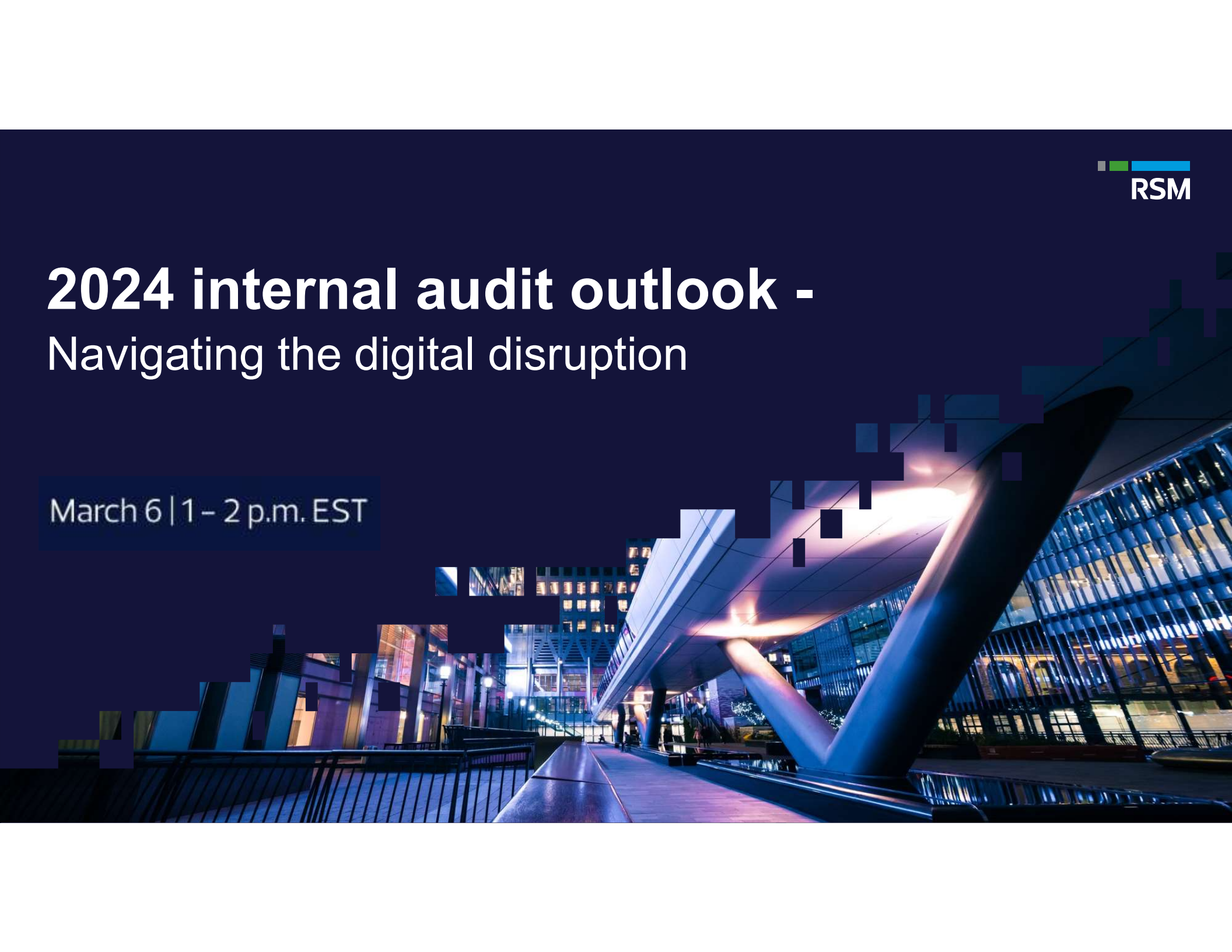


2024 internal audit outlook - Navigating the digital disruption

March 6 | 1 - 2 p.m. EST



Agenda

01 Introductions and learning objectives

02 2024 Internal audit outlook

03 Navigating the digital disruption

- *Responding with agility*
- *Promoting collaboration*
- *Embracing innovation*

04 Case studies

05 Questions and answers

RSM presenters



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Learning objectives

1. Understand how internal audit can best adapt to changing business conditions and provide relevant support amidst digital disruption.
2. Learn effective strategies for collaborating with stakeholders to address digital challenges within the organization.
3. Discover how internal audit can foster innovation and keeping pace with technological advancements to provide proactive insights in the digital era.

2024 Internal audit outlook

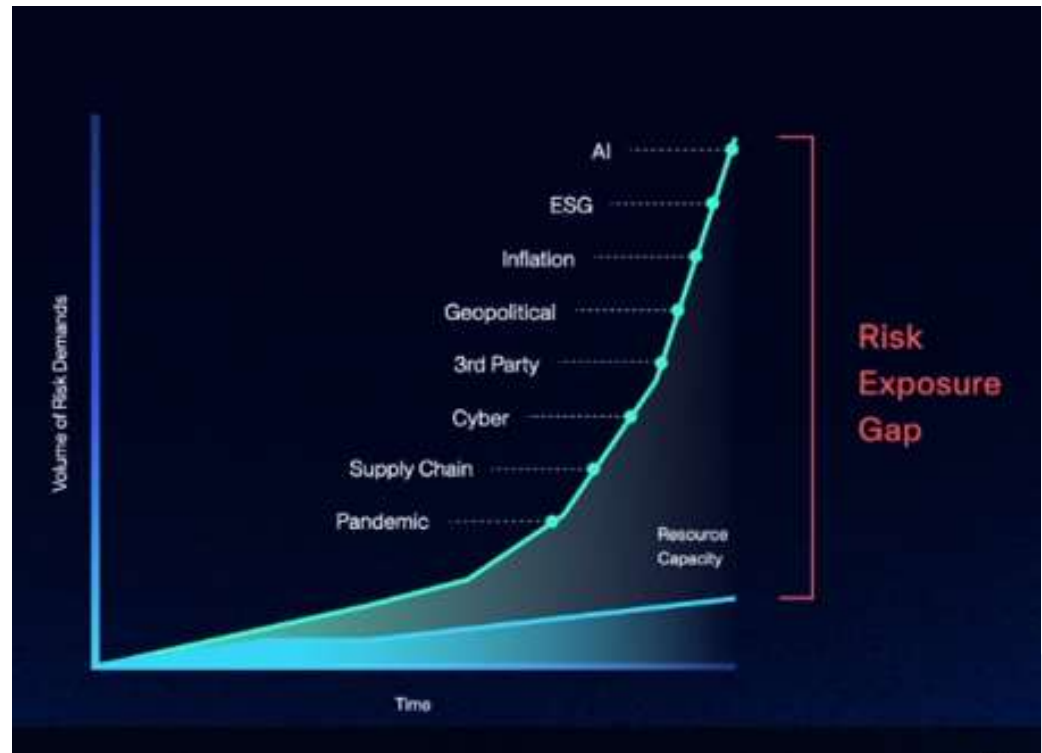
The Era of Permacrisis

Since January 2020

- Worst global pandemic in 100 years
- Highest unemployment rate in 90 years
- Most significant war in Europe in 80 years
- Highest inflation in 40 years
- Most aggressive monetary policies in decades
- Failures in the banking industry
- Climate induced catastrophes
- Sharpening political divisions
- Outbreak of major hostilities in the Middle East
- Pending sense of helplessness

Growing risk exposure gap

- Fueled by the permacrisis
- Risks are emerging rapidly
- Resourcing not keeping pace
- Budget and operation implications



Source: AuditBoard Audit + Beyond Conference – Risk and Audit Transformation in the Era of Permacrisis



The speed of risk

Permacrisis is being driven by the speed of risk.

- Faster rate of change
- New and constantly evolving conditions
- More emerging risks
- Greater complexity
- Increased connectivity
- Greater uncertainty
- Greater need for assurance insight

Risk perspective

Geopolitical uncertainty

Supply chain

Technology adoption

Third party risk

Globalization

Cybersecurity

Culture

Health and safety

Business continuity

Financial liquidity

Mergers and acquisitions

Digital disruption

Human capital

Data governance

Economic and market pressures

Legacy IT infrastructure

Operational costs

Interest rates

Climate change

Regulatory change

Rise of artificial intelligence

Talent development

Reputation

Elevated inflation

Complacency and confusion

Inability to connect with others



Navigating the digital disruption



The change that occurs when new digital technologies and business models affect the value proposition of existing goods and services.

Expected global risk change

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%
2. Human capital	51%
3. Business continuity	47%
4. Regulatory change	39%
5. Digital disruption	34%
6. Financial liquidity	32%
7. Market changes	32%
8. Geopolitical uncertainty	30%
9. Governance/corporate reporting	27%
10. Supply chain and outsourcing	26%
11. Organizational culture	26%
12. Fraud	24%
13. Communications/reputation	21%
14. Climate change	19%
15. Health and safety	11%
16. Mergers and acquisitions	6%

1. Cybersecurity	67%
2. Digital disruption	55%
3. Human capital	46%
4. Business continuity	41%
5. Climate change	39%
6. Regulatory change	39%
7. Geopolitical uncertainty	34%
8. Market changes	33%
9. Supply chain and outsourcing	25%
10. Financial liquidity	23%
11. Organizational culture	21%
12. Governance/corporate reporting	20%
13. Fraud	20%
14. Communications/reputation	15%
15. Health and safety	11%
16. Mergers and acquisitions	11%

Digital disruption is expected to move from the fifth highest risk to the **second** highest in the next three years.

Expected global audit effort change

What are the top 5 risks on which internal audit spends the most time and effort?

What are the top 5 risks you expect internal audit to spend the most time and effort addressing 3 years from now?

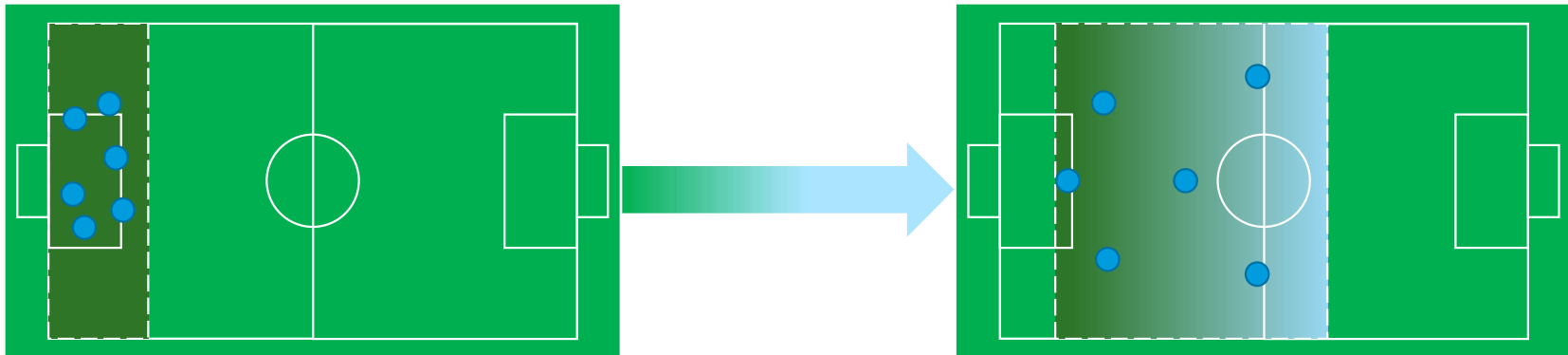
1. Cybersecurity	68%
2. Governance/corporate reporting	55%
3. Business continuity	54%
4. Regulatory change	46%
5. Financial liquidity	45%
6. Fraud	42%
7. Supply chain and outsourcing	34%
8. Human capital	30%
9. Organizational culture	24%
10. Digital disruption	22%
11. Communications/reputation	20%
12. Health and safety	17%
13. Market changes	16%
14. Climate change	11%
15. Geopolitical uncertainty	9%
16. Mergers and acquisitions	6%

1. Cybersecurity	73%
2. Digital disruption	52%
3. Business continuity	49%
4. Regulatory change	37%
5. Governance/corporate reporting	36%
6. Human capital	35%
7. Climate change	34%
8. Fraud	29%
9. Financial liquidity	28%
10. Supply chain and outsourcing	28%
11. Organizational culture	24%
12. Market changes	22%
13. Communications/reputation	16%
14. Geopolitical uncertainty	16%
15. Health and safety	15%
16. Mergers and acquisitions	8%

Digital disruption is expected to move from the tenth highest for time and effort to the **second** highest in the next three years.

Responding with agility

To keep pace with digital disruption, Internal Audit will need a flexible strategy



Defensive Strategy – Protect the business

Offensive Strategy – Deliver value

**What can this look like?
How can it be measured?**



Promoting collaboration

Internal Audit and a seat at the table

- A seat is not guaranteed
- Potential digital table opportunities
 - Steering Committees
 - Advisory projects
 - Assurance services
- Variables influencing the invitation
 - Welcome
 - Willing
 - Able
- Organizational impediments

A photograph of a road that splits into two paths, leading through a golden field towards a horizon with hills and a dramatic, cloudy sky. The sun is visible on the left side, creating a bright glow. The clouds are dark and textured, suggesting a storm or late afternoon light. The overall mood is contemplative and uncertain.

As a profession, we are at a crossroad.

A hand is shown holding a glowing, blue, digital globe. The globe is surrounded by various technology-related icons and text labels. The background is a dark blue space with a network of glowing lines and nodes. The overall theme is digital technology and innovation.

DIGITAL DISRUPTION

COMMUNICATION

DATA

NETWORKING

AUTOMATION

TECHNOLOGY

INTERNET OF THINGS

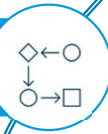
ARTIFICIAL INTELLIGENCE

Emerging and advanced technology adoption

Embracing innovation

Business Imperatives

Business strategy integration



Forward-looking, agile approach



Attract, train, and develop talent



Collaboration and knowledge sharing



On-going investments



Key Internal Audit Activities

- *Foster partnership with LOB*
- *Encourage proactive communication of changes*

- *Agile (big 'A') approach to auditing*
- *Establish methodologies for emerging technologies*
- *Maintain partnership with LOB*

- *Communicate opportunities to work with new & emerging technologies, processes*
- *Ever-evolving landscape*

- *Collaborative tools*
- *Real-time issue sharing with stakeholders; reporting*

- *Audit tools (automation, analytics, AI)*
- *Trainings*

Case Studies



Questions and answers



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