

# KEEPING *in Touch*

AN EXCLUSIVE PUBLICATION FOR MEMBERS OF THE INSTITUTE OF INTERNAL AUDITORS MALAYSIA

Issue 2. 2023



## Everyone's Talking About ChatGPT

### VOICES

**IAm Yulia Gurman:**  
An internal auditor is  
committed to changing his  
lifestyle for the better.

**Everyone's Talking  
About ChatGPT**

**ESG reporting  
standards and  
their impact on  
internal audit**

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## MISSION

To provide dynamic leadership for the profession of internal auditing. Activities in support of this mission will include, but will not be limited to:

- Advocating and promoting the value internal audit professionals add to their organisations.
- Providing comprehensive professional educational and development opportunities, standards and other professional practice guidance, and certification programmes.
- Researching, disseminating, and promoting knowledge concerning internal auditing and its appropriate role in control, risk management, and governance to practitioners and stakeholders.
- Educating practitioners and other relevant audiences on best practices in internal auditing.
- Bringing together internal auditors from Malaysia and Asia to share information and experiences.

## OBJECTIVES

1. To be the recognised voice for the internal audit profession;
2. To develop and sustain the internal audit profession in Malaysia through appropriate infrastructure, coordination, support and communication; and
3. To provide exceptional service to IIA Malaysia's members.

## MOTTO : "ELEVATING IMPACT".

The Institute maintains its motto "Elevating Impact". The IIA helps internal auditors deliver strategic advantage that drives organizational success





## The Artificial Intelligence Revolution

When ChatGPT was released in November 2022, it was considered a significant leap forward in artificial intelligence (AI). Many compared it to the internet in terms of its potential to disrupt business practices, regulations, and social norms. While this specific system has received a tremendous amount of attention, it is only one example of the many tools that fall under the AI umbrella. AI is at the heart of every smart device that we use, and it also drives far more sophisticated applications that are transforming businesses. It is being put to work in business, government, health care, and many other fields to replicate human analysis and even decision making.

While this evolving marvel holds great promise to revolutionize business, internal auditors should learn the technology, understand its usage within their organizations, and examine related ethical considerations. This series looks at:

- Understanding, Adopting, and Adapting to AI
- Revisiting The IIA's Artificial Intelligence Framework
- Internal Audit's Role in AI Ethics

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## VOICES

**I Am Yulia Gurman:**

**An internal auditor is committed to changing his lifestyle for the better.**

As we all know, the internal audit profession is very demanding and requires frequent travel, which impacts how much time we get to spend with family. Being a mom of two girls, I try to spend as much time as possible with them when I'm not traveling for work. I am always looking for something interesting and fun for us to do when they are not in school. I have always taken them to playgrounds, play dates, and other activities, but one place we kept going back to be the local Kohl Children's Museum.

Initially, I thought of it as a fun place where the girls could enjoy themselves. The museum has a lot of different areas where the kids can play, including a grocery store where they could be a shopper, cashier, or general store employee. There's also a music room, nursery, veterinary clinic, and an art studio.

After a few visits to the museum, I realized my daughters were not only playing but they also were learning quite a bit through play — basic science, art techniques, physics, and social interaction. I started learning more about the Kohl Children's Museum, how each program is created and how much time and knowledge is invested into every program. I discovered that children learn the most between ages two and seven, which is why giving them as many opportunities to learn in a fun way is crucial for their further development and success.

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**Yulia Gurman, CPA, CIA**

*Vice president of internal audit and corporate security at Packaging Corporation of America, Inc. in Lake Forest, IL*



## Tone at the top New SEC Cybersecurity Disclosure Rules: What Boards Must Do to Get Up to Speed

The US Securities and Exchange Commission's new cybersecurity disclosure rules further elevate the importance of vigorous governance over this ubiquitous risk. This issue of Tone at the Top examines the new directives and discusses key contributions that internal audit can make to an organization's cybersecurity efforts.

Download Today!

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Tone at the Top | October 2023



## Asia Pacific Risk in Focus 2024

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 provide the results of a worldwide survey to identify current and emerging risks for each region, along with leading practices to respond to these risks, derived from roundtables and interviews with leading internal auditors.

### There are two reports for each of The IIA's six regions:

- **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.



2024 marks the first year Risk in Focus has been conducted worldwide. The project was originally developed in 2016 by the European Institutes Research Group (EIRG), which continues to produce it each year for Europe.

Risk in Focus is available free to the public, thanks to a collaborative partnership facilitated by the [Internal Audit Foundation](#) with generous support from IIA Institutes, corporate sponsors, and IIA regional bodies ([ACIIA](#) (Asia), [AFIIA](#) (Africa), [ARABCIIA](#) (Middle East), [ECIIA](#) (Europe), [FLAI](#) (Latin America)).

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## Everyone's Talking About ChatGPT

**The new language technology is a big leap forward, but how will internal auditors leverage its capabilities and address its risks?**

OpenAI's ChatGPT language platform is generating tremendous buzz for its ability to generate human-like responses. It could free internal auditors from performing mundane tasks, allow them to provide real-time assurance, and even help their writing.

Financial services firms have been early adopters of automated chatbot technologies for applications such as customer service. Now an exciting new leap in artificial intelligence is opening the door for organizations and internal auditors to use chatbots in a wide array of new applications.

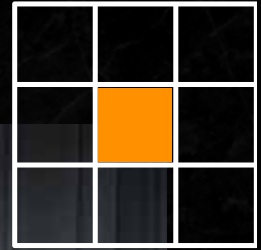
ChatGPT, from AI startup OpenAI, is an AI-powered chatbot whose level of sophistication has taken the business world by storm like no other chat platform before it. ChatGPT is based on the General Pretrained Transformer language model, which its developer says allows the platform to "generate human-like responses to text inputs in a conversational manner." By using approximately 175 billion parameters, the technology is remarkably effective in generating everything from legal briefs, to Shakespeare-style poetry, to high-school essays instantly. The response to ChatGPT has been so strong that Microsoft has just announced a multiyear investment in OpenAI that could be worth as much \$10 billion.

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# RENEW YOUR 2024 MEMBERSHIP



Dear Valued Members,  
Thank you for the past 12 months! Here's to the next 12 months.

## INDIVIDUAL MEMBERSHIP FEE

MEMBERSHIP CATEGORY	MEMBERSHIP ANNUAL FEE
Audit Committee	RM400.00
Professional/ Fellow	RM350.00
Associate	RM330.00
Senior Member	RM120.00

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MEMBERSHIP CATEGORY	MEMBERSHIP ANNUAL FEE
1 (Government Ministry ONLY)	RM950.00
1	RM1100.00
2	RM1725.00
3	RM2600.00
4	RM3565.00

If you do not renew your membership by the due date, your membership will be suspended and any renewals that take effect from **1st April 2024** onwards, a **re-joining fee RM100** (individual membership) or **RM300** (corporate membership) will be imposed.

**VISIT TO OUR WEBSITE FOR THE RENEWAL FORMS:** [www.iiam.com.my](http://www.iiam.com.my)

**RENEWAL PERIOD ENDS BY 31st MARCH 2024**

*We wish you a Happy New Year!*

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# 2024 <sup>UPCOMING</sup> CONFERENCES

**SAVE THE DATES!**

**22 FEBRUARY**

Public Sector Internal Audit Conference

**6,7 MAY**

East Malaysia Conference

**5 SEPTEMBER**

Audit Committee Conference

**30 SEPTEMBER  
- 1 OCTOBER**

National Conference

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## Public Sector Internal Audit Conference 2024

*Shaping Tomorrow's Governance:  
Innovation in Public Sector Auditing*

**22 February 2024 (Thursday), 9.00am – 5.00pm**  
**Grand Wyndham Bangsar Kuala Lumpur**



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**Are you struggling with complex, evolving ESG standards? When it comes to ESG assurance, you don't have to start from scratch.**

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**ACTION ITEMS POST THE 28TH ANNUAL GENERAL MEETING HELD ON 17 JUNE 2023**

NO	QUESTIONS	UPDATES
1	With reference to the Governance Report of the Institute, which stated in line with the national aspiration to achieve 30% women's participation on the Board, is the Institute also heading towards achieving the aspiration?	Currently there are 3 female Board members out of a total of 15 member, totalling to a 20% composition. The Institute will continue its efforts to induct female members to be inclusive and diversified.
2	How does the Board and Management monitor the achievement of the Institute's vision? The Institute had substantial cash with total equity close to RM9.6 million as of 31 December 2022. For the past 5 years, the Institute achieved profit except for one year. In view of the Institute aiming to be the leading voice in the audit profession and provide exceptional services to its members, would the Board consider providing subsidies to reduce the fees for the annual conference, which is relatively high?	<p>At the 2023 strategy meeting, the Board developed a five-year strategy plan for the Institute which includes elevation of the profession, advocacy efforts amongst others. There were multiple initiatives proposed which the Institute had undertaken such as strategic partnership with Universities and professional bodies to develop contents for future trends in Internal Audit.</p> <p>A meeting with Jabatan Audit Negara also took place which resulted in a Memorandum of Understanding (MOU) to promote Public Sector initiatives.</p> <p>There was also an increased engagements in East Malaysia with a Conference and several meetings conducted. This is an effort to increase the footprint.</p> <p>The Institute is also looking at plans on membership wellbeing in the future. The Institute has embarked on a new Membership Management System in moving towards digital transformation to serve its members efficiently.</p>
3	More engagement with the regulators is necessary to ensure the regulators understand the need to have qualified professionals to perform the internal audit functions. One of the avenues to create awareness to the public on the importance of internal audit function is through publication. Thus, the Institute could allocate its funds for publication, media and collaborating with directors' association such as Institute of Corporate Directors Malaysia ("ICDM"). This would also attract more people to join the profession.	An engagement with ICDM has started with the aim of developing a program for Head of Internal Audits to move to Director's role in the future.

NO	QUESTIONS	UPDATES
4	The Institute may encourage its members who signed the Internal Audit Report to include their membership number in the documents. This may lead to more membership applications to the Institute. It would also promote the Institute's branding and trust.	The Board will consider this.
5	Could the Institute organise an offsite session, such as town hall for the Board and members to have an open discussion on concerns and feedback other than the topic concerning the AGM? This will reduce the duration of the AGM.	On 13 Sept 2023, a BOG chat coffee session was organised by IIA Malaysia to address the request from the members to have an offsite session. These informal chats will now be part of the Board engagement with members of the Institute.
6	With reference to the Institute's composition of members as presented earlier, it was noted that the number of associate members is more than the number of professional members. In all instances of fairness and good governance, could the associate members participate or be represented in the Institute's sub-committee?	The Institute values all members' contributions and is not limited to only professional members. The Institute is always open to having Associate members volunteer for initiatives undertaken by Institutes. There will more communication going out from the Institute to encourage participation from all categories of members.

# PROFESSIONAL DEVELOPMENT

## JULY-DECEMBER 2023 – PD EVENTS



◀ Public Training: Tools for Lead Auditors at Concorde Hotel Kuala Lumpur  
4 – 6 July 2023

Virtual Training: Internal Control Process via Microsoft Teams  
31 July 2023 ▶



◀ Public Training: ESG Auditing Techniques: Providing Assurance on The Sustainability Statement or Report at PARKROYAL COLLECTION Kuala Lumpur Hotel  
16 August 2023



◀ **Conference: East Malaysia  
Conference 2023 at Hilton Hotel  
Kuching, Sarawak**  
4 September 2023



◀ **Virtual Training: Cloud Security  
for Non-IT Auditors via Microsoft  
Teams**  
19 September 2023







◀ IIA Malaysia National Conference 2023 at Kuala Lumpur Convention Centre  
24 October 2023







◀ **Public Training: Creative Problem-Solving Techniques for Auditors at Concorde Hotel Kuala Lumpur**  
22 & 23 November 2023

▶ **Virtual Training: Contract & Procurement Fraud via Microsoft Teams**  
20 & 21 November 2023



◀ **Public Training: Integrated Approach to Auditing at Royale Chulan Kuala Lumpur**  
6 & 7 December 2023

▶ **Virtual Training: Practical Risk Assessment Techniques via Microsoft Teams**  
13 & 14 December 2023

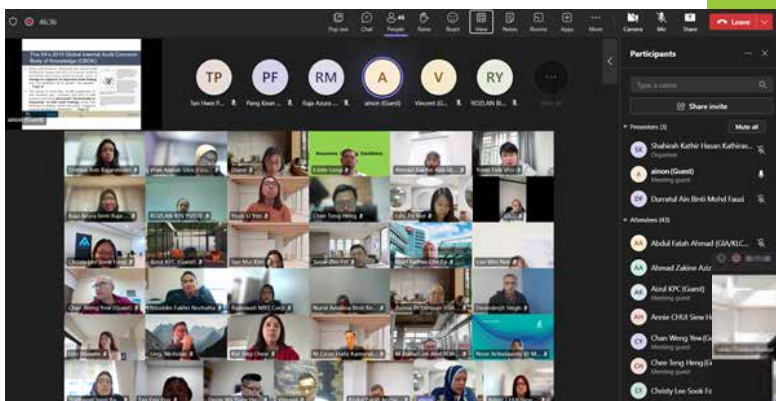




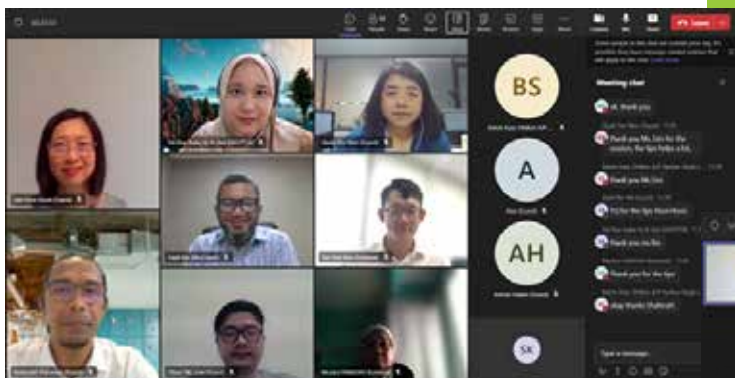
# CERTIFICATION



## CIA Online Revision Classes



## Code of Ethics



## CIA Briefing Session





## CAREER TALK WITH TAYLORS UNIVERSITY

20 SEPTEMBER 2023



## Career Talk with Universities



## CIA Luncheon

4th October 2023





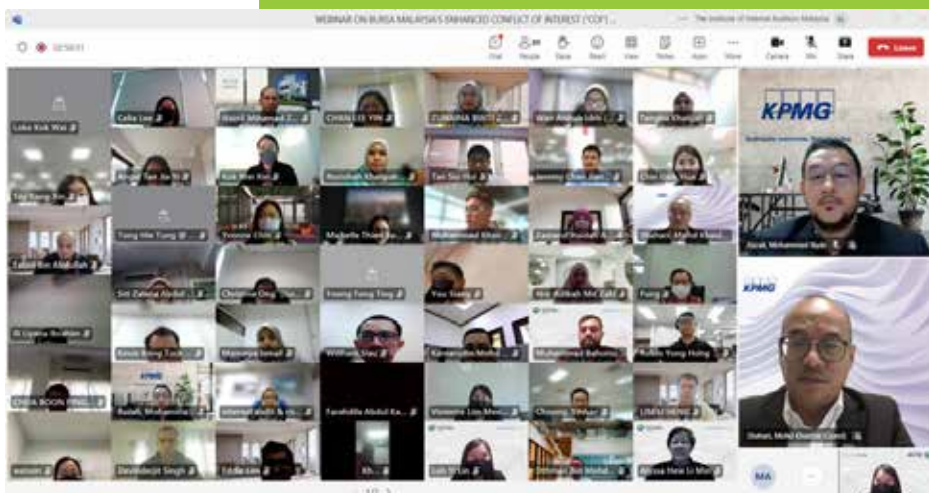
# TECHNICAL AND QUALITY ASSURANCE



◀ IPPF Awareness session  
11th July 2023



Webinar on BURSA MALAYSIA'S ENHANCED CONFLICT OF INTEREST ("COI") DISCLOSURE REQUIREMENTS  
4th December 2023 ▶





# MEMBERSHIP



- ◀ **Movie Night with IIA Malaysia**  
4 August 2023

- ▶ **MOU Signing with Universiti Islam Selangor UIS**  
8 August 2023



- ◀ **Networking and MOU signing with CIMA**  
9 September 2023







◀ Chat & Coffee with  
the Board of  
Governors  
13 September 2023

CAE Rountable ▶  
25 October 2023



◀ 2023 IIA Malaysia  
Treasure Hunt  
4 Nov 2023







◀ **Deepavali Celebration**  
25 November 2024



Thank you, Secretariat of IIA Malaysia, for the year 2023!





# ESG reporting standards and their impact on internal audit

Unlike financial reporting standards that have been available to investors for decades, ESG reporting standards remain in relatively early stages of development as priorities, public demand, regulations, and even politics, shift the foundational components of an organization's approach to the potential depth and complexity of ESG reporting. Each of these foundational components will be looked at and closely evaluated by investors, regulators, and consumers to better understand how an organization is creating long-term value as well as understanding the organization's broader impact, particularly on matters related to climate and social impact, among others.



The landscape of ESG reporting standards is complex. At the current stage of maturity, multiple global standard setters, each with their own objectives, continue to drive the conversation. At the same time, the regulatory environment is rapidly developing, with an estimated 200 or more ESG-related regulations being considered in countries around the world.

Of note, from a regulatory perspective, is the European Union's Corporate Sustainability Reporting Directive (CSRD) which creates comprehensive ESG reporting requirements that will impact approximately 50,000 companies. U.S. companies with significant revenue in the EU will need to publish sustainability information that covers their entire operations, including their non-EU operations.

Adding to the complexity in the short-term, but perhaps leading to consolidation and clarity longer term, are the new standards from the International Sustainability Standards Board (ISSB). Created by the International Financial

Reporting Standards (IFRS) Foundation, the ISSB is launching a new set of ESG reporting standards with the goal of creating a common foundation for ESG reporting globally. Already, several organizations, including the Climate Disclosures Standards Board (CDSB), the Sustainability Accounting Standards Board (SASB), and the International Integrated Reporting Framework, have merged into the ISSB. More recently, the ISSB has been asked to take over the monitoring of the progress of companies' climate-related disclosures from the Task Force on Climate-related Financial Disclosures (TCFD). All of this appears to be good progress toward a global, foundational set of ESG reporting standards.

## **Current state: The most commonly referenced ESG reporting standards**

The most commonly used ESG standards at this moment of ESG maturity include the Global Reporting

Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-Related Financial Disclosures (TCFD). And while many began as global non-profit organizations, their end goal has been the same – establish, develop, and distribute a common set of ESG standards:

- o Global Reporting Initiative (GRI) Standards - GRI has been providing the most widely used sustainability reporting standards for more than 25 years, covering topics that include biodiversity, tax, waste, emissions, health, and safety. Their goal is to “...enable any organization – large or small, private or public – to understand and report on their impacts on the economy, environment and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development.”
- o Sustainability Accounting Standards Board (SASB) Standards - Available for more than seventy-seven industries, SASB provides a set of ESG standards that assist in the identification of those environmental, social, and governance issues most relevant to financial performance. Founded as a non-profit organization in 2011, SASB focuses on those ESG standards that are “industry-based”, “decision-useful”, and “cost-effective”.
- o The Task Force on Climate-Related Financial Disclosures (TCFD) - TCFD is committed to market transparency. The TCFD was created to “... develop recommendations on the types of information that companies should disclose to support investors, lenders, and

insurance underwriters in appropriately assessing and pricing a specific set of risks— risks related to climate change.”

### Regulatory considerations

As discussed above, the regulatory landscape for ESG reporting is rapidly developing. Over two hundred regulations are under consideration around the world ranging from ESG Fund Requirements/Disclosures in Singapore, South Korea, and the U.S. to Sustainable Taxonomies in Canada, China, and Australia to broader Corporate ESG disclosures in Hong Kong, India, and Indonesia, among many others. It will be important for organizations to pay particular attention as these regulations continue to develop.

A good example related to the EU CSRD discussed earlier, is the EU Taxonomy. The EU Taxonomy acts as the cornerstone of the EU’s sustainable finance framework and “... helps direct investments to the economic activities most needed for the transition, in line with the European Green Deal objectives.” Its classification system defines criteria for economic activities that have been aligned with their net zero trajectory. This is proving to be a significant undertaking for impacted organizations.

### ESG reporting and its implication for internal audit

But what does this mean for internal audit? How will this affect the audit plan? Assurance over ESG reporting represents an important opportunity for internal audit, and assurance requirements are already developing.



For example, the EU's CSRD starts with limited assurance requirements and quickly turns to reasonable assurance over the first couple of years. Picking up from the lessons learned from SOX/ICFR, internal audit can play a key role in supporting the organization's ESG reporting practices: understanding risks, identifying and rationalizing controls, and helping to control the costs of compliance.

More importantly, with the breadth and depth that ESG entails, it will be challenging for an internal audit department to be everywhere. There is an opportunity for internal audit to take the lead on integrated assurance. By coordinating and collaborating with

second line assurance functions, internal audit can help the organization to achieve a more complete picture of the risks, controls, and underlying processes associated with the data and information required for effective reporting.

### Getting started

The ESG standards that an auditor's organization has selected provide the necessary requirements to further identify the controls that are in place to ensure proper reporting and to test and verify that they are designed and operating as expected. Having the right tools in place to better assist with this level of audit detail is sure to make a significant difference.

As a starting point, TeamMate+ has enhanced its already robust offering of internal audit tools to include the above-mentioned standards — GRC, SASB, TCFD, and the EU Taxonomy. Internal auditors are now able to jumpstart their work by leveraging the requirements of the various ESG standard(s) within familiar objects that can be easily integrated into their audit workflow. The standards will be updated as needed and new standards will be added as they are released.

### Closing the ESG knowledge gap

In closing, Internal Audit has the skills needed to address ESG reporting. However, there is still likely to be some knowledge gap. Internal auditors will need enough core knowledge to understand enough about ESG issues to assess risk, create an audit plan, and determine a variety of audit approaches. Internal auditors, particularly leaders, need to be able to have informed conversations at the top of the organization. This isn't anything new. No one is an expert in everything. No one will have specialist knowledge in every area of ESG. Internal audit should be prepared to develop this knowledge, reach out to external resources, or even recruit for it. There is an opportunity to co-source but plan accordingly and be mindful of limited resource availability. Start by building a base level of knowledge and accept when bringing in technical experts to help is needed.



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