mining/energy/water supply	Construction
Cybersecurity	63%	57%	77%	71%	68%	65%	53%	42%	64%	58%
Business continuity	60%	61%	65%	62%	67%	56%	49%	74%	64%	58%
Governance/corporate reporting	55%	53%	53%	67%	63%	51%	59%	63%	52%	58%
Regulatory change	52%	59%	50%	57%	32%	55%	57%	51%	40%	39%
Fraud	43%	41%	48%	42%	47%	33%	39%	42%	31%	55%
Human capital	33%	30%	26%	27%	33%	33%	37%	28%	24%	34%
Financial liquidity	30%	27%	33%	26%	32%	36%	29%	35%	36%	37%
Supply chain (including third parties)	28%	34%	23%	21%	28%	29%	27%	33%	38%	26%
Organizational culture	25%	27%	28%	26%	20%	18%	24%	26%	21%	29%
Market changes/competition	25%	28%	22%	19%	7%	24%	33%	23%	10%	13%
Communications/reputation	23%	15%	28%	19%	33%	25%	35%	14%	31%	16%
Digital disruption (including AI)	23%	19%	29%	26%	25%	33%	16%	26%	21%	24%
Health/safety	16%	14%	3%	14%	23%	13%	18%	28%	36%	34%
Climate change/environment	16%	24%	7%	7%	15%	24%	16%	7%	7%	7%
Geopolitical uncertainty	6%	10%	6%	4%	5%	5%	2%	0%	0%	0%
Mergers/acquisitions	2%	2%	2%	1%	2%	0%	6%	9%	9%	9%

5 highest audit priority areas per industry

Note 1: Audit priority reflects the percentage of respondents who ranked a risk as one of the five where they spend the most time and effort. Audit priority does not reflect whether the risk is on the audit plan.

Note 2: Some industries are not included because the response rate was too low for analysis.

Note 3: Risk in Focus survey conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation. *n* = 1,024 for Asia Pacific.



Asia Pacific – Audit priorities

Across nearly every region in Asia Pacific, internal auditors chose the same five audit priority areas – cybersecurity, business continuity, governance/corporate reporting, regulatory change, and fraud. The only region with a unique priority was Pacific, where 40% of respondents said supply chain (including third parties) was a top audit priority.

Asia Pacific – Top 5 Audit Priorities per Subregion

Survey question: What are the top 5 audit areas on which internal audit spends the most time and effort?

Risk area	All	East Asia	Southeast Asia	Pacific	South Asia
Cybersecurity	63%	60%	67%	74%	72%
Business continuity	60%	57%	64%	70%	72%
Governance/corporate reporting	55%	54%	53%	68%	55%
Regulatory change	52%	60%	43%	38%	45%
Fraud	43%	40%	50%	35%	52%
Human capital	33%	37%	27%	22%	31%
Financial liquidity	30%	26%	38%	27%	31%
Supply chain (including third parties)	28%	23%	35%	40%	28%
Organizational culture	25%	29%	18%	27%	17%
Market changes/competition	25%	29%	19%	14%	14%
Communications/reputation	23%	24%	20%	22%	14%
Digital disruption (including AI)	23%	21%	27%	17%	28%
Health/safety	16%	14%	15%	32%	17%
Climate change/environment	16%	16%	16%	8%	14%
Geopolitical uncertainty	6%	7%	5%	1%	10%
Mergers/acquisitions	2%	2%	3%	4%	0%

5 highest audit priority areas per subregion

Note 1: Audit priority reflects the percentage of respondents who ranked a risk as one of the five where they spend the most time and effort. Audit priority does not reflect whether the risk is on the audit plan.

Note 2: Central Asia is not included in the graph because the response rate was not high enough for analysis.

Note 3: Risk in Focus survey conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation. n=1,024 for Asia Pacific.



GLOBAL VIEW

Global – Risk levels per region

Worldwide, there was general consensus that risks are high for cybersecurity, business continuity, human capital, and digital disruption (including AI). However, each region also had some unique areas of concern: Africa – financial liquidity and fraud; Asia Pacific – market changes/competition; Europe – geopolitical uncertainty and regulatory change; Latin America – geopolitical uncertainty and regulatory change; Middle East – governance/corporate reporting; North America – regulatory change and market changes/competition.

Global – Top 5 Risk Levels per Region

Survey question: What are the top 5 risks your organization currently faces?

Risk area	Global Average	Africa	Asia Pacific	Europe	Latin America	Middle East	North America
Cybersecurity	73%	64%	64%	83%	74%	66%	88%
Business continuity	51%	57%	62%	32%	49%	63%	41%
Human capital	49%	44%	57%	52%	47%	43%	54%
Digital disruption (including AI)	39%	34%	36%	40%	37%	38%	48%
Regulatory change	38%	32%	32%	46%	45%	27%	47%
Market changes/competition	32%	15%	49%	32%	26%	29%	41%
Financial liquidity	31%	42%	19%	27%	33%	38%	28%
Geopolitical uncertainty	30%	23%	30%	39%	37%	27%	26%
Governance/corporate reporting	25%	31%	22%	20%	18%	41%	16%
Organizational culture	24%	34%	23%	21%	28%	21%	21%
Fraud	24%	42%	22%	14%	32%	27%	9%
Supply chain (including third parties)	23%	16%	24%	29%	17%	26%	29%
Climate change/environment	23%	25%	26%	33%	29%	12%	12%
Communications/reputation	20%	26%	21%	14%	17%	21%	20%
Health/safety	11%	10%	11%	12%	9%	12%	13%
Mergers/acquisitions	6%	4%	4%	8%	4%	8%	8%

 **5 highest risk areas per industry**

If there is a tie for the fifth highest percentage, both percentages are highlighted in a lighter color.

Note 1: The global average is calculated by summing the averages from each region and dividing by the number of regions.

Note 2: Risk in Focus surveys conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation and the European Institutes Research Group. n = 3,544.



Global – Audit priority per region

Worldwide, there was broad consensus about the areas where internal audit concentrates its time and effort, starting with 69% who chose cybersecurity as one of their top 5, followed by governance/corporate reporting (56% of respondents) and business continuity (55% of respondents). However, each region had one audit area where audit priority was uniquely low. These were: Africa – regulatory change; Asia Pacific – financial liquidity; Latin America – governance/corporate reporting; Europe – fraud; Middle East – regulatory change; North America – fraud.

Global – Top 5 Audit Priorities per Region

Survey question: What are the top 5 audit areas on which internal audit spends the most time and effort?

Audit area	Global Average	Africa	Asia Pacific	Latin America	Europe	Middle East	North America
Cybersecurity	69%	56%	63%	67%	74%	65%	87%
Governance/corporate reporting	56%	55%	55%	46%	64%	59%	58%
Business continuity	55%	58%	60%	49%	47%	60%	53%
Regulatory change	46%	39%	52%	47%	51%	35%	54%
Financial liquidity	45%	55%	30%	49%	40%	50%	46%
Fraud	41%	48%	43%	52%	36%	40%	29%
Supply chain (including third parties)	31%	29%	28%	29%	36%	31%	35%
Human capital	31%	36%	33%	29%	28%	35%	27%
Digital disruption (including AI)	25%	24%	23%	19%	23%	31%	33%
Organizational culture	23%	25%	25%	30%	24%	22%	15%
Communications/reputation	20%	24%	23%	22%	14%	18%	17%
Market changes/competition	16%	12%	25%	17%	13%	18%	10%
Health/safety	16%	15%	16%	13%	18%	17%	16%
Climate change/environment	12%	9%	16%	11%	20%	5%	9%
Geopolitical uncertainty	8%	10%	6%	12%	6%	9%	3%
Mergers/acquisitions	6%	4%	2%	7%	7%	7%	10%

5 highest audit priorities per region

Note 1: Top 5 audit priority is **not** a measure of whether the risk is on the audit plan. Top 5 audit priority indicates whether the risk was chosen as one of the 5 highest areas for audit time and effort.

Note 2: The global average is calculated by summing the averages from each region and dividing by the number of regions.

Note 3: Risk in Focus surveys conducted online from 21 March 2024 to 20 May 2024 by the Internal Audit Foundation and the European Institutes Research Group. $n = 3,544$.



APPENDIX A: ARTIFICIAL INTELLIGENCE RESOURCES

Regulations, standards, and frameworks

- Association of Southeast Asian Nations: ASEAN Guide on AI Governance and Ethics: https://asean.org/wp-content/uploads/2024/02/ASEAN-Guide-on-AI-Governance-and-Ethics_beautified_201223_v2.pdf
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- IIA (Institute of Internal Auditors): Artificial Intelligence Knowledge Center. <https://www.theiia.org/en/resources/knowledge-centers/artificial-intelligence/>
- NIST (National Institute of Standards and Technology, U.S. Department of Commerce): Artificial Intelligence Risk Management Framework (AI RMF 1.0). <https://www.nist.gov/itl/ai-risk-management-framework>
- NIST (National Institute of Standards and Technology, U.S. Department of Commerce): Artificial Intelligence Risk Management Framework Playbook. https://airc.nist.gov/AI_RM_F_Knowledge_Base/Playbook
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- UNESCO (United Nations Educational, Scientific, and Cultural Organization): Ethics of Artificial Intelligence. <https://www.unesco.org/en/artificial-intelligence/recommendation-ethics>
- UNICRI (United Nations Interregional Crime and Justice Research Institute): Malicious Uses and Abuses of Artificial Intelligence. <https://unicri.it/index.php/node/3278>



APPENDIX B: CLIMATE CHANGE RESOURCES

Regulations, standards, and frameworks

- COSO (Committee of Sponsoring Organizations of the Treadway Commission): Achieving Effective Internal Control over Sustainability Reporting (ICSR). Supplemental guidance for sustainability reporting based on the globally recognized COSO Internal Control-Integrated Framework (ICIF). <https://www.coso.org/new-icsr>
- EU (European Union): Corporate Sustainability Due Diligence Directive. https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en
- EU (European Union): Corporate Sustainability Reporting Directive. https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
- EU (European Union): Regulation on Deforestation-free products. EU rules to guarantee the products EU citizens consume do not contribute to deforestation or forest degradation worldwide. On 29 June 2023, the Regulation on deforestation-free products entered into force. https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en
- GRI (Global Reporting Initiative). GRI Standards provide a framework for creating standalone sustainability or non-financial reports, or integrated ESG reports (multiple languages available). <https://www.globalreporting.org/standards/download-the-standards/>
- IFRS (International Financial Reporting Standards): IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information. <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/sustainability-pdf-collection>
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- SASB (Sustainability Accounting Standards Board, now part of IFRS Foundation): Disclosure standards for the sustainability issues most relevant to investor decision-making in each of 77 industries. <https://sasb.ifrs.org/knowledge-hub/>
- TCFD (Task Force on Climate-Related Financial Disclosures, now part of the IFRS Foundation). Access is still available for previously developed resources. <https://www.fsb-tcfid.org/>
- TNFD (Taskforce on Nature-related Financial Disclosures). “Our aim is to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes, aligned with the Global Biodiversity Framework.” <https://tnfd.global/> or <https://tnfd.global/publication/getting-started-with-adoption-of-the-tnfd-recommendations/#publication-content>
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- UN (United Nations): 2024 Climate Risk Landscape Report. <https://www.unepfi.org/wordpress/wp-content/uploads/2024/04/Climate-Risk-Landscape-2024.pdf>
- United States: U.S. Federal Sustainability Resources and Guidance. <https://www.sustainability.gov/resources.html>

Credentials

- IIA (Institute of Internal Auditors): ESG Certificate. Hands-on practical application of critical ESG metric identification and reporting. <https://www.theiia.org/en/products/learning-solutions/course/esg-certificate-internal-auditing-for-sustainable-organizations/>
- IFRS (International Financial Reporting Standards): Fundamentals of Sustainability Accounting (FSA) Credential®. Understanding the link between sustainability and financial performance. <https://www.ifrs.org/products-and-services/sustainability-products-and-services/fsa-credential/>
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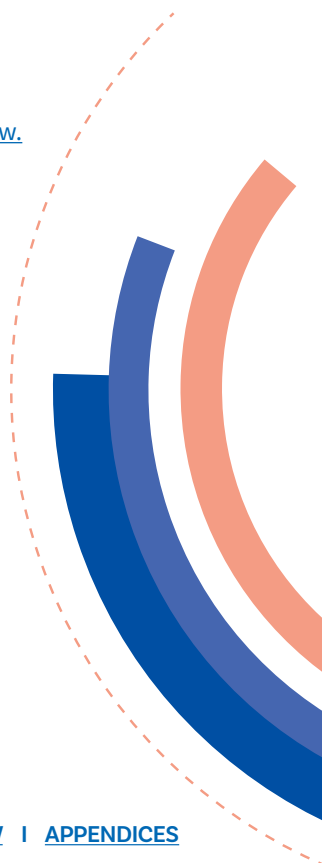
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Risk in Focus Project Team

Asia Pacific regional liaisons:

- Michael Gallego, ACIIA Deputy President
- Goergette Prado, ACIIA Executive Administrative Assistant

Asia Pacific report interviewees:

- Helen de Guzman
- Helen Li
- Jennifer Ong
- Amitava Saha

Project directors:

- Laura LeBlanc, Senior Director, Internal Auditor Foundation
- Deborah Poulalion, Senior Manager, Research and Insights, The IIA

Project manager: Candace Sacher

Research writers:

- Robert Perez (Africa, Latin America, North America, and Global Summary)
- Arthur Piper (Asia Pacific and Middle East)

Graphic designer: Cathy Watanabe



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Global Headquarters | The Institute of Internal Auditors
1035 Greenwood Blvd., Suite 401 | Lake Mary, FL 32746, USA
Phone: +1-407-937-1111 | Fax: +1-407-937-1101
Web: theiia.org/Foundation

