

# Risk in Focus 2025

## Global Summary – Board Briefing

Know your risks. Plan strategically.



**GLOBAL SUMMARY**



# About Global Risk in Focus

## Know your risks. Plan strategically.

01

Practical, data-driven research to help internal auditors and their stakeholders understand today's risk environment and update their audit plans.

02

Survey results, regional roundtables, and interviews reveal key insights from internal audit leaders worldwide.

03

Partnership between the Internal Audit Foundation and European Institutes Research Group (EIRG).



# Today's Global Risk Landscape

Around the corner and  
around the world.



**Risk in Focus** is a worldwide collaborative partnership facilitated by the Internal Audit Foundation. It 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.

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## GLOBAL SUMMARY



# Summary

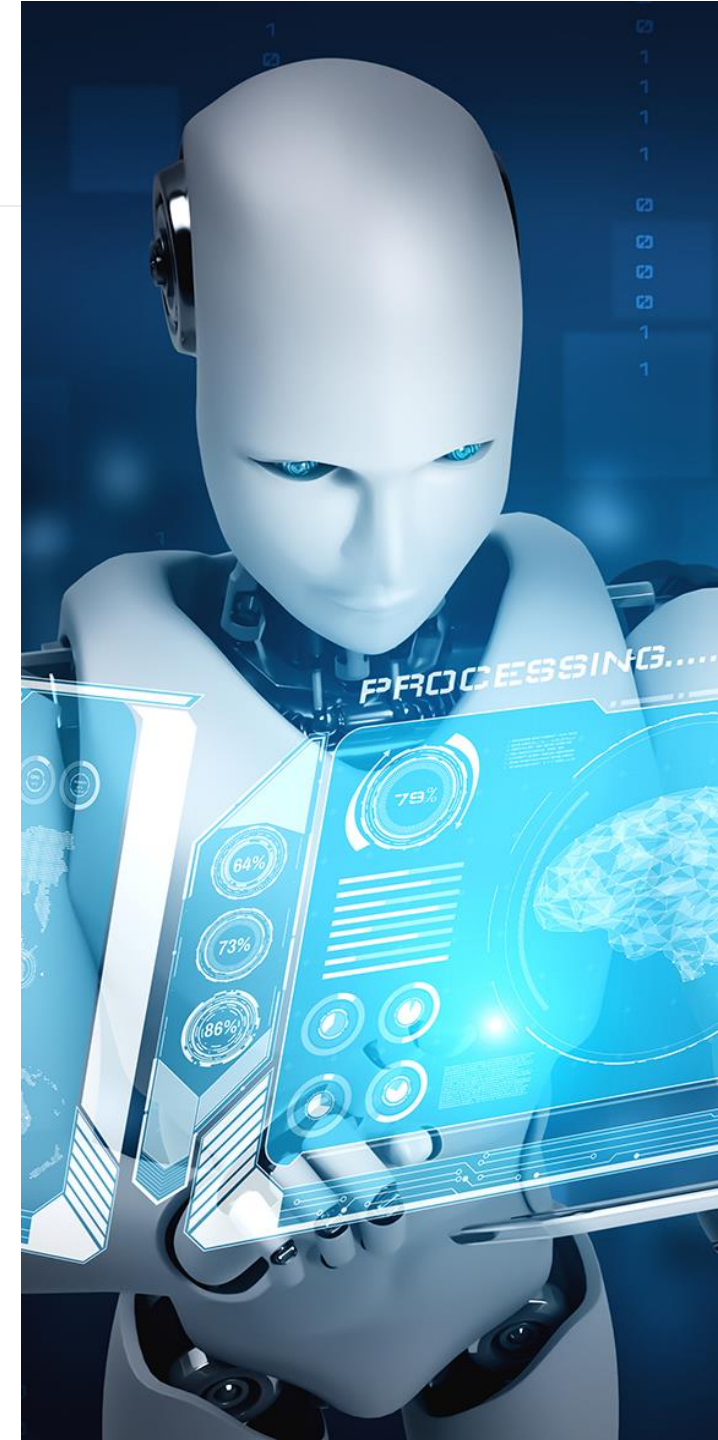
# Global Summary

- Fastest growing risks in next 3 years
  - **Digital disruption** (including AI)
    - Expected to rank second in 3 years
  - **Climate change**
    - Expected to rank fifth in 3 years
- None of the other risks are expected to have such large increases
- This trend is expected by internal auditors in each region and worldwide



# Global Summary, Continued

- Ongoing high risks worldwide
  - Cybersecurity
  - Business continuity
  - Human capital
- Roundtable discussions provide insight into risk drivers and leading practices for climate change and digital disruption



# Survey Demographics





# Research Methodology

## Global participation



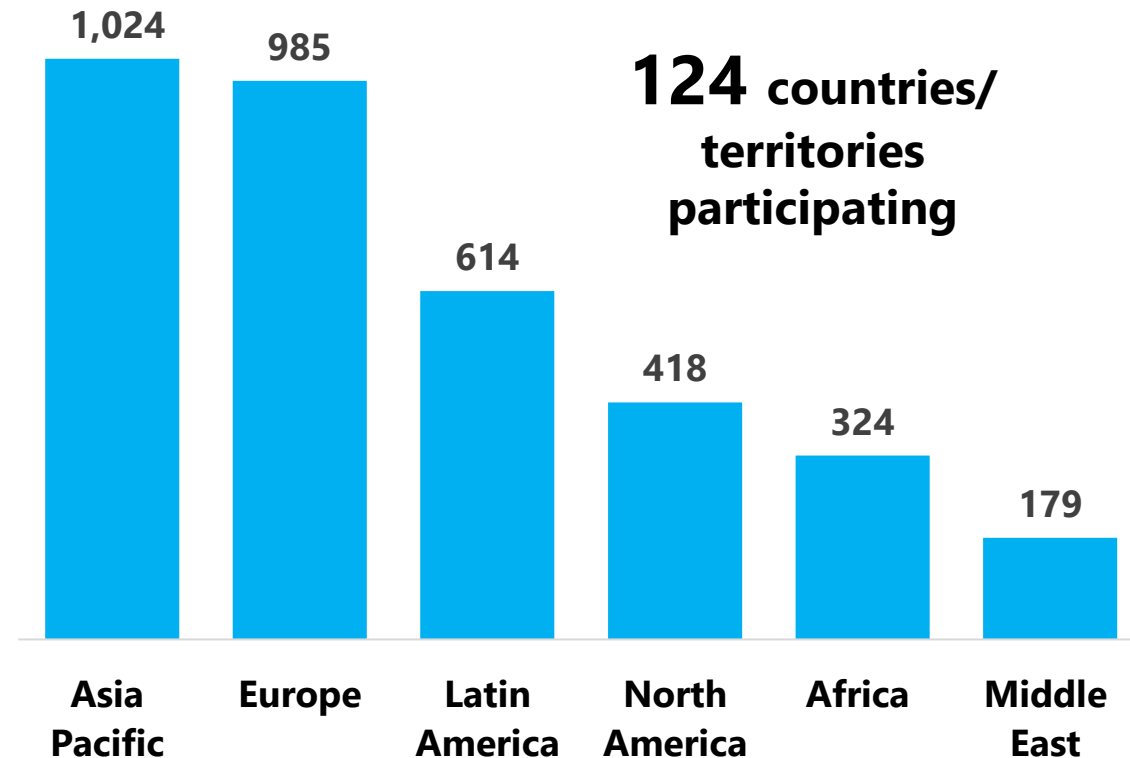
### Research Phases

Global survey of CAEs and Directors:  
4 March to 20 May 2024

18 roundtables with 138 participants: May 2024

27 in-depth interviews with internal audit experts: June 2024

Survey response total: 3,544



# Survey Approach

16 risk areas were explored



## Survey Questions

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



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

# Risk Trends



# Global Risk Trends

## What are the top 5 risks your organization faces?

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	<b>Digital disruption (including AI) 59%</b>
3	Business continuity 47%	3	Human capital 49%	3	Business continuity 47%
4	Regulatory change 39%	4	<b>Digital disruption (including AI) 39%</b>	4	Human capital 42%
5	<b>Digital disruption (including AI) 34%</b>	5	Regulatory change 38%	5	<b>Climate change/environment 39%</b>
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	<b>Climate change/environment 23%</b>	13	Organizational culture 20%
14	<b>Climate change/environment 19%</b>	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%

# Global Risk Trends Analysis

## Cybersecurity, business continuity, and human capital remain high

- Digital disruption (including AI) and climate change are expected to increase most
- Digital disruption (including AI)
  - Currently ranked fourth (39%)
  - In 3 years, expected to be ranked second (59%)
- Climate change/environment
  - Currently ranked thirteenth (23%)
  - In 3 years, expected to be ranked fifth (39%)
- None of the other 14 risks studied are expected to see such dramatic changes

# Current Risk Levels



# Global Risk Levels – Region Comparisons

What are the top 5 risks your organization faces?



## Analysis

There is broad consensus worldwide about the 4 highest risk areas. However, each region also has some unique areas of concern.

5 highest risk areas per industry >>

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%

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

# Global Risk Level Analysis

## General consensus about highest risks

- Highest risk areas globally
  - Cybersecurity
  - Business continuity
  - Human capital
  - Digital disruption (including AI)
- Regional concerns
  - **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



# Emerging Risk Drivers



# Risk Drivers for Emerging Risks

Factors that influence risk levels at organizations (private sector and public sector)

## Regulations

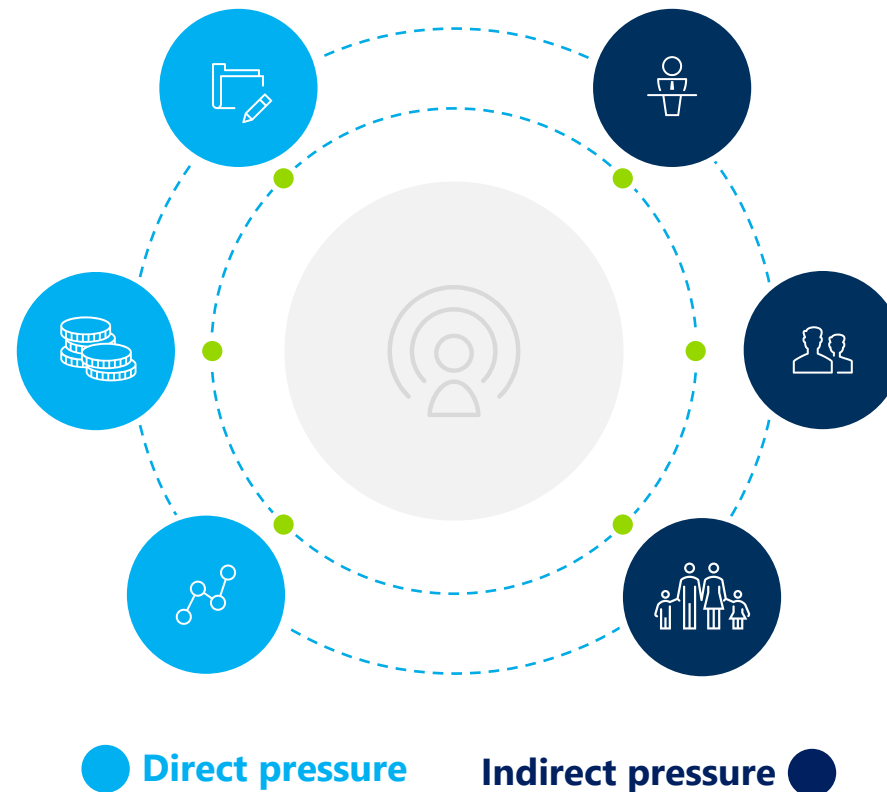
Specific regulations and consequences for noncompliance

## 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

# Risk Drivers for Emerging Risks

## Understanding direct and indirect influences

- **Direct influence**
    - Regulations
    - Financial impact
    - Business opportunity
  - **Indirect influence**
    - Politics
    - Public opinion
    - Social impact
- **Example: Climate change**
    - **Direct influences:** regulations and financial impact of extreme weather
    - **Indirect influences:** politics, public opinion, social impact of extreme weather

# Audit Priorities



# Global Audit Priorities – Region Comparisons

What are the top 5 areas where internal audit spends the most time and effort?



## Analysis

69% say cybersecurity is one of the five areas where internal audit spends the most time and effort.

Other top priority areas are governance/corporate reporting (56% of respondents) and business continuity (55% of respondents).

5 highest audit priorities per region

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 and 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%

# Global Audit Priority Analysis

## Overall consistency with small differences per region

- Areas of high audit priority globally are:
  - **Cybersecurity** (69% of respondents)
  - **Governance/corporate reporting** (56% of respondents)
  - **Business continuity** (55% of respondents)
- Comparatively low priority areas per region:
  - **Africa** – regulatory change
  - **Asia Pacific** – financial liquidity
  - **Latin America** – governance/corporate reporting
  - **Europe** – fraud
  - **Middle East** – regulatory change
  - **North America** – fraud

# Balancing Audit Priority and Risk

## Understanding audit priority survey results

- Audit priority data reflects the percentage who ranked a risk as one of the five where internal audit spends the most time and effort.
- Audit priority is contingent on how much action is possible for the organization and/or internal audit 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.
- Audit effort related to geopolitical uncertainty may be incorporated in related areas, such as business continuity, supply chain, etc.

# **Digital Disruption (including AI)**





# Digital Disruption (Including AI) Perspectives

Artificial intelligence (AI) connects to many risk areas

01

The top risks negatively impacted by AI worldwide are cybersecurity, human capital, and fraud.

02

Organizations feel the need to adopt AI to keep pace with competition. As AI is implemented, internal audit provides advisory services to set up processes and controls. After these are in place, internal audit provides assurance.

03

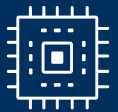
Some internal audit functions are finding ways to test AI and integrate it into internal audit processes. This helps internal audit build AI knowledge needed to provide assurance for their organizations.

## Areas with Highest Levels of Risk Related to Artificial Intelligence



# Chasing Technology

Organizations are forced to consider new technology (such as AI) or get left behind



## Digital Disruption Risk Drivers

1. **Business opportunity** – High risk of missed opportunities
2. **Financial impact** – Comparing cost vs. benefit
3. **Public opinion** – Market and stakeholder demand
4. **Social impact** – Ethical concerns
5. **Regulations** – Compliance now and in the future

## Embracing Technology

CAEs recognize AI risks, need to adopt

- CAEs in all regions recognize AI's potential to increase cybersecurity, fraud, and human capital risks.
- Internal audit leaders recognize the need for governance and transparency as key to effective use of AI and other digitally disruptive technologies.
- Organizations need support for data quality, data privacy, and ethical guidelines for AI.
- Internal audit should be proactive in helping the organization understand the control environment, while avoiding becoming a roadblock.

01.

## The Tech Dilemma

Extra challenges for developing regions

- For internal auditors in developing regions, the introduction of ChatGPT and other generative AI models 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.

02.

# Climate Change



# Climate Change Perspectives

Climate change risks are expected to rise in all regions in the next 3 years

01

United States and Middle East currently rate climate change risks significantly lower than other regions.

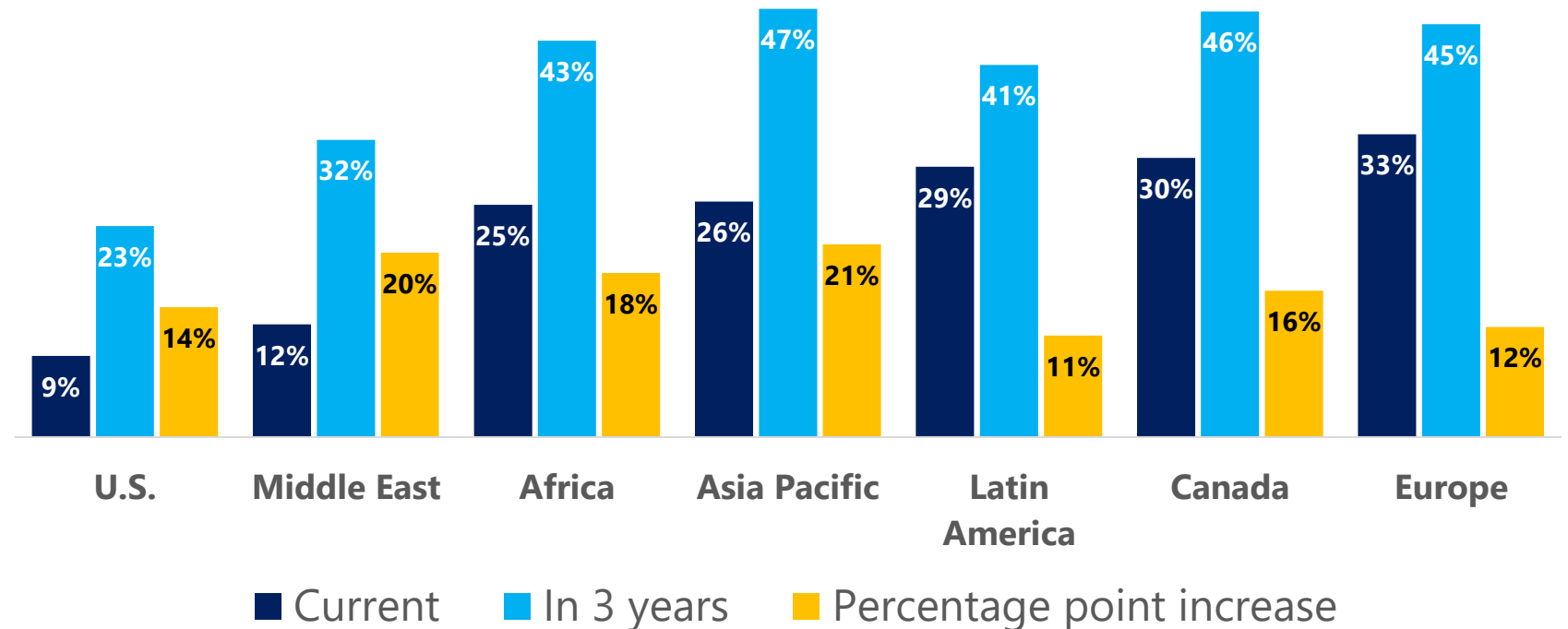
02

All regions expect climate change risks to increase in the next 3 years, with Middle East, Africa, and Asia Pacific increasing the most.

03

Canada's views on climate risk are closely aligned to Europe's.

## Climate Change as a Top 5 Risk



# Climate Risk Beyond Compliance

Regulations are a strong driver, followed by impacts from extreme weather



## Climate Risk Drivers

1. **Regulatory** – Sustainability reporting and financing
2. **Financial** – Cost of extreme weather
3. **Social** – People/infrastructure impacted by extreme weather
4. **Public opinion** – Pressure related to sustainability
5. **Political opinion** – Large differences per country
6. **Business** – “Green” business advantage

## Sustainability regulations

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 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.

## Extreme weather

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.

# Conclusion

# Global Summary Conclusion

- Digital disruption and climate change risks are the fastest-growing risks in the next 3 years
- See beyond the present and prepare for the future
  - Understand organizational risk drivers
  - Inform boards about trends in technology, climate, regulations, and politics
  - Connect risk to strategy
  - Support AI governance development



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# 2025

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