On the CAE Agenda Q3-2023 – Financial services

The role and focus of internal audit (IA) in financial services is ever-evolving. This installment of the KPMG On the CAE Agenda series provides guick insights into what IA leaders within financial services are currently hearing, considering, doing, and discussing with their stakeholders across the core elements of their CAE agenda.



Q3 spotlight on:

Stakeholder engagement and trust

- Better integration with other assurance functions (e.g., compliance, ERM, quality, ICFR)
- · Collaboration with stakeholders throughout the audit process (e.g., ERM efforts, audit plan, risk assessment, field reporting)
- Improving the IA brand to become a trusted adviser vs. a compliance shop and increasing involvement with the executive team

Strategy and value management

- · The role of IA in emerging topics such as ESG, AI, cyber threats, disruptive events, new technology/evolving delivery model (e.g. AI/ML, DevOps, infrastructure as code)
- Consideration around the balance between assurance and consulting projects to better partner with the business
- Consideration of IA's long-term strategy and purpose to align with the organization's overall mission

Hot topics in IA and key focus areas for financial services

- · Regulatory focus on heightened standards and intensified supervision and examination (Regulation Intensity)
- · Asset/Liability management, with a focus on liquidity, capital, and stress testing
- · Interest rate, market risk, and counterparty risk management
- · Financial crimes programs, with a focus on transaction monitoring, independent testing, and training
- · Nonfinancial risk (NFR), considering compliance; and operational risk
- · Board and audit committee communications related to internal audit activities (e.g., status of plan, KPIs/KRIs, aggregational impact of low-risk issues)
- · Talent transformation and skillset assessment
- · Data enabled continuous monitoring on emerging risks and uncertainties
- Risks and opportunities from impact of generative artificial intelligence (AI) (i.e., operations, products)
- · Issue management and regulatory issue validation
- · Mergers and acquisitions with a focus on integration activities (Bank M&A Compliance Integration)
- · <u>Cybersecurity</u> (e.g., SEC ruling/disclosure, ransomware incident response, phishing, data theft)
- Digital payment platforms and processes (including digital assets)
- · Climate and sustainability impact on the business (ESG strategy and reporting)
- Business continuity and operational resiliency
- · Increased insider threat exposure due to changes in workforce

Digital acceleration

- · Challenging IA's operational model (e.g., centers of excellence, data and analytics, transformation)
- · Adoption/use of AI technologies in internal audit
- IA's role in the company's data quality and governance journey

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