

2024

RISK IN FOCUS

Board Briefing

NORTH AMERICA

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Internal Audit
FOUNDATION

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.

Each of The IIA's six regions will receive two reports:

- **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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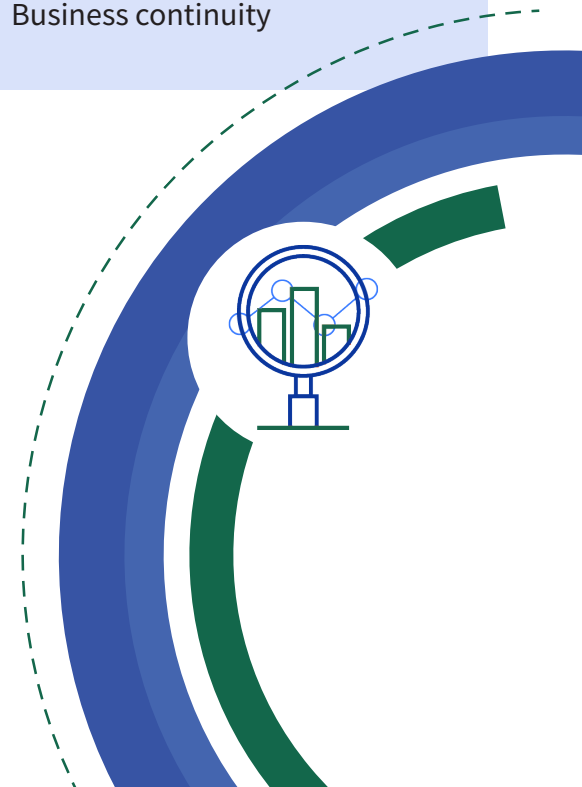
Methodology

Key takeaways for boards

Hot topics:

- Cybersecurity
- Human capital
- Market changes
- Business continuity

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EXECUTIVE SUMMARY – NORTH AMERICA

Responding to rapid change with collaboration

North American organizations are seeking to get ahead of rapidly changing risks through greater collaboration with stakeholders both within and beyond their businesses. The key to that response has been to build relationships across the three lines, with boards and CAEs working together to make those connections effective.

North America Risk in Focus 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?

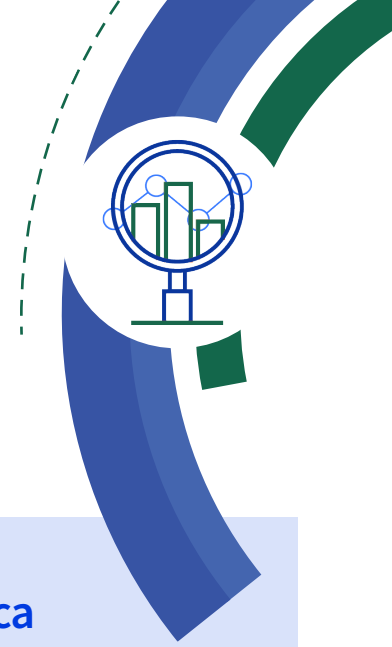
In this year's survey results, cybersecurity and human capital clearly emerged as the top two threats in North America. Both represent risks that cut across almost

every aspect of business and that are subject to trends emerging from outside of organizations (see Figure 1).

By 2027, CAEs expect risk levels for digital disruption and climate change to be significantly elevated. This trend is expected worldwide (see Figure 2).

The Risk in Focus Board Briefing uses internal audit expertise to provide board members with targeted, practical strategies to address the most urgent risks facing their organizations in the coming year.

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



North America Research Participation

- 442 survey responses from CAEs and directors
- Participating countries: U.S. (385), Canada (57)
- 4 roundtables with 28 participants
- 9 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: Collaborate to set tone at the top.** Boards can set the tone at the top on cybersecurity and raise awareness throughout the business, especially if boards include members with IT knowledge.
- 2. Human capital: Respond positively to changing expectations.** Boards can better align corporate human capital and diversity strategies to changing cultural norms by harnessing internal audit's access to information about employee satisfaction measures.
- 3. Market changes: Partner early on project development.** Boards can advocate for internal audit to have a seat at the table at the start of projects designed to respond to market changes.
- 4. Business continuity: Perform practice scenarios for better resilience.** Boards can help ensure all areas of the organization are engaged with its resilience efforts and support having scenario exercises to boost preparedness and the strategic management of key risks.
- 5. Current risk ranking. Cybersecurity and human capital are rated as the highest risk areas currently for North America.** They are also the top 2 globally (see Figures 1 and 2).
- 6. Future risk expectations. Over the next three years, CAEs expect digital disruption and climate change 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 [North America Risk in Focus 2024 – Hot Topics for Internal Auditors](#). For other regions, see the [Risk in Focus resource page](#).



Recommended Reading

[The IIA's Three Lines Model](#)

Risk in Focus frequently refers to the influential Three Lines Model, which explains the roles of the first, second, and third lines.

[The IIA's North American Pulse of Internal Audit](#)

This annual report provides benchmarks about budgets, staff, and CAE responsibilities.



Figure 1:

Current risk levels vs. future risk levels – North America

- Cybersecurity and human capital dominated the risk landscape for North 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, North America, n = 442. 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

Collaborate to set tone at the top

Internal auditors are strengthening collaboration throughout the business to help boards stay ahead of an escalating cyber risk landscape. With the growth of industrialized hacking techniques and a higher risk of state-backed cyberwarfare, CAEs at the roundtable agreed that organizations must expect to be hacked – and prepare to bounce back rapidly.

Leading CAEs are encouraging boards to raise awareness across the business – essential since human defenses must be strong to avoid breaches. Boards should set the tone from the top. This can include openly participating in training on phishing attack campaigns, for example, and running through board-level, ransom attack scenarios with support from internal audit.

Yet talent shortages are acute – even at the top. Several CAEs at the roundtable

warned that without specialist IT knowledge in the boardroom, recommendations risk being misunderstood or ignored.

In addition, reporting lines must remain open between technical specialists in the organization and the board. “If the chief information security officer [CISO] feels there is an exposure and the chief information officer [CIO] refuses to address it, it is critical that the CISO has the independence to go directly to the CAE or audit committee to be heard,” said Karen Percent, a CAE in the healthcare industry. CAEs can help by reviewing the effectiveness of governance processes around cybersecurity.

Risk from digital disruption, including AI, is expected to increase substantially by 2027, according to survey results. Boards must keep a grip on how new

technologies are deployed – shadow IT is a major cyberattack weak point. Leading boards are calling for clear policies that prevent use of any technology that is not monitored and managed by IT departments, CAEs at the roundtable said.

“Without specialist IT knowledge in the boardroom, recommendations risk being misunderstood.”



HOT TOPICS

HUMAN CAPITAL

Respond positively to changing expectations

Following the pandemic, creating a well-resourced and flexible organizational response to changing cultural attitudes to work is a top boardroom challenge, said CAEs at the human capital roundtable. But balancing conflicting demands for a diversity of working styles is a complex problem that cannot be solved by imposing a tone from the top. Managers who work directly with staff are key drivers for an organization's culture.

“Corporate culture is defined by the ‘tone in the middle,’ where managers make decisions for the benefit of their people, which may or may not align to the organization’s values,” Brian Tremblay, CAE at 1stDibs. CAEs can help by informing their boards about employee satisfaction measures so the board can have a broader understanding of the employee experience.

Many boards expect organizations to make use of a broad range of diversity metrics in their human resources strategies. That makes sense because trends in digitalization, climate change, and cybersecurity require a greater range of skillsets than before, making it critical for diversity policies to include reference to thought, approach, and mindset – not just demographic attributes.

Given the intense competition to attract and retain talent in strategic areas, CAEs at the roundtable said it is essential to collaborate on human capital across the entire organization. Boards should encourage management to view their departments as part of the business as a whole – not as siloed entities. Human resources policies and procedures should be designed to retain core talent with well-designed, personalized career paths that are integrated throughout the

organization and respond to employees' longer-term ambitions.

“Corporate culture is defined by the managers making decisions for the benefit of their people.”



HOT TOPICS

MARKET CHANGES

Partner early on project development

Internal auditors are acting as advisors to boards and management in areas impacted by fast-moving market changes. Given tightening monetary conditions in the economy and trends in digital consumerism, many organizations have boosted investment in digitalization.

CAEs at the roundtable for market changes agreed that internal audit's early involvement is critical. "It is no longer enough to come back three years after a project has been launched and make sure the controls were good," said Ada Leung, vice president and CAE at Fidelity in Canada. "Nowadays, we are collaborating and partnering to provide assurance of design controls prior to implementation – it is a much safer, cheaper, and more effective approach."

Internal auditors can also add value by quantifying such risks in monetary

terms: "My goal is to get to 'What is our unmitigated risk in dollar terms?' in a way that our executive leadership team can decide which strategic initiatives we are going to pursue or not pursue," said a CAE from a non-profit healthcare organization.

Internal audit should review the effectiveness of the governance processes, strategies, and operating structures that are in place to respond to market changes, bringing in expert input when needed. "We do not have all the answers in these emerging areas, so we need to be humble, learn, and be attuned to those risk areas where we need to bring in experts to see if there is a deficiency in the business," said Nancy Russell, CAE at Canada Life.

"We are collaborating and partnering to provide assurance of design controls prior to implementation."



HOT TOPICS

BUSINESS CONTINUITY

Perform practice scenarios for better resilience

Internal auditors are helping boards and management take a more strategic approach to organizational resilience. While many organizations had business continuity plans in place prior to the pandemic, most were largely unprepared for the non-traditional, broad scope crisis that was COVID-19, said CAEs at the roundtable.

CAEs are working more closely with stakeholders to plan for the potential scope and complexity of wide-ranging catastrophes, roundtable participants said. This entails connecting seemingly unrelated threats and the impact of mitigation measures to better prepare for unexpected outcomes – especially through tabletop scenario planning exercises. “Having continuity plans and resiliency practices in place to either react to or prepare in advance has really helped focus the board about resilience at a strategic level,” said a CAE at a chip manufacturer with interests in Taiwan.

Internal auditors are drawing on the expertise of management to ensure such plans are rich in detail – or having conversations to help management keep resilience on the radar. “We have made our risk assessment meetings bigger when it comes to crises because it helps management really prepare for longer-term issues,” said a CAE at a higher educational establishment.

Talent has emerged as a key risk in this area in two ways. First, top-level vacancies are a risk if managers responsible for core parts of a disaster recovery plan are not in place when crisis hits. Second, it is challenging to identify and attract future talent to deal with emerging risk areas such as digital disruption, climate change, or regulatory requirements. CAEs can help identify any talent gaps and report them to management and the board.

“Having continuity plans and resiliency practices in place in advance has really helped focus the board about resilience at a strategic level.”



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REPORT DEVELOPMENT TEAM

Project directors

Laura LeBlanc –

Senior Director, Internal Audit Foundation

Deborah Poulalion –

Senior Manager, Research and Insights, The IIA

Emely Katz –

Director, Affiliate Engagement, The IIA

Survey analysis and content development

Deborah Poulalion –

Senior Manager, Research and Insights, The IIA

Research writer

Arthur Piper – Smith de Wint, United Kingdom

Graphic designer

Cathy Watanabe

Roundtable moderator – North America

Harold Silverman –

Senior Director, CAE and Corporate Governance Engagement, The IIA

French translation

IIA-Canada

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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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Internal Audit
FOUNDATION

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

