2025 RISK IN FOCUS

Hot topics for internal auditors

GLOBAL SUMMARY

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Internal Audit FOUNDATION

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)
- Asian Confederation of Institutes of Internal Auditors (ACIIA)
- 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.

Internal Audit FOUNDATION

Visit the Risk in Focus Knowledge Center to download free reports and summary presentations to share with stakeholders.

RESEARCH PARTICIPATION WORLDWIDE

124 countries/territories

3,544 survey responses

18 roundtables with **138** participants

27 in-depth interviews

CONTENTS

EXECUTIVE SUMMARY

The risks of the future

Risk in Focus 2025 reveals that climate change and digital disruption, including artificial intelligence (AI), are expected to be the fastest-growing risks in the next three years, according to survey responses from more than 3,500 internal auditors around the world.

None of the other 14 risk areas are expected to see such dramatic changes. At the same time, internal audit leaders say cybersecurity, business continuity, and human capital continue to hold the top three spots in risk rankings.

The Risk in Focus Global Summary report this year concentrates on how internal auditors are responding to the present and future impacts of climate change and digital disruption. During Risk in Focus roundtables around the world, several important insights emerged.

Risk drivers identified

In general, organizations decide how to respond to emerging risks by considering six broad risk drivers: regulations, financial impact, business opportunity, politics, public opinion, and social impact.

Climate change expectations

The steep climb expected for climate change risk is fueled by a combination of risk drivers.

- Sustainability reporting and regulatory compliance are often the main focus of climate change risk management.
- Extreme weather is on the rise and driving higher costs for businesses and governments.
- Social impact and public opinion are starting to push more businesses and governments to develop climate change responses.
- For a variety of reasons, climate change risk ratings are significantly lower in the United States than in other regions.

REGIONAL REPORTS

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

EXECUTIVE SUMMARY

AI challenges

Adoption of artificial intelligence (AI) tools is expanding rapidly; however, the benefits come with significant challenges.

- AI is increasing cybersecurity and fraud risks around the world.
- Businesses feel pressure to adopt new technology to keep up with competition, but regulations and controls may lag behind.
- Generative AI has widened existing technology gaps in regions where technology infrastructure is less developed.
- Internal audit must develop new skills or use outsourcing and cosourcing to provide assurance for new technologies.

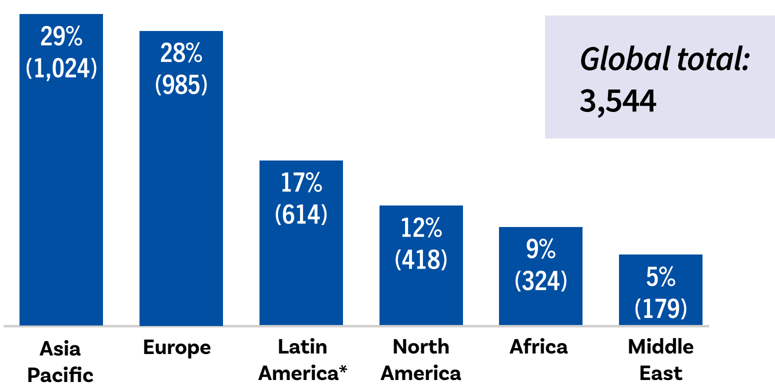
As these complex, interrelated risks continue to accelerate, organizations must be flexible and resilient enough to manage emerging risk, keep pace with the competition, and maintain a clear strategy for short-term success and long-term sustainability.

BOARD BRIEFINGS

Download a Board Briefing summary for each report (key findings to share with stakeholders)

theiia.org/RiskInFocus

Global – Survey Responses per Region



*Caribbean countries that speak English or Dutch are included with North America; these are Trinidad and Tobago, Jamaica, Bahamas, and Barbados. Caribbean countries that speak Spanish are included with Latin America.

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.

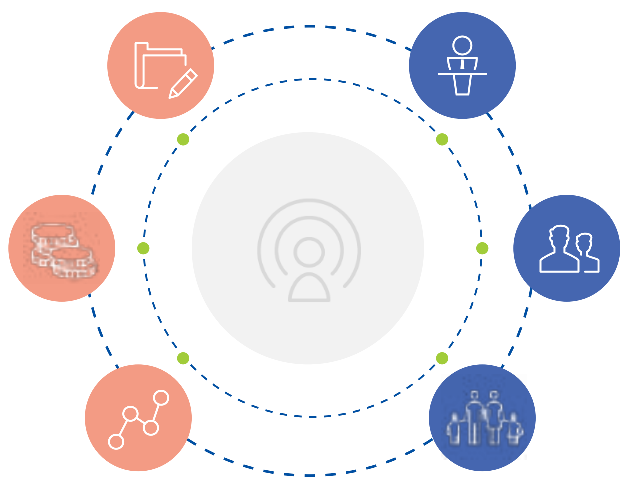
During Risk in Focus roundtables and interviews, these risk drivers were evident in how organizations worldwide approach climate change and digital disruption (including AI). Awareness of these risk drivers can help internal audit leaders and their stakeholders with short-term and long-term strategic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

Direct pressure — Indirect pressure

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.

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

GLOBAL – RISK TRENDS

Cybersecurity, business continuity, and human capital continue to hold the top three spots in risk rankings. In the next three years, digital disruption is expected to increase 20 percentage points to rank second. At the same time, climate change is expected to increase 16 percentage points to be ranked fifth. None of the other 14 risk areas are expected to see such dramatic changes in ranking or percentages.

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.

REGIONAL ANALYSIS

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.

Analysis

Across almost all regions, the four risks at the top were the same. However, each region also had some risks with higher-than-average ratings:

- **Africa** – fraud (+18), financial liquidity (+11)
- **Asia Pacific** – market changes/competition (+17)
- **Europe** – cybersecurity (+10), geopolitical uncertainty (+9), regulatory change (+8)
- **Latin America** – geopolitical uncertainty (+7), regulatory change (+7)
- **Middle East** – governance/corporate reporting (+16)
- **North America** – cybersecurity (+15), regulatory change (+9), market changes/competition (+9)

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: Audit priority results show the percentage of respondents who ranked a risk as one of the five where they spend the most time and effort. Audit priority results do not show the percentage of the audit plan devoted to the risk or whether the risk is on the audit plan.
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.

Analysis

There is broad consensus about the six areas where internal audit spends the most time and effort. However, each region had one audit area where priority was notably lower than average. The lower audit priority areas for each region were:

- **Africa** – regulatory change (-7)
- **Asia Pacific** – financial liquidity (-15)
- **Europe** – fraud (-5)
- **Latin America** – governance/ corporate reporting (-10)
- **Middle East** – regulatory change (-11)
- **North America** – fraud (-12)

HOT TOPIC – CLIMATE CHANGE

Regulatory compliance is the primary assurance driver

The effects of climate change are more evident with each passing year. Yet even as extreme weather events appear to be growing in intensity and frequency, they are not driving changes to audit plans.

CAEs around the globe said risk management in this area is focused primarily on compliance with long-term sustainability efforts, related regulatory reporting, and reputational risks relating to greenwashing. This reality is reflected in regional breakdowns of risk ranking and audit effort. This means climate change risk rankings and audit priority vary depending on regional levels of regulation. For example, the European Union's Corporate Sustainability Reporting Directive (CSRD) is driving higher risk ranking and audit effort on climate change, with 20% of European CAEs rating it as a top five risk area, compared to 12% globally.

"In Italy, it's not because companies consider [the risk] really high. It's simply because it's a compliance issue," said one CAE at a global Risk in Focus roundtable.

Conversely, in the United States and Middle East, where regulations over climate are rarer, climate change risks are rated significantly lower than other world regions. (See the graph on page 13.) One U.S. audit leader from a major professional services organization described current conditions as simply a matter of priorities. "[Climate change] becomes victim to the prioritization and the tyranny of the urgent within most organizations," he said. Another U.S. internal audit leader summarized the view of colleagues this way, "You know the compliance aspect of regulation is what drives the auditor to put it on the risk register and audit it. Without that, you're not going to have a lot of support for it."

Climate Change
Global Survey Results

23%
Say it is a top 5 risk now

39%
Expect it to be a top 5 risk in 3 years

CLIMATE CHANGE

Politicization

The politicization of climate change is playing an outsized role in slowing climate change regulation in the U.S., leading to lower engagement for internal audit. The same U.S. roundtable audit leader summed it up this way: "I worked for an organization before this where I was softly prohibited from talking about climate change. I had to bring it up in other ways. So, it's real, and unfortunately that is the state of climate risk in the United States."

The U.S. Securities and Exchange Commission (SEC) released climate disclosure regulations in March 2024 that require publicly traded companies on U.S. exchanges to report robust climate-related data for investor consideration. However, a strong backlash against the regulation forced the SEC to delay enforcement of the new rules until several lawsuits are resolved.

The resistance to regulation is clear in the stark difference between how climate change is ranked in the U.S. versus Canada and Europe. Fewer than one in 10 U.S. CAEs (9%) rank climate change as a top five risk, compared with three in 10 from Canada (30%). Canada's ratings on climate risk are closely aligned to Europe's (33%).

Change anticipated

All regions expect climate change risks to increase dramatically in the next three years, as shown in the graph on the next page. The orange bars show the difference between current risk and risk expected in three years. The largest changes are expected for Asia Pacific (21%) and Middle East (20%). The smallest changes are expected for Europe (12%) and Latin America (11%).

Climate Change Risk Drivers

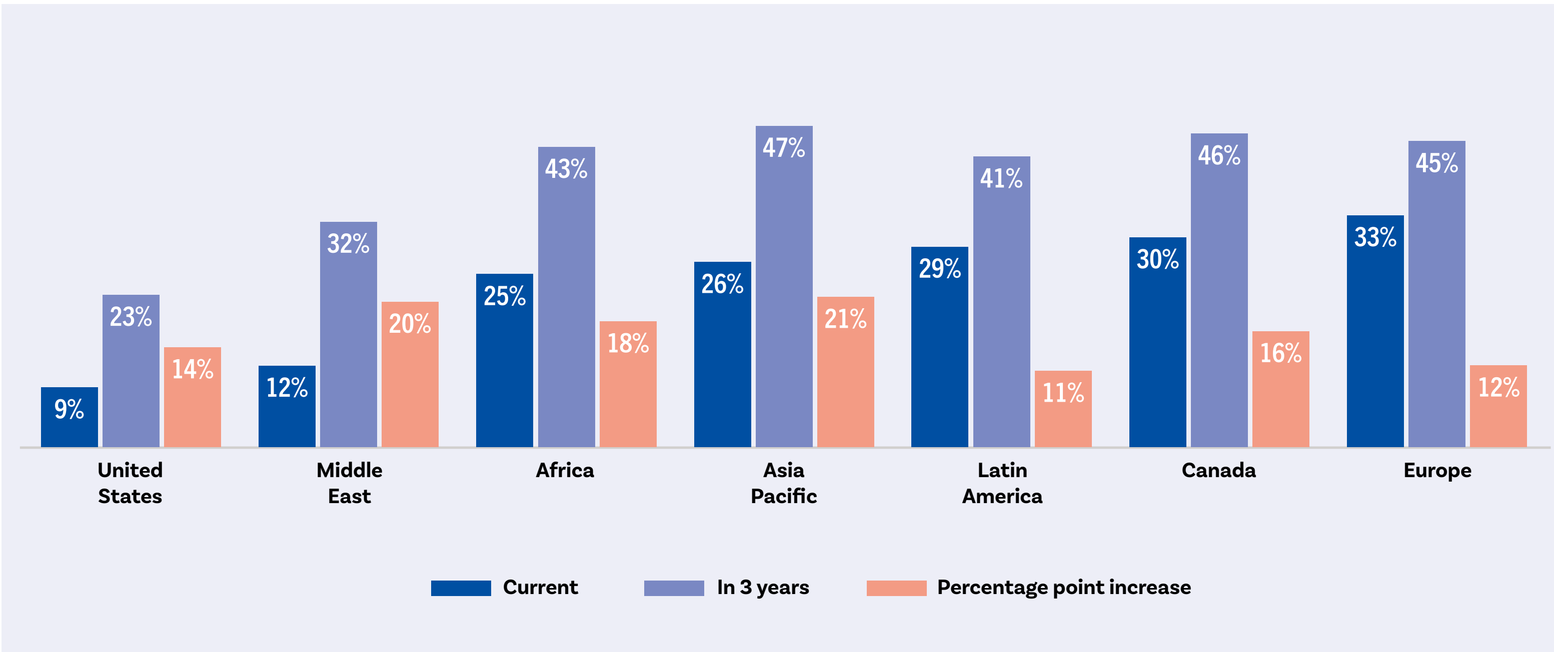
- **Regulations** – Sustainability reporting and financing rules
- **Financial impact** – Cost of extreme weather
- **Business opportunity** – "Green" business advantage
- **Politics** – Large differences per country
- **Public opinion** – Pressure related to sustainability
- **Social impact** – People and infrastructure impacted by extreme weather

CLIMATE CHANGE

The United States and Middle East currently rate climate change risks significantly lower than other regions. All regions expect climate change risks to increase in the next three years, with Middle East, Africa, and Asia Pacific increasing the most. Canada's results are most similar to Europe's.

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

Business continuity and social impact

Despite the primary focus on regulatory compliance, internal audit leaders acknowledge the more physical impacts of climate change. In Latin America, hurricanes, floods, drought, and extreme heat are disrupting business operations and supply chains — even slowing down transportation through the Panama Canal.

In Africa, the social impacts of extreme weather include food and water scarcity, disease outbreaks, and loss of infrastructure and housing, said Ruth Doreen Mutebe, head of internal audit at Umeme Ltd., and chair of the African Federation of Institutes of Internal Auditing.

"Those are significant instances that are very disastrous and that are destroying infrastructure," she said. "It is taking lives of people. It is pushing people into refugee camps. It is building up many of the displacement camps, and literally people are basically depending on aid to be able to carry on."

Public sector auditors in all regions say their organizations are especially vulnerable to extreme weather and must find funding to prepare and respond.

CLIMATE CHANGE – KEY POINTS

Risk in Focus Roundtable Insights

Compliance-focused Audit Effort

- Where sustainability regulations are in place, internal audit effort for climate change is higher.
- European regulation on climate is driving higher audit effort, with 20% of CAEs rating it as a top five area, compared to 12% globally.
- Greenwashing is a growing fraud risk in places where regulatory requirements are in place and/or customers seek “green” businesses or investments.
- The politicization of climate change in the U.S. has resulted in fewer regulations and lower engagement for internal audit.

Business Continuity and Social Impact

- In Latin America, hurricanes, floods, drought, and extreme heat are disrupting business operations and supply chains — even slowing down transportation through the Panama Canal.
- In Africa, the social impacts of extreme weather include food and water scarcity, disease outbreaks, and loss of infrastructure and housing.
- The public sector in all regions is especially vulnerable to extreme weather and must find funding to prepare and respond.

HOT TOPIC – DIGITAL DISRUPTION

AI creates opportunities and risks

For most of the twenty-first century, digital disruption has been a growing and dynamic risk area, and the introduction of user-friendly, zero-cost generative AI tools in 2022 only added to its vexing complexity.

Modern business strategies must balance opportunity created by innovative technologies with their impacts on cybersecurity risk, data governance, and regulations on data privacy. Yet incorporating AI into business operations is considered vital to efficiency, productivity, and competitiveness.

Internal audit leaders are keenly aware of this delicate balancing act within their organizations and their own audit functions. Digital disruption (including AI) is rapidly rising to become one of the top risks globally, and its impacts are widely recognized. During Risk in Focus roundtables on this topic, the level of urgency to understand and to adopt AI was palpable among audit leaders.

They identified competitive pressure, operational strain, implementation considerations, and compliance questions as significant issues when dealing with digital disruption and AI risk. They also see interconnected risks associated with cybersecurity, fraud, organizational culture, and more. (See the graph on the next page.) What's more, they identified integration of new technologies, digital illiteracy, and the disparate availability of internet access in different parts of the world as significant challenges.

"On the one hand, we have to manage this risk on the positive side for all our companies. We are seeing companies become digital," said one CAE at the Latin America roundtable. "But at the same time, it aggravates cybersecurity risks, risk of fraud, especially with database issues, theft that can even impact the privacy of our clients."

Cybersecurity was viewed by far as the most vulnerable risk area related to AI, with 75% of CAEs rating it at the top, followed by human capital and fraud. (See the graph on the next page.)

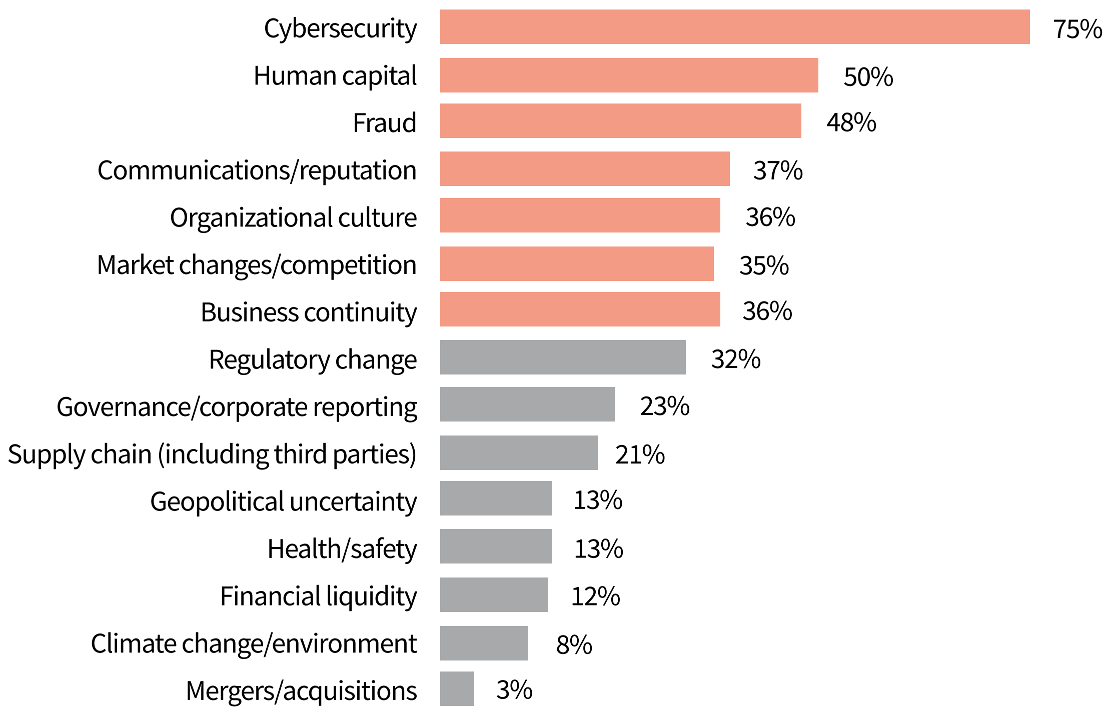
Digital Disruption
Global Survey Results

39%
Say it is a top 5 risk now

59%
Expect it to be a top 5 risk in 3 years

Global Summary – 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 and the European Institutes Research Group. *n*=3,544.

DIGITAL DISRUPTION

Elusive governance

A key theme from Risk in Focus roundtables is the general immaturity of AI governance. The need for controls associated with digital transformation, such as effective data security, data compliance, patch management, and software security, are generally accepted by the board and executive leadership. However, the zeal to keep pace with the opportunities created by generative AI is driving rapid adoption, sometimes without sufficient consideration for supporting governance and controls. Strategies or policies for using and managing AI are inconsistent, uncoordinated or, in many cases, nonexistent.

Audit leaders agreed that sound governance is critical, and internal audit must play a role in educating board and executive leadership about data quality, data privacy, and ethical guidelines related to AI.

One North American audit leader expressed the general concern and frustration about the push to incorporate AI as quickly as possible. "What's the appropriate governance model around this? How do we make sure we know who's using it? How do we know how they're using it, and do we know what's happening to our data? If the data is leaving our walls, we could have privacy issues. We could have regulatory issues," she said. "The primary focus has been, 'Let's try to get some governance around it while not slowing the bus.' We've been trying to work that fine line with other folks within risk and compliance."

Digital Disruption Risk Drivers

- **Regulations** – Compliance now and in the future
- **Business opportunity** – High risk of missed opportunities
- **Financial impact** – Fraud/cyber risk and implementation costs
- **Politics** – Government priorities and guidance
- **Public opinion** – Market and stakeholder demand
- **Social impact** – Ethical concerns

DIGITAL DISRUPTION

Adopt and adapt

Rapid incorporation of new technology into business models is common in the Asia Pacific region and Middle East, where it is seen as key to remaining competitive. In addition, nearly all Asia Pacific countries are taking proactive steps to drive national digital masterplans, according to the World Economic Forum.[1] Spending on the creation of new operating models and AI-powered products, services, and experiences is a particular area of focus.

Meanwhile, businesses in the Middle East are at the forefront of the digital revolution, with anticipated annual compound growth in technology investment of 37%.[2] In fact, digitalization is of strategic importance to the region if economies are to become less dependent on traditional oil and gas revenues. Yet the very speed at which emerging technologies are developing is creating some key risks — not least financially. "Some of the technology that we are investing in does not exist today at a scalable level, so we have to invest money upfront," a CAE from a Middle East technology start-up said at a Risk in Focus roundtable. That has made it difficult to calculate the potential return on investment for untested technologies that aim to take advantage of new market trends and revenue streams.

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 — but the speed to market comes with increased risks. What's more, audit leaders lament that related regulations have not kept pace with changes in business models and practices.

Concern over lack of regulation also was seen in Latin America, where established companies in more heavily regulated industries, particularly financial services, compete with digital upstarts saddled with little or no regulation. "How do you compete with deregulated ones? That is another issue that has to do with digital transformation," said one financial services audit leader. "Fintechs or neobanks, which is the new trend, still do not have clear rules of the game."

Businesses have used technology to slash product development times, streamline production capabilities, and cut costs.

1. "How accelerating AI is the foundation for industry intelligence in Asia-Pacific," World Economic Forum, https://www.weforum.org/agenda/2023/10/ai-industry-intelligence-asia-pacific/
2. "Annual Spending on AI in the Middle East, Türkiye, and Africa Set to Reach $7.2 Billion by 2026," IDC, https://www.idc.com/getdoc.jsp?containerId=prMETA52130124

Chasing technology

In developing parts of the world, AI and the unrelenting advance of technology poses a different and equally frustrating challenge. Many businesses in Latin America and Africa don't have sophisticated technology infrastructure, so the challenge of digital disruption is more than simply updating existing technology. A major hurdle for many is the cost of digital transformation for businesses with little or no reliance on digital technology.

"I think about my organization and also many companies in Brazil. I'm not talking about multinationals that invoice billions," said one Latin America roundtable participant. "Today, most companies do not bill that much and do not have a highly developed IT department. My company is changing the path of being more digital and the cost is very high."

Similar laments were expressed by African internal audit leaders who fear the cost and speed of matching digital transformation may be out of reach for many. One African CAE described it as "chasing technology." Some areas have embraced digital advancement aggressively, as seen in the expanded access to mobile technology and the related growth in e-commerce and digital banking. Other areas are held back by limited access to reliable electric service and internet access, or high costs. For example, the cost of technology and machinery in Sub-Saharan Africa is 35 to 39 percent more expensive in absolute terms than in the United States, according to a World Bank report.[3]

But not keeping up is not an option. One Latin American CAE urged her colleagues to embrace digital disruption as much as possible. "Yes, digital disruption generates more risks, but thanks to this disruption and the tools it offers, what we actually have is the opportunity for safer environments," she said. "As we learn these technologies and how to implement them safely, at the end of the day, it not only presents us with an opportunity for efficiency, but also for greater security in our processes."

An African internal audit leader warned that failing to keep pace and embrace technology is not an acceptable option. "If we are not prepared for the AI revolution, then obviously we'll be walked over," he said. "And soon AI will cease to become the harnessed dog, but rather become the wild lion in our communities."

Using AI for internal audit

A critical step to achieving effective assurance and advisory services over AI will be for internal audit to embrace the technology within its own processes. Indeed, one internal audit leader warned that failing to adopt AI could prove disastrous. "I'm more worried about [internal audit's] use of AI and our ability to audit AI risks," said Richard Chambers, senior audit advisor at AuditBoard. "I'm worried that our lack of expertise leaves our organizations vulnerable." He encourages practitioners to learn AI through hands-on experience. "You have to be willing to get your hands dirty."

3. Cruz, Marcio, ed. 2024. "Digital Opportunities in African Businesses." Overview booklet. World Bank, Washington, DC. License: Creative Commons Attribution CC BY 3.0 IGO, https://www.ifc.org/en/insights-reports/2024/digital-opportunities-in-african-businesses

DIGITAL DISRUPTION – KEY POINTS

Risk in Focus Roundtable Insights

Embracing Technology

- CAEs in all regions recognize AI's potential to increase cybersecurity, fraud and human capital risks.
- Organizations need to develop guidelines for data quality, data privacy, and ethical use of AI.
- Internal audit should help the organization understand its control environment, while avoiding becoming a roadblock.

The Tech Dilemma

- For internal auditors in developing regions, the introduction of generative AI tools widened an existing technology gap.
- The cost of new technology in developing countries is higher than other areas, and internet access may be lacking.
- There is growing concern that technology's unyielding acceleration makes catching up extremely difficult for some.

CONCLUSION

Internal audit as a strategic advisor

The demands on organizations to effectively manage myriad risks become greater and more complex with each passing day. As integral players in effective risk management, internal auditors not only must keep pace with evolving risks, but also help their organizations anticipate and harness them.

Cybersecurity, business continuity, and human capital will remain top risks and audit priorities for the foreseeable future, but internal auditors must help their organizations see beyond the present and prepare for future risks. Digital disruption (including AI) and climate change are ratcheting up pressure on organizations to be flexible and resilient enough to manage emerging risk, keep pace with the competition, and maintain a clear strategy for short-term success and long-term growth.

The robust analysis offered by the Risk in Focus 2025 reports bring into sharp relief the need for internal auditors to take their place as strategic advisors within their organizations by:

- Understanding the most significant risk drivers within their organizations and industries.
- Keeping boards and executive management abreast of technology, business, social, climate, and political trends and developments.
- Demonstrating clearly how the risk environment impacts organizational strategy.
- Supporting AI governance in the organization and leveraging AI for internal audit processes.

There is little argument that risks facing organizations will only become more complex and interrelated in the future. Internal auditors will continue to add value as objective and independent sources of effective assurance and advisory services for their stakeholders.

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