

2024

RISK IN FOCUS

Board Briefing

LATIN AMERICA

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ABOUT RISK IN FOCUS

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

Reports are based on a worldwide survey to identify current and emerging risks for each region, followed up with roundtables and interviews to discover leading practices for internal auditors.

Two reports are created for each region:

- **Hot Topics for Internal Auditors** – Detailed reports based on the survey, roundtables, and interviews.
- **Board Briefing** – Summary reports for internal auditors to share with stakeholders.

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. 2024 marks the first year the project was conducted worldwide.

The Risk in Focus methodology was originally created in 2016 by the European Institutes Research Group (EIRG), which continues to publish it in Europe through the European Confederation of Institutes of Internal Auditing (ECIIA).

Reports are available free to the public at The IIA's [Risk in Focus resource page](#) and at the websites for IIA regional groups: [ACIIA](#) (Asia Pacific), [AFIIA](#) (Africa), [ARABCIIA](#) (Middle East), [ECIIA](#) (Europe), [FLAI](#) (Latin America).

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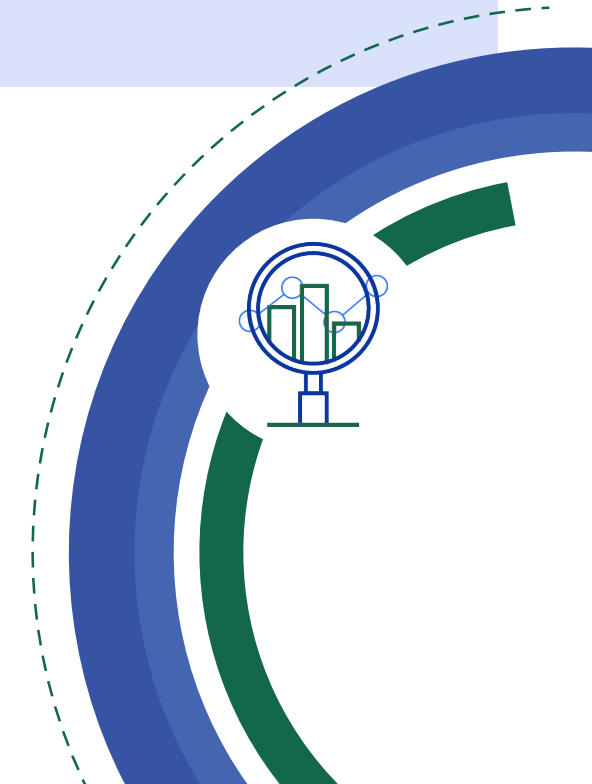
- Cybersecurity
- Business continuity
- Geopolitical uncertainty

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EXECUTIVE SUMMARY – LATIN AMERICA

Building relationships to succeed together

Geopolitical events across Latin America have created widescale uncertainty and the need for organizations to be prepared to respond to potentially rapid, large-scale change. Preparation for these impacts requires sound risk management and proactive strategy.

Latin America Risk in Focus 2024 provides insight into urgent questions facing CAEs and their boards, including:

- What are the top risks organizations face in the region? How will these develop over the next three years?
- Where are internal auditors investing the most time and effort?
- How can internal audit functions help their organizations?

Cybersecurity, regulatory change, and business continuity were the three highest risk areas cited by CAEs in Latin America for 2024 (see Figure 1). Digital disruption and climate change were the two areas expected to increase the most for risk level in the next three years – both in Latin America and worldwide (see Figures 1 and 2).

The Latin America Risk in Focus reports describe in detail the challenges and solutions for urgent risk

areas and draw on the expertise, experience, and knowledge of multiple internal audit leaders throughout the region. The featured topics for the Latin American reports are:

Cybersecurity – Where local cybersecurity frameworks are lacking, CAEs draw on international standards to boost the cyber maturity of their organizations.

Business continuity – Continuity plans are being used not only to deal with emerging risks, but also to identify new opportunities and solve unexpected problems.

Geopolitical uncertainty – Scenario role-playing has helped boards plan strategic responses to potentially large-scale, rapid political change.

For more details about survey results and leading practices in the region, see [Latin America Risk in Focus 2024 – Hot Topics for Internal Auditors](#). For reports from other regions, see the [Risk in Focus resource page](#).

Latin America Research Participation

- 956 survey responses from CAEs and directors
- 25 participating countries/territories
- 2 roundtables with 18 participants
- 5 in-depth interviews



METHODOLOGY

The Risk in Focus methodology starts with a survey of CAEs and heads of internal audit to identify current and emerging risks for each region. The top risks identified in the survey are used in follow-up roundtables and interviews with CAEs, academics, and other industry experts.

The survey presents 16 risk categories, shown below. Respondents are asked to choose the top 5 highest for risk level and the top 5 highest for internal audit time and effort – both for now and three years in the future. In reports, the categories are referenced by their shortened names.

For the Risk in Focus 2024 project worldwide, survey responses were received from 4,207 CAEs and directors in 111 countries/territories from February 15 to July 12, 2023. Eighteen roundtables were conducted with 152 participants, followed by 40 in-depth interviews.

Risk in Focus 2024 Risk Categories

Risk Topic	Risk Description Used in the Survey
Business continuity	Business continuity, operational resilience, crisis management, and disaster response
Climate change	Climate change, biodiversity, and environmental sustainability
Communications/reputation	Communications, reputation, and stakeholder relationships
Cybersecurity	Cybersecurity and data security
Digital disruption	Digital disruption, new technology, and AI
Financial liquidity	Financial, liquidity, and insolvency risks
Fraud	Fraud, bribery, and the criminal exploitation of disruption
Geopolitical uncertainty	Macroeconomic and geopolitical uncertainty
Governance/corporate reporting	Organizational governance and corporate reporting
Health and safety	Health, safety, and security
Human capital	Human capital, diversity, and talent management and retention
Market changes	Market changes/competition and customer behavior
Mergers and acquisitions	Mergers and acquisitions
Organizational culture	Organizational culture
Regulatory change	Change in laws and regulations
Supply chain and outsourcing	Supply chain, outsourcing, and 'nth' party risk



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KEY TAKEAWAYS FOR BOARDS

- 1. Cybersecurity: Boost cybersecurity maturity.** Rapid cloud deployment and weak regulations make it essential for boards to partner with internal auditors to help boost their organizations' IT and cybersecurity maturity.
- 2. Business continuity: Advocate for thorough business continuity.** The pandemic has shaken organizations out of complacency about business continuity planning, but boards can support internal auditors in keeping management focused on its strategic benefits.
- 3. Geopolitical uncertainty: Anticipate widespread impacts.** Boards and management can benefit from internal audit's help to plan for government changes that could alter economic policies or restrict economic activity.
- 4. Current risk ranking: Cybersecurity and business continuity were among the top 3 risk rankings in Latin America for 2024.** They are also in the top 3 globally (see Figures 1 and 2).
- 5. Future risk expectations: Over the next three years, CAEs expect climate change and digital disruption to be the fastest climbing risks.** This trend is expected in all regions worldwide (see Figure 2).

For more details about survey results and leading practices in the region, see [Latin America Risk in Focus 2024 – Hot Topics for Internal Auditors](#). For reports from other regions, see the [Risk in Focus resource page](#).



SURVEY RESULTS

How to use survey results

Key findings for Latin America are summarized, but readers are encouraged to review the graph that follows in detail to obtain further insights.

Percentages show how many chose an audit area as one of the five highest for risk level at their organization. Current risk levels are darker blue and future levels are lighter blue. For reporting purposes, countries and most territories in the Caribbean are included with Latin America.



Summary

Figure 1: Current risk levels vs. future risk levels – Latin America

- Cybersecurity stood out at the top of the risk landscape for Latin America for 2024.
- In the next 3 years, digital disruption and climate change are the risks expected to increase the most.

Figure 2: Expected risk change in three years – Global

- Digital disruption is expected to increase from 34% to 55% who see it as a top 5 risk.
- Climate change risk increases dramatically to fifth place, up from fourteenth place.

Latin America & Caribbean Survey Responses Per Country

Mexico	140
Colombia	121
Argentina	78
Brazil	69
Venezuela	67
Costa Rica	59
Nicaragua	54
Ecuador	52
Bolivia	43
Guatemala	38
Chile	35
Panama	31
Peru	31
Dominican Republic	27
Uruguay	27
El Salvador	25
Paraguay	21
Trinidad and Tobago	15
Honduras	13
Barbados	3
Jamaica	3
Aruba	1
Bahamas	1
Cayman Islands	1
Saint Kitts and Nevis	1
TOTAL	956



Figure 1: Current risk levels vs. future risk levels – Latin America

- Cybersecurity stood out at the top of the risk landscape for Latin America for 2024.
- In the next 3 years, digital disruption and climate change are the risks expected to increase the most.



What are the top 5 risks your organization currently faces?

What are the top 5 risks your organization will face 3 years from now?



Note: The IIA's Risk in Focus Global Survey, Latin America, n = 956. Percentage who ranked the area as one of their organization's top 5 highest risks.



Figure 2:

Expected risk change in 3 years – Global

Expected risk change

- Digital disruption is expected to increase from 34% to 55% who see it as a top 5 risk.
- Climate change risk increases dramatically to fifth place, up from fourteenth place.

What are the top 5 risks your organization currently faces?

What are the top 5 risks your organization will face 3 years from now?

1. Cybersecurity	73%	1. Cybersecurity	67%
2. Human capital	51%	2. Digital disruption	55%
3. Business continuity	47%	3. Human capital	46%
4. Regulatory change	39%	4. Business continuity	41%
5. Digital disruption	34%	5. Climate change	39%
6. Financial liquidity	32%	6. Regulatory change	39%
7. Market changes	32%	7. Geopolitical uncertainty	34%
8. Geopolitical uncertainty	30%	8. Market changes	33%
9. Governance/corporate reporting	27%	9. Supply chain and outsourcing	25%
10. Supply chain and outsourcing	26%	10. Financial liquidity	23%
11. Organizational culture	26%	11. Organizational culture	21%
12. Fraud	24%	12. Governance/corporate reporting	20%
13. Communications/reputation	21%	13. Fraud	20%
14. Climate change	19%	14. Communications/reputation	15%
15. Health and safety	11%	15. Health and safety	11%
16. Mergers and acquisitions	6%	16. Mergers and acquisitions	11%

Note: The IIA's Risk in Focus Global Survey, n = 4,207. Percentage who ranked the area as one of their organization's top 5 highest risks.



HOT TOPICS

CYBERSECURITY

Boost cybersecurity maturity

Internal auditors are helping boards improve awareness of a dynamic cybersecurity landscape and build effective relationships to combat the ever-growing threat. CAEs at the roundtable noted that while the use of cloud services has grown exponentially in the region, technical defenses, training, and regulatory frameworks have lagged.

For example, many organizations sign up to new cloud services with insufficient due diligence processes or monitoring controls in place. In addition, a bank CAE said while regulators in other regions had set minimum security requirements and created effective information-sharing networks, most of Latin America lacked such aid.

Boards have a critical role to play in supporting internal audit's efforts to

raise cybersecurity maturity in their organizations.

Where regional frameworks are absent, adopting alternative standards (such as NIST) is essential. At the roundtable on cybersecurity, a CAE at a financial services firm in Panama said he was pleased with using NIST to evaluate his organization's cybersecurity processes: "Our analysis showed where we stood on the maturity level compared to other businesses, what responses we needed to make to close the gaps, and provided a roadmap to get there."

New technologies, including AI, must be implemented safely, said Pamela Vago, CAE at Genneia, an energy company in Argentina. She builds relationships with business lines so that she can provide strategic advice on IT controls early in new project cycles. Regular training on new IT and cybersecurity is vital.

Boards can ask internal audit to review governance processes to ensure effective relationships extend across every region in which a business operates to boost their enterprise's overall cyber risk maturity levels.

"Internal audit can review governance processes to ensure effective relationships extend across every region in which a business operates."



HOT TOPICS

BUSINESS CONTINUITY

Advocate for thorough business continuity

Internal auditors are helping boards and management use business continuity as a strategic planning tool that is capable of rapid responses to existing and emerging risks, CAEs at the roundtable said. CAEs at the event said that the key to achieving operational resilience is to embed business continuity into every aspect of an organization's operations and to ensure that impact analyses and risk assessments are up to date.

When well-thought-out business continuity plans are in place, organizations are better prepared to respond to unexpected challenges. For example, when Panama closed its borders to certain imported goods, their exports were affected overnight. A CAE at a Costa Rican dairy producer, whose business was affected by the event, said management turned to internal audit to help the business scope out new manufacturing arrangements in Panama itself – and operations were resumed.

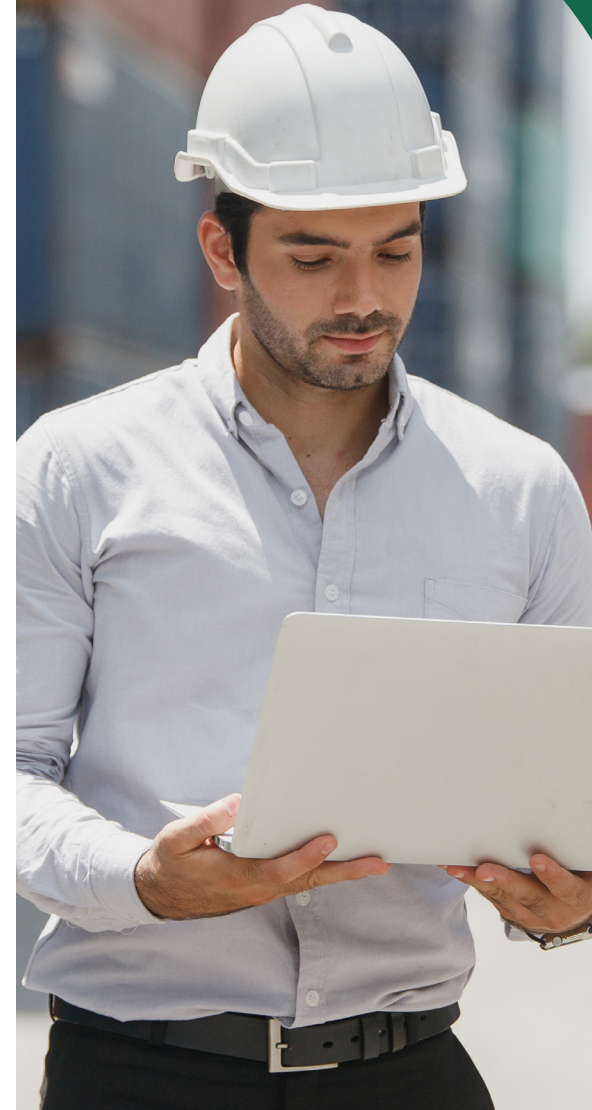
High-quality enterprise risk management (ERM) is foundational for all business continuity and operational resilience plans. “Effective business continuity has to be collaborative and has to be based on solid and sound ERM,” a CAE from a Peruvian mining company at the roundtable said. “I joke with the board that if I were to do only one audit a year, I would audit ERM.”

Boards can play a key role in helping internal auditors advocate for the need for thorough business continuity planning to maintain a strategic focus.

“In any business continuity plan, you need to have clear support from top management to ensure they buy into the project, otherwise you are only going to be dealing with things at an operational level,” said Fábio Pimpão, director of internal audit at Whirlpool Latin America.

Business continuity planning is particularly important in areas such as cybersecurity, where training and awareness must be continually renewed. Internal audit can help facilitate training and also benefit from attending the sessions too.

“Effective business continuity has to be collaborative and has to be based on solid and sound ERM.”



HOT TOPICS

GEOPOLITICAL UNCERTAINTY

Plan for widespread impact of change

Leading internal audit functions are working with boards, audit committees, and management to make sense of and strategically react to geopolitical uncertainty in many Latin American countries. Some countries in the region may experience government changes that alter economic policies or restrict economic activity. CAEs can help boards prepare for political changes that could put their business at risk.

“Internal auditors must be well-informed about political changes, or changes to laws and regulations,” said Francisco Ramón Aráuz Rodríguez, president of Fundación Latinoamericana de Auditores Internos (FLAI). “CAEs must be able to alert their organizations in a timely manner, evaluating and determining the impact of such events and rules.”

The goal is for the CAE to work in partnership with the audit committee to discuss how political and

macroeconomic events could impact the business and plan accordingly, he said. In addition, CAEs should proactively monitor emerging risks and their impacts on customers and supply chains and assess how they interact.

“Politics, the environment, trade barriers, macroeconomic risks – you need to combine these threats and have a holistic view so that you can advise management how they should act,” said Fábio Pimpão, director of internal audit at Whirlpool Latin America.

In particular, CAEs should create scenarios and simulations to better understand the inter-relationships between the risks and have a plan in place before crisis comes.

Such scenarios can provide CAEs with potential strategic and operational audit themes, as well as aid in identifying areas where insurance is needed, opportunities for governance

“In the end, what is going to break a company is not the P&L account, not its results or reporting failures – it is going to be cash flow.”

improvements across the enterprise, and ways to ensure the business does not run out of money if a crunch comes. Pimpão explained, “In the end, what is going to break a company is not the P&L account, not its results or reporting failures – it is going to be cash flow,” adding, “Scenarios of emerging risk can help determine when internal audit needs to focus on cash management, for instance, to give some strategic recommendations that aid corporate decision making to avert disaster.”



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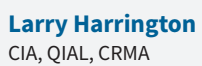
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The Institute of Internal Auditors (IIA) is a nonprofit international professional association that serves more than 235,000 global members and has awarded more than 190,000 Certified Internal Auditor (CIA) certifications worldwide. Established in 1941, The IIA is recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance. For more information, visit theiia.org.

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The Internal Audit Foundation provides insight to internal audit practitioners and their stakeholders, promoting and advancing the value of the internal audit profession globally. Through the Academic Fund, the Foundation supports the future of the profession through grants to support internal audit education at institutions of higher education. For more information, visit theiia.org/Foundation.

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