



The Institute of
Internal Auditors

Elevating Impact

The future of the profession

Javier Faleato, CIA, CRMA, CCSA

Executive Vicepresident

Affiliate relations & Global advocacy



Embracing the Future

Anthony Pugliese, CIA, CPA, CGMA, CITP



The IIA's Strategic Plan



Cybersecurity



The Essentials of ESG



International conference



ONE IIA

**Working together
as a unified voice**



The IIA's Strategic Plan



Re-Imagine &
Transform Our
Organization



Promote
Competency &
Learning



Grow
Membership &
Models



Advocate for
Public Policy
Interest of the
Profession



Evolve Image
& Heighten Brand
Awareness



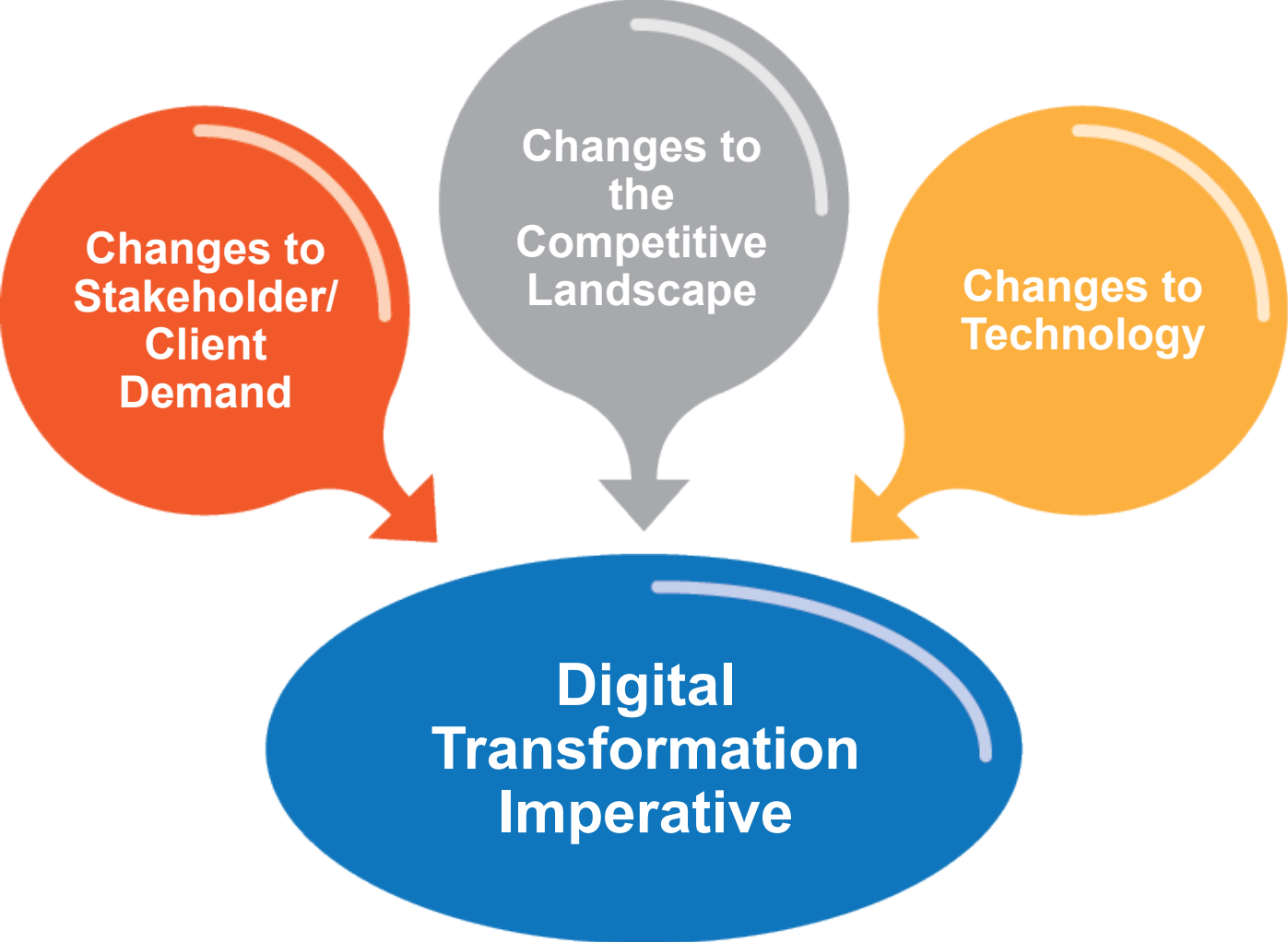
Enable
Profession for
the Future

Internal Audit's Digital Transformation Imperative

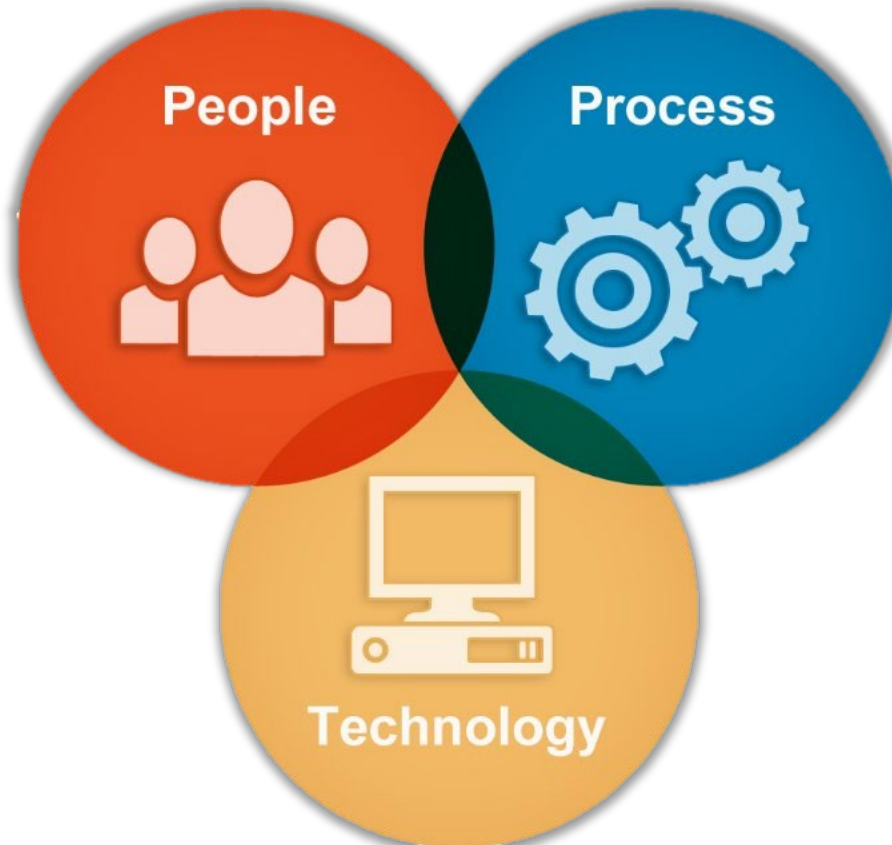
The Impacts & Opportunities of Technology



Internal Audit's Digital Transformation Imperative



Internal Audit's Digital Transformation Imperative



Team dynamics, including rotations, fluctuations, prioritization, and balance.

Processes enabled by technology can drive speed and consistency and enable more innovative approaches to lower costs and enhance value.

Strengthening collaboration and integration across the Three Lines is important, but independence and objectivity must be maintained.



IPPF EVOLUTION

IPPF EVOLUTION



The New IPPF Structure

Approved by Board in December 2021

STANDARDS

1	Purpose of Internal Auditing
2	Ethics and Professionalism
3	Governing the Internal Audit Function
4	Managing the Internal Audit Function
5	Performing Internal Audit Services

GUIDANCE

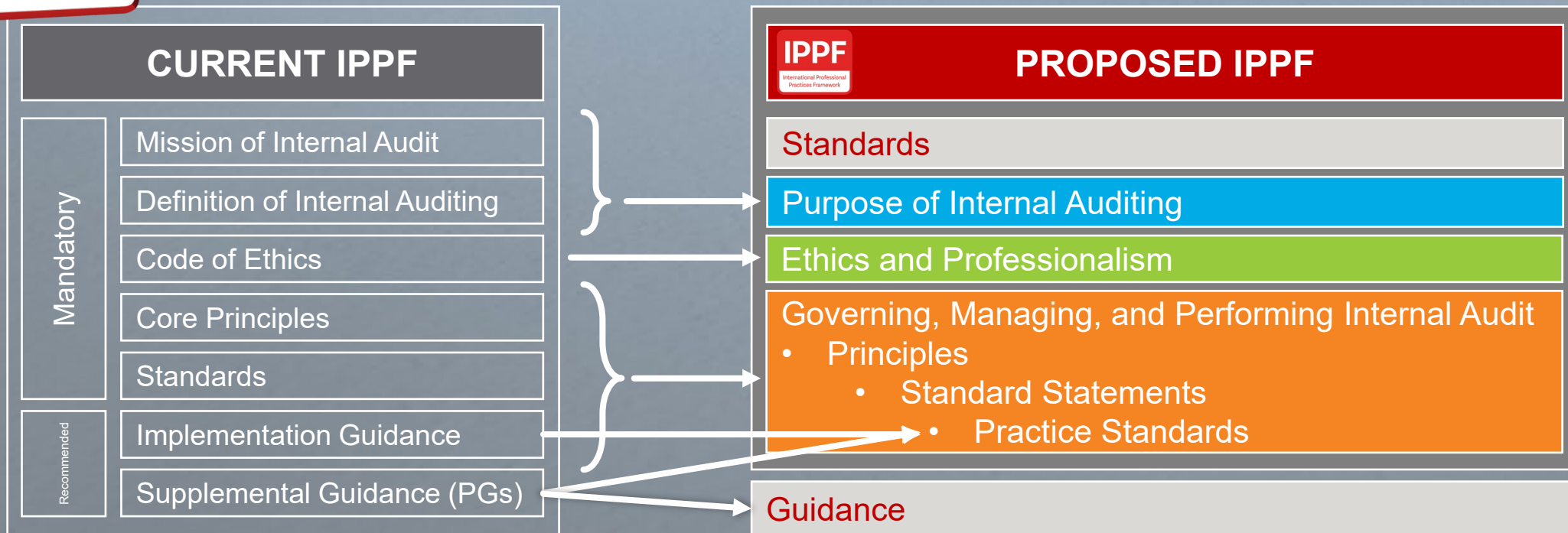
Examples:

- Developing the Internal Audit Strategic Plan
- Developing a Risk-based Internal Audit Plan
- Quality Assurance and Improvement Program
- Auditing Culture
- Auditing Privacy Risks
- GTAG - Assessing Cybersecurity Risk
- GTAG - Cybersecurity Operations
- GTAG - Cyber Incident Response and Recovery
- Auditing Credit Risk Management
- Auditing Procurement in the Public Sector

IPPF EVOLUTION



Mapping Current to New Framework





ONRISK

2022

**Understanding,
Aligning, and
Optimizing Risk**

Approach and Methodology

Qualitative Research

- In-depth interviews divided equally among
 - 30 Board members
 - 30 C-suite executives
 - 30 Chief audit executives (CAEs)
 - 90 Organizations

The 12 Top Risks



Cybersecurity



Talent Management



Organizational Governance



Data Privacy



Culture



Economic and Political Volatility



Change in Regulatory Environment



Supplier and Vendor Management



Disruptive Innovation



Social Sustainability



Supply Chain Disruption



Environmental Sustainability



Cybersecurity

Risks and Opportunities





Cybersecurity: Current State



OnRisk 2022

DIVERGENT PERSPECTIVES:

Consider cybersecurity as a highly relevant risk to organizations:

Consider their knowledge about cyber issues as high or very high

CAE Responders	97%	20%
Board Responders	87%	33%
C-suite Responders	77%	40%

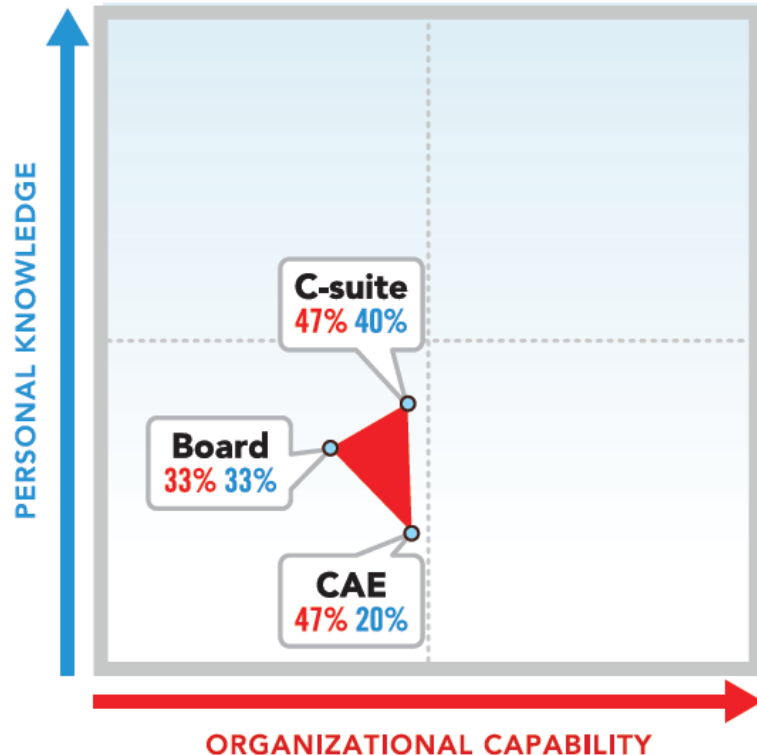


Cybersecurity: Sustainability



KNOWLEDGE AND CAPABILITY

Percentage who gave a rating of 6 or 7 on a scale of 1 to 7



OnRisk 2022 Analysis

- CAEs rated themselves notably less knowledgeable on cybersecurity than C-suite and Board members.
- Close alignment was noted between CAEs and the C-suite on organizational capability.
- A low percentage of respondents overall rated the capability of their organizations to manage cybersecurity as high.



Cybersecurity:

Holding Internal Audit to Standards



Chief audit executives (CAEs) should consider cyber in their risk-based planning:



IPPF

International Professional
Practices Framework

The IPPF addresses technology risks and controls:

Internal audit must have knowledge of key IT risks to perform their assigned work.

However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is IT auditing.

Internal audit must assess whether the IT governance of the organization supports the organization's strategies and objectives.

Internal audit must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems.

Any scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.



Cybersecurity:

Three Lines Action Items on Cyber Risks



BOARD

Ensure appropriate time is allocated in meeting agendas for management, internal audit, and potentially outside subject matter experts to provide the board with current and accurate information on emerging cyber threats, organizational efforts, and existing vulnerabilities.

C-SUITE

Dedicate necessary internal and/or external resources to consistently evaluate emerging cyber threats, get complete perspectives on current status, and provide transparent and thorough updates to the board.

IA

Identify opportunities to educate management and the board on emerging cyber risks and perform routine evaluations of all risk management functions related to cybersecurity.

A large-scale offshore wind farm with numerous white wind turbines stretching across a deep blue ocean under a clear sky. The perspective is from a low angle, looking across the water towards the horizon.

The Essentials of ESG

Environmental, Social, Governance



The Essentials of ESG

Why ESG?



ESG refers to Environmental, Social, and Corporate Governance, the aspects or parameters that are often used to gauge the extent to which a company's business performance is guided by sustainability objectives.

Why is ESG becoming a mainstream agenda?



The world is changing

Climate risks, regulatory restrictions, changing demographics, etc. are presenting new challenges.



Investors demand transparency

Millennial investors are focusing on disclosures related to complex and extended supply chains.



Data and technology

Advanced technologies, AI, and social media are changing the course of disclosures and amplifying ESG messaging.



Growth opportunity

Transition to clean technologies, renewables, and reducing consumption are fueling growth and long-term value creation.

The Essentials of ESG

The Value of Internal Audit

Internal audit can focus beyond financial controls and respond to a broader risk landscape.

An internal audit function plays a key role in the sustainable enterprise and ESG practices by reporting on all aspects of governance, risk management, and internal control through its relevant, authoritative, independent, and objective advice and assurance role.

Internal audit has the opportunity to coordinate on ESG and better serve the public interest through collaborative efforts.

Key ESG Risks

ENVIRONMENTAL ISSUES

- **Climate change and carbon emissions**
- **Air and water pollution**
- **Biodiversity**
- **Deforestation**
- **Energy efficiency**
- **Waste management**
- **Water scarcity**

SOCIAL ISSUES

- **Customer satisfaction**
- **Data protection and privacy**
- **Gender and diversity**
- **Employee engagement**
- **Community relations**
- **Human rights**
- **Labor standards**

GOVERNANCE ISSUES

- **Board composition**
- **Audit committee structure**
- **Bribery and corruption**
- **Executive compensation**
- **Lobbying**
- **Political contributions**
- **Whistleblower schemes**

The Essentials of ESG

IFRS Foundation and ISSB

- The IIA supports the creation the ISSB.
- As an independent standard setter, the ISSB will provide much-needed global standards for disclosures around climate change and sustainable business.
- Only internal audit can provide independent assurance over the internal controls around climate change and ESG data, and reliability of disclosures.
- Organizations that publish climate-related disclosures should acknowledge the existence of an internal audit function sufficiently independent of management.



CHICAGO
★ 2022 ★



**IIA INTERNATIONAL
CONFERENCE**

SAVE THE DATE!
ic.globaliia.org
18-20 JULY

- Produced by the Organization That Sets the Global Standards
- Network with Internal Auditors from 100+ Countries
- 4 Educational Tracks on Topics Most Relevant to the Profession
- 30+ Concurrent Sessions Presented by Industry Leaders
- Earn up to 16.8 CPEs
- Pre & Post Conference Workshops Available
- Attend In-Person or LiveStream

- AI & Data Analytics / Audit Methodology
- Cybersecurity / Technology
- GRC / Regulatory Issues
- Leadership / People Development



State of the Internal Audit Profession With IIA President & CEO

- Review The IIA Strategic Plan & Global Operating Model
- Latest Developments on ESG + Cybersecurity
- Explain How The IIA is Preparing Practitioners for the Future

Anthony J. Pugliese, CIA, CPA, CGMA, CITP

Good Employees Can Rationalize Bad Decisions: A Look at Fraud in Today's Organizations



*Kelly Richmond-Pope
Forensic Accountant
Professor, DePaul University
Filmmaker*

Inclusion: Concrete Empathy – A Playbook for Leading Modern Virtual Teams



*Erica Dhawan
Award-winning Keynote Speaker &
Author
USA*

Courageous Civility: Creating a Culture of Equity, Diversity, and Belonging



*Shola Richards
Founder & Chief Executive Officer
Go Together Global*

Sunday June 17

1:00pm-5:00pm CDT | 4.2 CPEs

- Managing Risk, Governance and Sustainability
- RPA Is Here: Now What?
- CIA Exam Prep Workshop: Part 1
- CIA Exam Prep Workshop: Part 2

Wednesday June 20

1:00pm-5:00pm CDT | 4.2 CPEs

- Auditor's Guide to Data Governance and Literacy
- Assessing Ethics for Your Organization
- Practicing Agility
- CIA Exam Prep Workshop: Part 2

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