

CURRENT DEVELOPMENT AND TREND

HOW TO AUDIT ESG RISK AND REPORTING: KEY CONSIDERATIONS FOR DEVELOPING YOUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE AUDIT STRATEGY (BY AUDITBOARD AND DELOITTE)

Roles across the organisation share responsibility to drive organisational alignment, manage ESG risk, and achieve ESG reporting and value creation objectives. This includes not only obvious targets such as internal audit, board and executive leadership, risk, compliance, and sustainability, but also legal, HR, finance, strategy, operations, communications, and potentially others. It's vital that functions work together to harmonise ESG efforts, ensuring that the different roles aren't operating in silos. As such, an ESG risk and reporting program should not be implemented in isolation — it should be part of a larger, integrated risk management approach.

ESG Internal Audit Planning Considerations

✚ Data Quality: Process Control and Governance

In particular, planning an effective audit of ESG requires an increased focus on data quality, as internal audit strives to validate and assess the relevance, completeness, and accuracy of ESG risk and reporting data.

✚ Key ESG Forces Impacting the Traditional Internal Audit Approach

Alongside traditional applicable financial reporting assertions of completeness, accuracy, timeliness, cutoff, and understandability (clarity), unique ESG assertions include Balance, Stakeholder Inclusiveness, Sustainability context, and Prioritisation.

✚ A Risk-Based Approach to Auditing ESG Risk and Reporting

Limited resources and accelerated reporting timelines require a tailored risk assessment

grounded in meaningful criteria. Taking a risk-based approach helps to drive the selection and prioritisation of ESG focus areas. It's helpful to begin by filtering ESG topics through a lens of stakeholder engagement, industry trends, and benchmarking.

Common Approaches to Integrating ESG Risk and Reporting in Internal Audit Plans

✚ Standalone Reviews

These assessments can help organisations understand their ESG policies, control landscape, and responsibilities at a specific point in time.

✚ Focused Reviews

These deep dives can provide valuable assurance in key ESG areas, acting as more traditional audits that help to ensure policies, processes, and other individual ESG program elements are operating as they should.

Focused reviews can include larger sample sizes over a longer period of time. Internal audit teams may layer in periodic checkpoints, such as six-month check-ins or quarterly updates, to ensure that action or mitigation plans are implemented, and issues are effectively remediated.

✚ Integrated Audit Approach

This approach can be used as part of any audit as a pulse check on the business that provides reasonable assurance that ESG-related activities are being appropriately identified, considered, and documented.

✚ Investing in ESG Competencies

Begin by looking inside organisation for professionals who are motivated to upskill in this area. Internal audit skill sets already bring a foundation of professional skepticism and experience with other transformational change initiatives — a solid foundation for springboarding into ESG.

Leveraging Technology to Address ESG Risks and Opportunities

✚ Lack of Visibility for Effective Prioritization

Technology can provide the robust, flexible risk assessment functionality needed to identify and evaluate ESG risks, standardise how organisation rates and monitors them, and drive insights about how they evolve over time. In addition, it positions teams with the data they may need to justify focus areas and levels of effort as requested by the board, management, or audit committee.

✚ Inability To Flex Framework Coverage in A Shifting Regulatory Landscape

Framework-agnostic technology can support organisation's ability to quickly flex and pivot ESG efforts to align with new frameworks. It can enable to add or remove frameworks and their associated requirements and subsequently map each requirement to specific ESG disclosures and initiatives, thereby ensuring appropriate coverage and gap identification in reporting and scoping.

✚ Labor-Intensive Evidence Collection

Manual processes to collect evidence across disparate, often disaggregated owners and systems can be inefficient, high-effort, and subject to human error. Once ESG targets are housed in a single system of record, teams can leverage workflows to streamline the evidence-collection process.

✚ Lack of Timeliness, Transparency, and Agility for Addressing Gaps

Leveraging a unified risk dashboard underpinned by a single system of record can enable teams to track all issues and their associated action or mitigation plans.

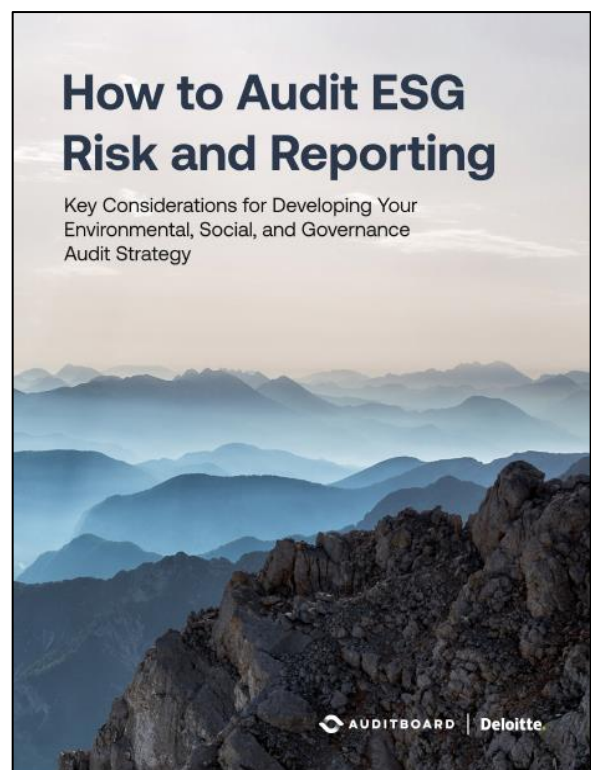
✚ Labor-Intensive Reporting

Reporting is streamlined when all relevant data lives in the same system of record. Technology can shore up ESG reporting with strong processes.

What should Internal Auditors do?

IPPF *Standard* 1210 – Proficiency stated that internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Internal audit has a role to play in responding to this surge in demand for better ESG transparency. In addition, internal auditors need to perform risk assessments that include obtaining an understanding of the company and its environment. Those assessments must now consider the potential impact of ESG risks on the financial statements.



Reference:

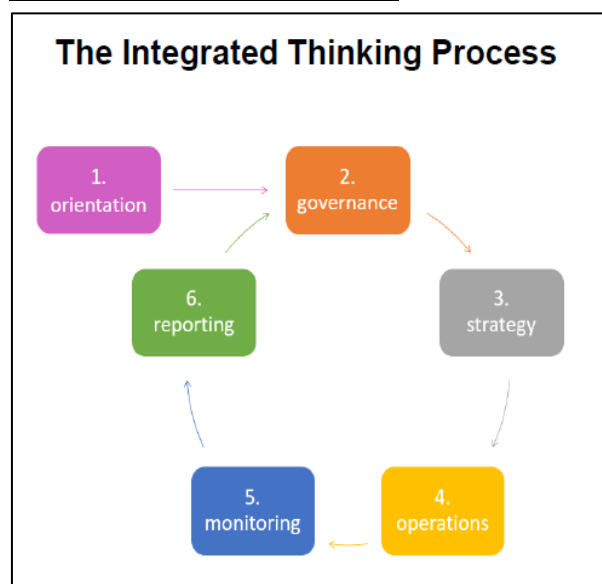
<https://www2.deloitte.com/us/en/pages/audit/articles/esg-audit-risk-reporting-how-to.html>

CURRENT DEVELOPMENT AND TREND

INTEGRATED THINKING AND SUSTAINABILITY: APPLYING KEY GOVERNANCE TOOLS AND FRAMEWORKS (BY IIA GLOBAL AND COSO)

Demands from internal and external stakeholders for organisations to consider the impacts of a wide array of issues. Increasingly, the spotlight is focusing on the critical step that comes before the issuance of a report — the alignment of how organisations are managing risk, with how they are reporting risk. This has made the concepts of integrated thinking and integrated reporting increasingly more relevant, particularly as organisations strive to succeed in an ethical and transparent way. An important part of organisational success is holistically understanding and effectively managing risk and working with internal audit to incorporate objective and independent assurance and advice on the efficacy of risk management processes and controls.

The Integrated Thinking Process



The reporting step should facilitate a continuous process to enhance and improve overall governance by informing governing boards, executive management, stakeholders, assurance providers, regulators, and other

interested parties about the organisation's overall performance.

Applying Integrated Thinking to Management and Governance

Six fundamental ideas are helpful to understanding integrated thinking and integrated reporting:

1. All organisations are interconnected; their actions affect each other; their affairs are interdependent; and they are joined by overlapping and complementary value chains.
2. All organisations draw from and contribute to the same, and in some cases, finite, store of global resources.
3. All organisations impact the interests of overlapping stakeholder groups, including future generations.
4. All organisations share responsibility for achieving common objectives as expressed by the United Nation's Sustainable Development Goals (SDGs).
5. Doing good and doing well are two complementary sides of the same coin; they are not diametrically opposed.
6. Integration of sustainability risks and opportunities into business planning, performance, and reporting is a central component of effective governance.

Applying the Three Lines Model

Understanding structures, roles, and responsibilities enables an organisation to approach integrated thinking and the integration of sustainability into business processes and systems in a holistic and considered way. The Three Lines Model does not direct how an organisation assigns those structures, roles, and responsibilities to the board, executive management, and internal audit, but clear definition thereof ensures that duplication of effort and gaps in control can be avoided. These benefits also apply to integrated thinking, sustainability risk, and opportunity management efforts. Similarly, oversight

and assurance provide critical feedback on internal control, strategy, operations, and overall governance. This aligns with monitoring and reporting requirements for integrated thinking and sustainability.

Applying the Internal Control Framework

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

Applying the Enterprise Risk Management Framework

✚ Governance and culture for ESG-related risks

Applying ERM to ESG-related risks includes raising the board and executive management’s awareness of ESG-related risks and their potential business impact – supporting a culture of collaboration among those responsible for risk management of ESG issues.

✚ Strategy and objective-setting for ESG-related risks

A strong understanding of the business context, strategy, and objectives serves as the anchor to all ERM activities and the effective management of risks. Applying ERM to ESG-related risks includes examining the value creation process to understand these impacts and dependencies in the short, medium, and long term.

✚ Performance for ESG-related risks

- Identifies risks
- Assesses and prioritises risks
- Implements risk responses

✚ Review and revision for ESG-related risks

Ongoing review and revision of ERM activities are critical to evaluating their effectiveness and modifying approaches as needed. Organisations can develop specific indicators to alert management of changes that need to be reflected in risk identification, assessment, and response.

✚ Information, communication, and reporting for ESG-related risks

Applying ERM to ESG-related risks includes consulting with risk owners to identify the most appropriate information to be communicated and reported internally and externally to support risk-informed decision-making.

The Integrated Reporting Framework

Implementing hiring practices that focus on adaptability, in addition to expertise, is a critical first step. Instead of staffing with inflexible experts, organisations should seek people who are agile and capable of living with ambiguity, and whose personalities are flexible enough to change directions quickly.

Applying Internal Audit to Sustainability Information

- Helping an organisation prepare for making reliable and accurate external nonfinancial disclosures by advising and providing assurance on the content, design, and implementation of appropriate structures, systems, and processes for strategic and operational planning; goal setting; data collection, creation, and validation; decision-making; and reporting.
- Driving the necessary conformity to standards and processes over data collection, creation, and validation at the business unit level for the organisation’s use in internal and external reporting.
- Providing independent assurance through audit and assessment of both financial and nonfinancial data accuracy.
- Consulting on the establishment of measurement and evaluation processes; definition of materiality and listing of relevant key performance indicators (KPIs); and the introduction of reporting methods, guidelines, and tools (both internal and external).
- Participating in project teams to provide guidance to implementation plans and performance.

- Reviewing reporting processes and recommending process improvements based on business assessments, and the financial and nonfinancial information that should be contained in internal and external reports.
- Brokering strong relationships within business units, between management functions, and among organisations.
- Assessing whether the risks associated with sustainable organisational performance are considered and addressed — risks that may have an impact on stakeholder evaluation and support, and value creation.
- Collaborating with external auditors to provide assurance on the accuracy, reliability, and consistency of the information being reported, and to ensure the engagement is performed in a cost-effective manner.

What should Internal Auditors do?

IPPF *Standard 1100 – Independence and Objectivity* mentioned that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

The internal audit function’s role as an independent, yet internal, assurance provider affords it a unique opportunity to become familiar with all areas of the organisation, including nonfinancial aspects. This positions it well to provide assurance over the relevance and accuracy of data used in integrated and sustainability reporting. What’s more, internal audit standards specifically require internal audit functions to evaluate the adequacy and effectiveness of internal control and governance within their organisations.

The internal audit function should play a significant role in an organisation’s ESG journey. It can add value in an advisory capacity by helping to identify and establish a functional ESG control environment. It also can offer critical assurance support by providing an independent

and objective review of the effectiveness of ESG risk assessments, responses, and controls. Additionally, internal audit functions that operate in compliance with The IIA’s globally recognized standards are well-positioned to help their organisations apply established, credible internal control frameworks to their ESG efforts.

IPPF *Standard 2050 – Coordination and Reliance* specified that the chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Seeking out objective assurance on all ESG-related risk management processes from a qualified, independent, and properly resourced internal audit function should be part of any ESG strategy.

INTEGRATED THINKING AND SUSTAINABILITY

Applying Key Governance Tools and Frameworks



Reference:

<https://www.theiia.org/en/content/research/white-papers/integrated-thinking-and-sustainability-applying-key-governance-tools-and-frameworks/>

CURRENT DEVELOPMENT AND TREND

GUIDE TO INTERNAL REVIEW OF SUSTAINABILITY REPORT (BY IIA SINGAPORE AND EY)

Globally, we recognise that Sustainability is gaining traction, with an impetus for increased accountability and responsibility for corporates to take appropriate actions to manage the risks that come with it.

What is a Sustainability Report?

A Sustainability Report seeks to provide all interested stakeholders with information on an Issuer's financial and non-financial performance from the perspectives of ESG.

Objectives of Internal Review

The internal review serves as a safeguard to provide an independent and objective view of the robustness of internal controls on ESG information disclosed by the Issuer. This provides added comfort that the ESG data disclosed are aligned with the IPPF *Standard 2100 – Nature of Work*.

Principles For Consideration During Internal Review

- Principle 1: Disclosures should present relevant information
- Principle 2: Disclosures should be specific and complete
- Principle 3: Disclosures should be clear, balanced, and understandable
- Principle 4: Disclosures should be consistent over time
- Principle 5: Disclosures should be comparable among Issuers within a sector, industry, or portfolio
- Principle 6: Disclosures should be reliable, verifiable, and objective
- Principle 7: Disclosures should be provided on a timely basis

The Internal Review Process

✚ Planning

- Scoping
- Determination of focus ESG factors for internal review testing plan
 - i. Identify: Based on the pre-identified and validated material ESG factors disclosed in the Sustainability Report, the Internal Audit Function should assess the relevance of the material ESG factors to the business that have been validated by leadership.
 - ii. Rate: The Internal Audit Function should then assess the likelihood of misstatement and impact, identifying key material ESG factors to focus on in their internal review.
 - iii. Prioritise: Upon rating each ESG factor, the Internal Audit Function can prioritise the material ESG factors to be scoped in for internal review.
 - iv. Validate. Once the Internal Audit Function has completed the prioritisation, they need to be internally validated and agreed upon with the Management. These validated and prioritised focus areas will then form a scope to be covered for the internal review period.
- Testing plan
 - i. Sustainability regulatory compliance.
 - ii. Define responsibilities across the Three Lines.
 - iii. Testing methodology.
 - iv. Risk-based testing plan.

✚ Performing the Engagement

- Identifying
- Analysing and evaluating
- Documenting

✚ Report Findings and Conclusion

- Scope, including the time period to which opinion pertains.
- Scope limitations.
- Consideration of all related projects, including reliance on the external assurance.
- Summary of the information that supports the opinion.
- Risk or control framework or other criteria used as a basis for the overall opinion.
- Overall opinion, judgement or conclusion reached.

What should Internal Auditors do?

IPPF *Standard* 1100 – Independence and Objectivity mentioned that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

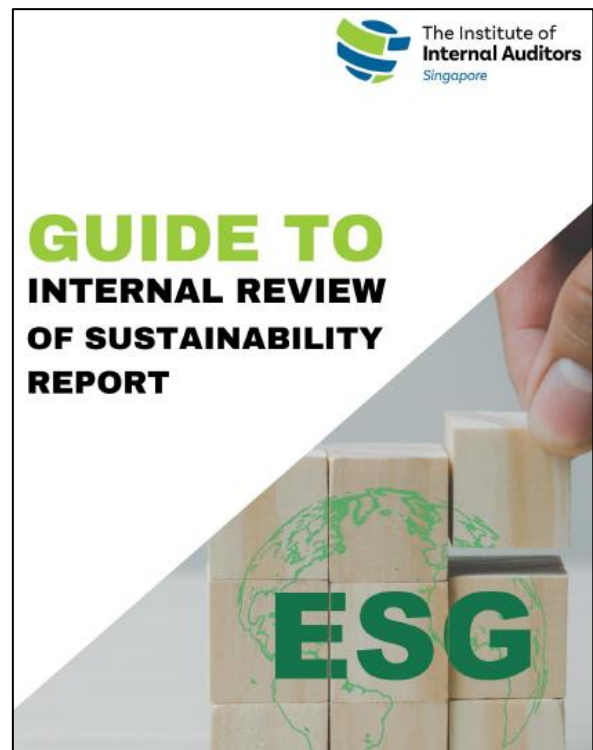
The Internal Audit Function is essential in providing independent assurance and advisory on ESG governance. It helps companies evaluate opportunities, assess operations and reporting changes, meet regulations and identify areas of improvement for sustainability. This is done by conducting an internal review of the sustainability reporting process. The internal review should be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors (“IIA”).

IPPF *Standard* 2010 – Planning stated that the chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

IPPF *Standard* 2020 – Communication and Approval stated that the chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and

approval.

In relation to the review scope for the first Sustainability Report after the listing rule amendments, the Internal Audit Function should use its risk-based assessment to recommend how the review could be incorporated into its audit cycle and have this approved by the Audit Committee.



Reference:

<https://iaa.org.sg/Resources/Sustainability-Auditing>

STANDARDS AND GUIDANCE

INTEGRATED APPROACHES TO INTERNAL AUDITING (BY IIA GLOBAL)

Integrated approaches to internal auditing result in more varied and value-driven outcomes and allow more agile development of objectives, scope, resourcing options, knowledge transfer, audit techniques, issue perspectives, and solutions.

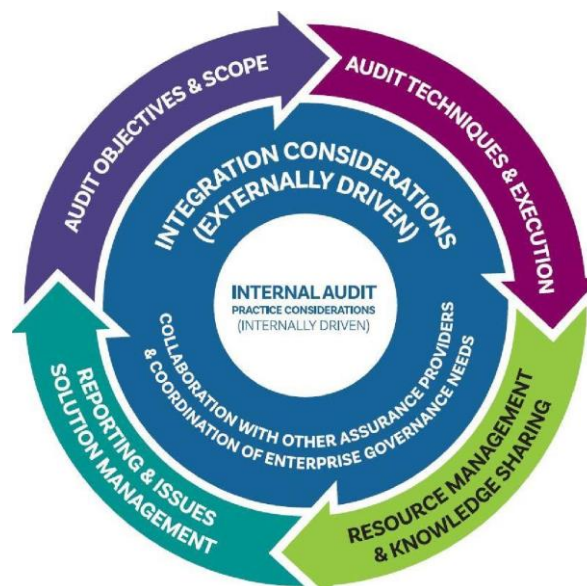
Advantages of Integrated Approaches

- Increase efficiency and improve operations.
- Promote more holistic views of risks, in alignment with business objectives.
- Improve assurance on the alignment of organisational strategies.
- Create opportunities to develop more strategic, cost-effective, and sustainable solutions to address issues or risks.
- Provide a better focus on business and value creation.
- Improve understanding of the organisation and the opportunity to increase skill levels across the internal audit activity.
- Enhance credibility and relevance for the internal audit activity.
- Reduce audit fatigue for the business.
- Leverage tools and analytics to produce meaningful insights.

Considering Integration Options Systematically

Audit process elements that lend themselves to an integrated approach include:

- Objective setting.
- Scope development.
- Audit execution, including techniques and tools.
- Resource management.
- Knowledge sharing.
- Reporting and issues/solutions management.
- Strategic solution management and corrective actions.



Stage 1: Audit Objectives and Scope

- Objective-related Considerations
Ultimately, the audit activity is responsible for determining which objectives, components, or principles on which the engagement should focus.
- Scope-related Considerations
Internal audit activities may need to be creative when developing audit engagements with broad scopes. The scope may aim at a singular process, a broader business function, or an end-to-end activity that includes some or all supporting systems or technologies / The scope might consider specific geographic locations, branches, business units, divisions, countries, or horizontal/enterprisewide coverage / Coverage might be defined by specific risk. The scope could also include coverage of culture, sustainability, or environmental considerations, which could be assessed across the organisation under a singular engagement or assessed cumulatively through multiple engagements.

✚ Stage 2: Audit Techniques and Execution

Internal auditors should use all available tools to improve the efficiency and effectiveness of their engagements.

Tools and techniques that could be incorporated into engagements include but are not limited to continuous auditing, enhanced sampling methods, surveys, data analytics, Agile auditing, process excellence techniques, and active project management participation.

Additional examples of techniques internal audit activities (even those with limited resources) could explore include advanced analytics activities, robotic process automation (bots), and improved reliance on and coordination with other assurance functions using common integrated risk management systems.

✚ Stage 3: Resource Management and Knowledge Sharing

• Resource Management

Today, there are many additional specialty areas to consider and possibly integrate into reviews. In addition to incorporating specialty skills and competencies, internal audit leadership may promote and invest in the mastery of skills deemed important, innovative, or necessary to increase audit efficiency and effectiveness. If any of these additional skill sets are considered viable to integrate and increase value in the performance of the engagement, internal audit leadership should decide how to manage these additional resources and needed competencies.

Often, external expertise is cosourced as a way to build staff knowledge for the future, but this requires internal and external teams working together with explicit goals in this direction.

Internal audit leadership may also need to consider changes in their staffing model so teams

perform less isolated and more cross-functionally to build a broader range of capabilities and experience for their audit staff.

• Knowledge Sharing

Building and sharing enterprise data management knowledge is equally important, as data management tools are increasingly used, and analytics improve. Internal audit leadership should develop explicit goals and measurements to help champion knowledge-sharing progress and professional development, based on team staffing needs.

✚ Stage 4: Reporting and Issues/Solutions Management

Typical considerations related to reporting might include:

- To whom, when, and how broadly should internal audit reports be distributed.
- What types of ratings or scales will be used.
- Whether the process or risk ownership is clear.
- Whether other related stakeholders should be considered as recipients.

Critical Success Factors for Integrated Approaches at the Audit Activity Level

✚ Selling the Benefits

Internal audit may have to convince stakeholders of the benefits of an integrated approach and should clearly note the value creation opportunities. Integration may add cost and complexity, require significant judgment, and still not guarantee expected outcomes and benefits.

✚ Resource and Competency Challenges

Integrated approaches to internal audit planning at the activity and engagement levels require team knowledge and operational commitment. While additional training can add time and cost, leveraging online training or cosourcing with outside providers may help.

Another option is joint training with other assurance providers based on common requirements, systems, or tools used to deliver assurance. Tapping subject matter experts and resources from other departments is an effective way to add expertise without increasing costs. This can be facilitated by maintaining an inventory of personnel with specialised knowledge.

✚ Increased Complexity in Executing Reviews and in Planning

Decisions and commitments are needed at the internal audit planning and strategy levels. Flexible and reasonable targets should be set, which depend on maturity levels of the entity's risk control culture and integration efforts already undertaken.

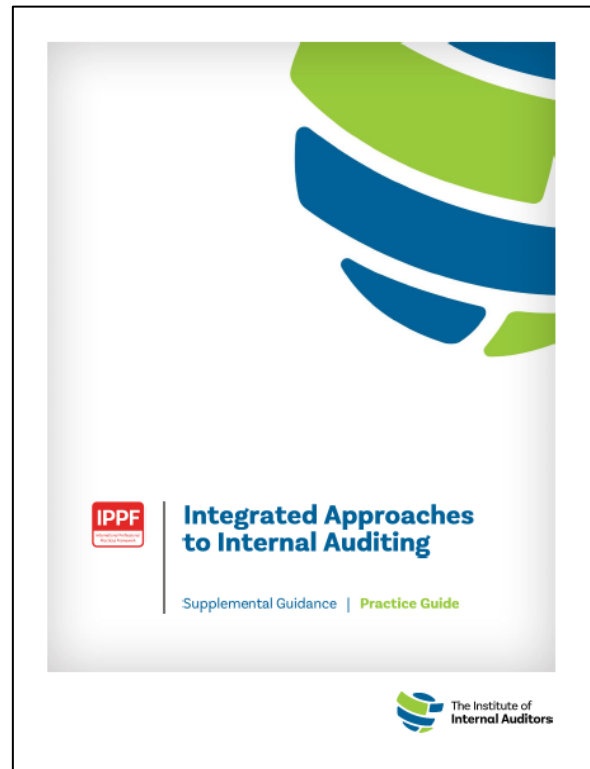
What should Internal Auditors do?

IPPF *Standard* 2010 – Planning stated that the chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

Internal audit leaders need flexibility in their planning to add value and deal with increasingly complex business and industry environments. New ways of driving value and innovation demand more flexible thinking and choices in how internal auditing can be approached and performed, and its main deliverables.

IPPF *Standard* 1200 – Proficiency and Due Professional Care specifically identifies that engagements must be performed with proficiency and due professional care.

Internal auditors should identify whether these types of tools and capabilities exist in their organisations, likely within the business lines or in second line functions, such as compliance. In addition, internal auditors may be able to cooperate and learn from the analytical techniques used elsewhere in the organisation to analyse data. This might also include improved reliance on and coordination with other assurance functions.



Reference:

<https://www.theiia.org/en/content/guidance/recommended/supplemental/practice-guides/practice-guide-integrated-approaches-to-internal-auditing/>

GLOBAL KNOWLEDGE BRIEF

[DATA ANALYTICS: PART 2: GATHERING, UNDERSTANDING, AND VISUALISING DATA \(BY IIA GLOBAL\)](#)

Data is the foundation on which every internal audit is built. As organisations increase their reliance on data to enhance products and services, internal auditors are positioned to leverage this ever-growing resource.

Technology Enhancements

+ Data Analytics

Improved technology has made it easier to identify, understand, and predict trends, as well as create metrics that can help optimise performance.

+ Artificial Intelligence (AI)

AI can take unstructured data — information that is not neatly categorised into conventional rows and columns — and use machine learning and other tools to complete tasks that people would otherwise perform, such as problem-solving.

+ Robotic Process Automation (RPA)

RPA automates repetitive low-level tasks, freeing people to take on more demanding responsibilities. To accomplish these tasks, RPA uses structured data — information that can be easily processed by people or machines and used in conventional relational database systems.

The Importance of Data Validation

+ Data Flow Diagrams

Data validation tests the quality of information meant for use in decision-making. Data quality failures may result from duplication of records; mistakes in data collection or calculation; misuse or improper categorisation of data; information tampering due to security breaches; or obsolete data, among other problems.

Steps that auditors may take in validating data include:

- i. Evaluating whether the data has come from a reliable source and makes sense in context with the auditors' overall understanding of the business area.
- ii. Considering how many sources the data are derived from, as well as how long they took to obtain, to determine if these factors raise risks to data integrity.

A data flow diagram that maps out the data's journey can help internal auditors understand and make sense of the data gathering process. Data flow diagrams also offer a perspective on what data is most important or relevant to a particular audience.

Dashboards and other data visualisation techniques can also help auditors pinpoint risk factors.

+ Data Visualisation

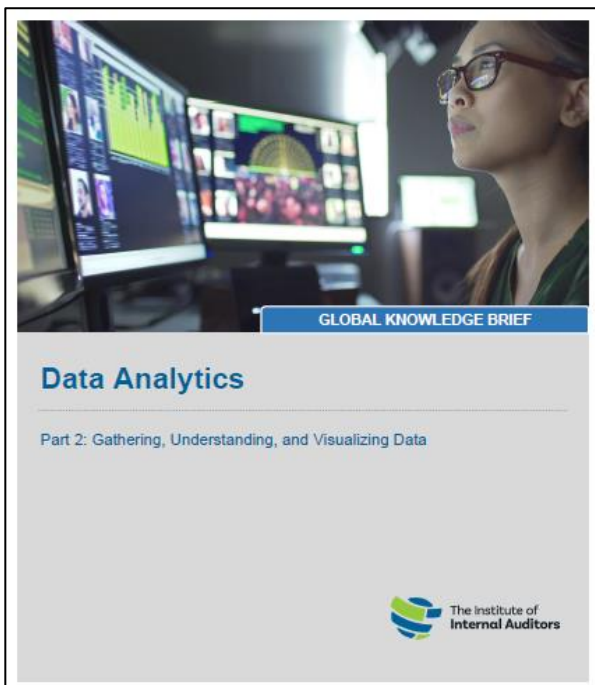
Data storytelling takes information and turns it into easily understandable graphics that present a clear narrative. These visualisations can offer an audience a new and easily understandable perspective.

When findings are problematic, visuals can clearly illustrate the issues and make them less difficult to present. They can demonstrate that the internal audit team's conclusions are not a judgment, but just the facts. Graphics can track the origins of the data behind a finding, the analysis involved, and the insights gained. They can also show how the internal auditors may have married different types of data — from within or outside the department audited — to develop their analyses and conclusions.

What should Internal Auditors do?

IPPF *Standard 1200 – Proficiency and Due Professional Care* specifically identifies that engagements must be performed with proficiency and due professional care.

If internal audit takes full advantage of the opportunities presented by AI and data analytics, the resulting benefits could include improved performance reporting, fraud prevention, risk-based internal audits, and continuous monitoring, said Grant Thornton UAE, Dubai Senior Consultant Muhammad Hassan Rizvi in “Data-enabled Internal Auditing,” a 2022 article published in *Internal Auditor*. “With the continuous expansion of technologies such as artificial intelligence (AI), cloud computing, and big data, organisations can now store and process more data than ever, making it easier for them to drive business strategies and decisions based on data analysis insights,” according to the article.



Reference:

<https://www.theiia.org/en/content/articles/global-knowledge-brief/2022/november/data-analytics-part-2-gathering-understanding-and-visualizing-data/>

TONE AT THE TOP

MITIGATING CYBER THREATS (BY IIA GLOBAL)

Cybersecurity has become a permanent fixture in the modern risk landscape, and boards face increasing pressure to provide proper oversight of a threat that is multifaceted and constantly evolving.

A wide range of issues fall under the cybersecurity umbrella — all are critical concerns, including privacy protection; ransomware, malware, and denial-of-service or phishing attacks; inadequate cybersecurity policies; and incident response and recovery plans, to name a few.

Steps to Enhanced Security

+ Recognising the risk

The strong relevance rating among CAEs suggests their high level of awareness of cybersecurity issues. That’s not surprising, given internal audit’s holistic knowledge of an organisation. As boards seek to leverage and improve risk assurance beyond financial and compliance risks, they can turn to internal audit to help describe cybersecurity concerns and quantify their potential impact. This can include spotlighting failures in risk coverage, monitoring emerging risks, and making the best use of technology tools in cybersecurity efforts.

+ Leveraging the value of the Three Lines Model

Research has shown that cooperation among the three lines has a positive impact on the effectiveness of cybersecurity risk management. According to an article in the *ISACA Journal*, internal audit can offer valuable assurance and identify threats and vulnerabilities. This can include identifying cybersecurity trends and stakeholder expectations, making an initial cyber risk assessment, and defining effective audit criteria. In reporting and advising on their findings, “auditors can significantly help the board of directors

exercise its oversight,” the article states.

✚ Ensuring internal audit’s input is optimised

Internal audit typically reports to the audit committee, but the organisation may miss out on valuable cyber risk recommendations and assurance if internal audit does not also offer reports to any separate committee that is charged with cybersecurity. Having this relationship with whichever committee oversees cyber issues ensures that internal audit’s insights are understood and effectively acted upon.

✚ Identifying hidden threats

Boards may be surprised by the number of seemingly small oversights that can damage cybersecurity efforts and potentially lead to disaster. According to a Deloitte report, just a few of the cyber threats that management typically underestimates include:

- The range of former employees who can still log on to the system and the number of third-party vendors who have access to corporate systems.
- The number of clouds accounts the company uses.
- The actual total number of cyber breaches the organisation has experienced.

✚ Addressing concerns in business partner relationships

Boards should ensure they gain the full value of internal audit’s input and experiences in this area. Because internal audit works with teams throughout the organisation, it can alert the board to cyber risks associated or identified with a particular vendor or across the entire supply chain.

When the organisation’s business partners want reassurance about the reliability of its cybersecurity safeguards, internal audit can provide the kinds of data and assurance they are seeking.

Optimising Resources

As organisations wrestle with daunting cybersecurity concerns, they will need to optimise all their existing resources. Boards can improve their company’s security by understanding and taking advantage of the value that internal auditors can bring throughout the organisation by identifying opportunities for enhancing efficiencies and effectiveness.

What should Internal Auditors do?

IPPF *Standard* 1100 – Independence and Objectivity mentioned that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

Internal audit, can be a powerful resource for boards in addressing cyber risks. According to a PwC report, “many companies leverage internal audit to review cyber processes and controls, including resilience and response.”

Internal audit can offer insights to help boards determine how well their organisation’s audit plan is able to identify overlooked threats and spot emerging risks.



Reference:

<https://www.theiia.org/en/content/articles/tone-at-the-top/2022/mitigating-cyber-threats/>

If you missed out the previous issues of e-techline, you may visit our website at

<https://iia.com.my/technical-qa-services/e-techline/>.