



Chartered Institute of
Internal Auditors

Parliamentary briefing: Risk in Focus – the top business risks in 2024

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WHAT IS RISK IN FOCUS?

Risk in Focus 2024 is the Chartered Institute of Internal Auditors' annual flagship research project. The report analyses the top risks facing organisations across Europe and it provides expert analysis on what Chief Internal Auditors perceive as their organisation's risk priorities for 2024 and beyond.

As a parliamentarian, it may be helpful for you to understand the top risks that businesses face and how internal audit plays a key role in helping to identify, manage and mitigate these risks.

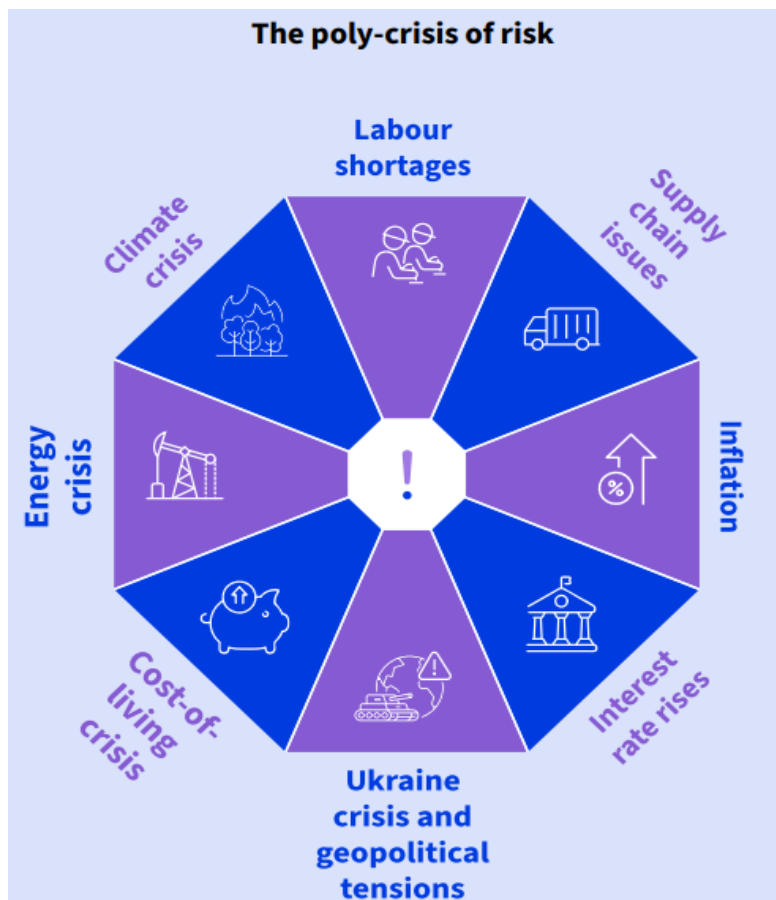
The project is a collaboration between 16 European institutes of internal auditors spanning 17 countries including Austria, Belgium, Bulgaria, France, Germany, Greece, Hungary, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, Switzerland and the UK & Ireland.

The research is based on a survey of 799 Chief Internal Auditors. Simultaneously, five roundtables were hosted with 46 Chief Internal Auditors and 11 industry experts were interviewed, including Chief Internal Auditors, Audit Committee Chairs and subject matter experts to provide deeper insights.

You can read the full report [here](#).

RISK IN FOCUS 2024

Risk in Focus 2024, unsurprisingly, reveals a looming poly-crisis as a series of high-impact risk events are now occurring simultaneously and exacerbating a multitude of interconnected risks. This poly-crisis of risks includes ongoing economic uncertainty, the cost-of-living crisis, the Ukraine crisis and geopolitical turmoil, labour shortages, along with extreme weather events fuelled by the climate crisis.



THE FIVE RISK AREAS EXPLORED IN RISK IN FOCUS 2024

Cybersecurity and data security

Cybersecurity and data security once again took the top spot in the Risk in Focus survey as the biggest threat to organisations, with 84% of respondents saying it was a top 5 risk.

This risk is becoming more dangerous as business operations become increasingly digitalised, and therefore become more exposed to sophisticated cyber-attacks. Geopolitical tensions including the war in Ukraine are also exacerbating this risk. One of the roles of internal audit is identifying potential gaps in an organisation's cyber-defences and recommending stronger IT controls to minimise the risk of cybersecurity and data breaches.

Parliamentarians will be aware of this risk as there have been several high-profile cybersecurity attacks over recent years, such as the WannaCry ransomware attack on the NHS and more recently we have seen cyber-attacks on British Airways, Boots and the BBC. This is the risk that internal auditors spend the most time and effort auditing, and it is likely to remain the top risk for several years to come.

Human capital, diversity, talent management and retention

This risk retained its place as the 2nd biggest risk, as many businesses continue to struggle to attract and retain staff. This year, 58% of respondents cited it as a top 5 risk – up from 50% last year and 40% in 2022.

This is an important risk for parliamentarians to be aware of as many businesses face rising labour costs fuelled by inflation. We are seeing a shortage of staff in the right roles which will undoubtedly hold businesses back and impact economic growth. The research indicated that this risk is expected to remain the 2nd biggest risk faced by organisations in three years.

Macroeconomic and geopolitical uncertainty

Chief Internal Auditors ranked this as their organisation's 3rd biggest risk. Last year we saw the war in Ukraine exacerbate this risk, and this year businesses have also grappled with the macroeconomic effects of higher inflation and interest rates.

Many of the issues that influence the political landscape around geopolitical tensions and macroeconomic uncertainty also impact business risks. For example, macroeconomic shockwaves hit most organisations during 2023 and we saw businesses struggle in the wake of a cost-of-living and a cost-of-doing business crisis. This has increased the risk of insolvency as many customers have tightened their belts, while business costs also skyrocketed.

Climate change, biodiversity and environmental sustainability

Respondents to the Risk in Focus survey also ranked climate change, biodiversity and environmental sustainability highly, with 31% ranking it as a top 5 risk for 2024. As extreme weather events in Europe put increasing stress on existing infrastructure, internal audit functions are working hard to support business continuity and resilience from climate-related disasters.

Many parliamentarians will be aware that climate change, biodiversity and environmental sustainability is increasingly a big issue facing organisations. Many businesses are seeing new legislation around compliance and mandatory climate-related reporting requirements. In the years to come this risk will likely become of increasing importance, this year's survey forecasts climate change to rise to the 3rd biggest risk by 2027.

Supply chain, outsourcing and 'nth' party risk

Supply chain, outsourcing and "nth" party risk is an area of critical risk for many businesses, with 30% of respondents to the survey saying it was one of their top 5 risks. The report identified the war in Ukraine and heightened geopolitical tensions between the US and China had complicated international trade and weakened supply chain resilience.

Auditing an organisation's supply chains and making recommendations aimed at enhancing supply chain resilience, such as diversifying the range of suppliers of certain goods or materials, sourcing suppliers locally or making sure suppliers aren't based in one country or geographical location, can all help businesses resilience.

What are the top five risks your organisation currently faces?

Business continuity and operational resilience moved up two places this year in response to continuing global turmoil with market changes coming in as a new category.



Other key findings...

- **Changes in laws and regulations** are among the top five risks for almost half (43%) of Chief Internal Auditors this year, making it the joint third biggest risk with **macroeconomic and geopolitical uncertainty**.
- Just over a third (35%) cited **business continuity, operational resilience, crisis management and disaster response** as one of the top five risks.
- **Digital disruption, new technology and AI** was identified as the sixth biggest risk in our research.

Contact us

We hope that you find this briefing useful in better understanding some of the key risks businesses face. For any enquiries regarding this briefing or if you would like to set up a meeting to find out more about how we can support your work as a parliamentarian please contact **Gavin Hayes, Head of Policy and Public Affairs** at gavin.hayes@iia.org.uk.