

Risk in Focus 2021: hot topics for internal auditors

Views expressed in this document reflect the discussions held between the different participants to the YPC event, and do not necessarily represent the opinions of all IIA Luxembourg members.

28 October 2020

17h30 – 19h00

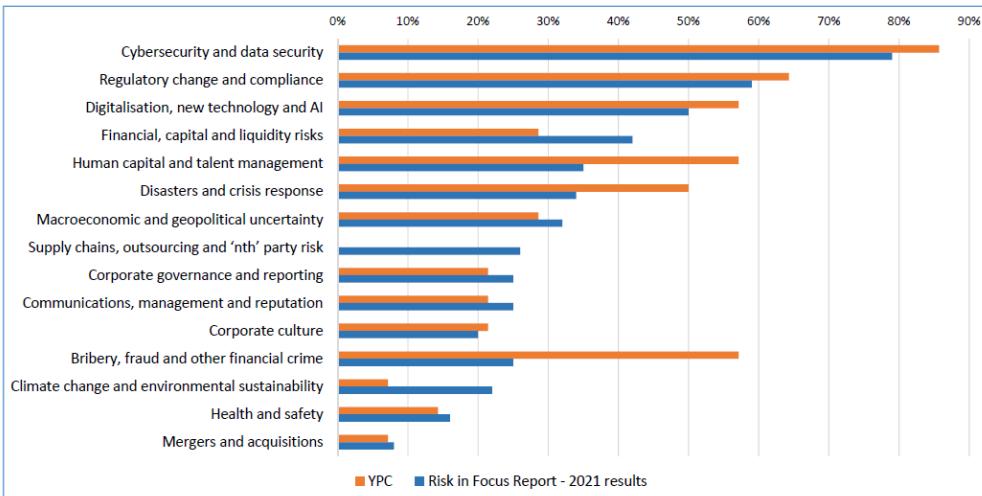
Thank you to all participants. It was a real pleasure to share views and insights on the hot topics for internal auditors 2021. Our Luxembourg local discussion around our main challenges was very valuable to the YP Community and the data collected were compared to the official European CAEs survey.

Note that a majority of the YPC participants are working in the Finance & Insurance Industry (64%). Others are from Manufacturing (7%), Educational Services (7%), Consumer-facing (7%), Physical outputs (7%) and other (7%). Therefore, our small-scale local survey covered several business activities with a strong representation from the Finance & Insurance Industry.

The internal audit departments of the participants are, for one third (31%) composed by more than 10 people, and for another third (31%) composed by 2 or less people. The remaining 38% represent audit teams with 3 to 9 people.



Top 5 risks that your organization faces today



Unlike the Risk in focus 2021 survey, the YP Community consider *Bribery, fraud and other financial crime* as one of the top 5 risks (58%). *Disasters and crisis response* represents also an important risk for the YP Community due to the current covid-19 pandemic situation that has clearly raised awareness around the necessity to monitor the crisis management protocol of our organisations. *Human capital and talent management* (58%) is the 4th risk for the YP Community and it was the 5th in the European survey (35%), thus confirming the need to retain talents and train people in order to increase employees effectiveness and happiness at work.

Already well managed areas, such as Cyber

security and data security (86%), *Regulatory change and compliance* (65%) follow the same trends as the European CAEs survey and remain in the top 5 risks for the YP Community. *Supply chains, outsourcing and 'nth' party risk* (0%) has not been mentioned as a potential risk for the participants. However, *Digitalisation, new technology and AI* remain a risk that the YP Community designated as a risk their organisations are facing for 58% due to the fact that the banking sector and insurance companies have accelerated the digital strategies these last few years.

Similarly to the Risk in Focus report 2021, the YP Community see *Cybersecurity and data security* (73%) and *Regulatory change and compliance* (80%) as the areas where we are currently spending most time and effort. The former is a hot topic that is taking more and more space and is part of our IT internal audits, and the latter is linked to the highly regulated environment of the financial services in Luxembourg.

However, it comes out that we spend more time on the *Bribery, fraud and other financial crime* (75%) and *Corporate Culture* (40%) compared to the time spent by the European CAEs (respectively 50% and 18%).

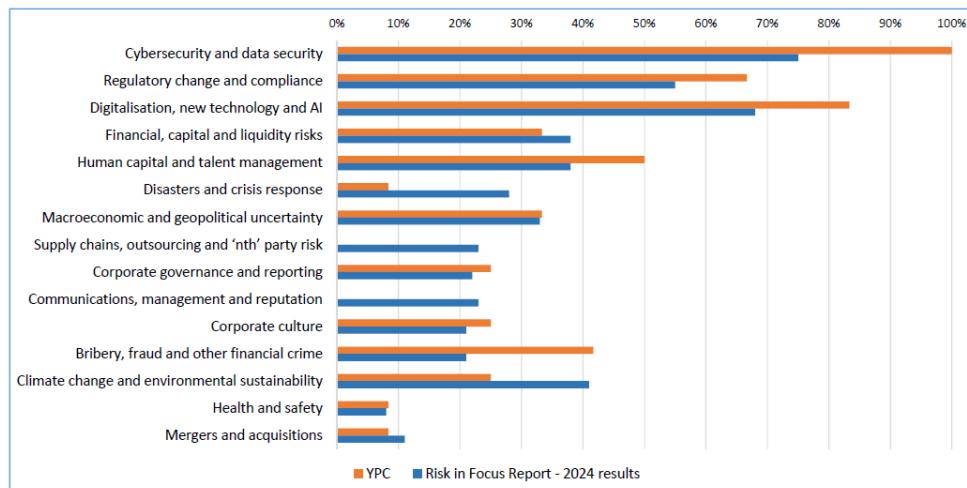
This indicates that, according to the YP, we are locally still focusing on traditional risks and not necessarily allocating our resources to mitigate the risks our organisations are facing in priority.

Top 5 risks on which IA currently spends most time and effort



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Top 5 risks your organization will face in 3 years' time



We all see *Cybersecurity and data security* (100%) as an emerging risk that will require more attention in 3 years' time. We also foresee that *Digitalisation, new technology and AI* (84%) will be an increasing area of focus for the YP Community. It is expected that our organisations will keep considering *Regulatory change and compliance* (68%) as one of the to 3 top risks in 2024. But the increase of focus predicted in the 'Risk in focus 2021' on *Climate change and environmental sustainability* and *Disasters and crisis response* would not really be areas that would represent a top risk in 3 years' time for the YP Community. It is likely due to the fact that the dominant perception (or hope) is that the pandemic would be behind us. The YP Community feel less concerned by climate change and environmental than the European CAEs (25% vs 41%) due to the industries in which the participants are working.



Cybersecurity and data security came out on top this year with 100 % of the Participants saying it will be a top five risk in 2024. Development of remote working and increasing hacking issues explain that feeling.

In 3 years' time, as *Cybersecurity and data security* and *Regulatory change and compliance* will remain strong risks auditors will focus on according to the YP Community, it is not expected to spend less time on these areas. However, YP Community believe that less time should be spent on risks such as *Corporate culture* (62%) and *Communications, management and reputation* (55%) whereas the risk in focus 2021 shows that *Health and Safety* (50%) and *Corporate governance and reporting* (43%) as top risks to which internal auditors should dedicate less time.

Although the YP Community participants do not foresee *Climate change and environmental sustainability* (25%) as a key risk in 2024, the local survey shows that no less time should be dedicated to this area (i.e. still a minimum effort would be required to cover the risk).

Top 5 risks where IA should reduce time and effort in 3 years' time

