ASIA PACIFIC 2026/2027

Hot Topics for Internal Auditors

RISK in FOCUS

Asian Confederation of
Institutes of Internal Auditors

50 Internal Audit
FOUNDATION
1976-2026

ABOUT GLOBAL RISK IN FOCUS

Know Your Risks. Plan Strategically.

Risk in Focus is the Internal Audit Foundation's premier annual initiative to identify the five most significant risks impacting the world.

Learn what internal auditors are saying about the:

- Five highest risks in their region
- Five top priorities for internal audit effort
- Key considerations for boards and audit committees

Risk in Focus uses survey results, regional roundtables, and interviews with local experts to reveal key insights from the unique perspective of internal auditing.

The Internal Audit Foundation gratefully acknowledges the work of IIA National Institutes and IIA regional bodies that make this research possible: African Federation of Institutes of Internal Auditors (AFIIA), Arab Confederation of Internal Auditors (ARABCIA), Asian Confederation of Institutes of Internal Auditors (ACIIA), European Confederation of Institutes of Internal Auditors (ECIIA), and Fundación Latinoamericana de Auditores Internos (FLAI).

Special appreciation goes to the European Institutes Research Group (EIRG), which developed the Risk in Focus research approach in 2016 and continues to publish the report for Europe through the ECIIA.

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GLOBAL RESEARCH PARTICIPATION

132 countries/territories

3,285 survey responses

17 roundtables with **149** participants

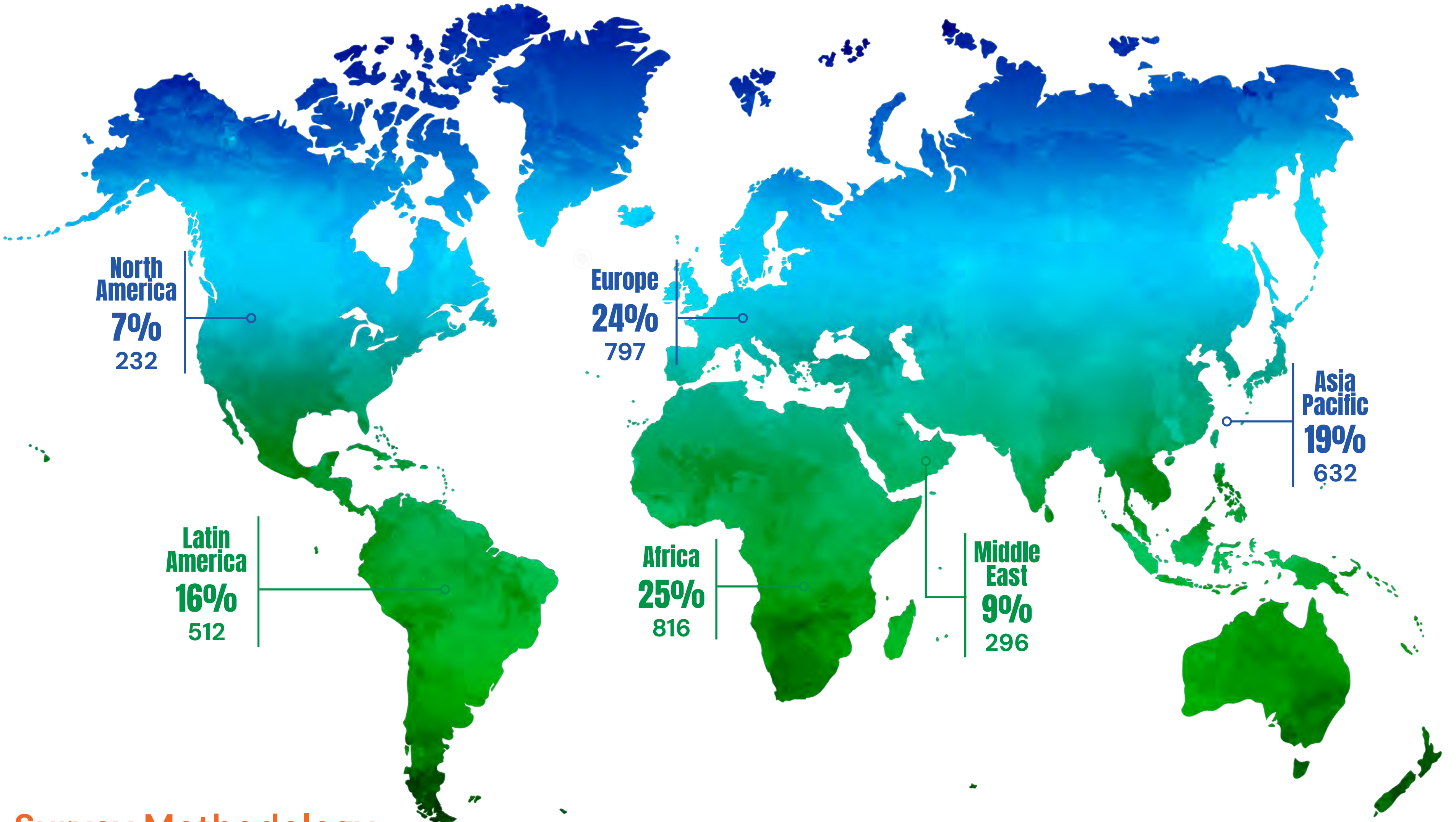
12 in-depth interviews

GLOBAL SURVEY PARTICIPATION

GLOBAL TOTALS

3,285 respondents

132 countries/locations



Survey Methodology

Survey responses were received from 3,285 chief audit executives and directors representing 132 countries and locations. The Internal Audit Foundation hosted the survey online from March 24 to May 6, 2026, for all regions except Europe. The survey for Europe was conducted by the European Institutes Research Group from March 2 to April 7, 2026.

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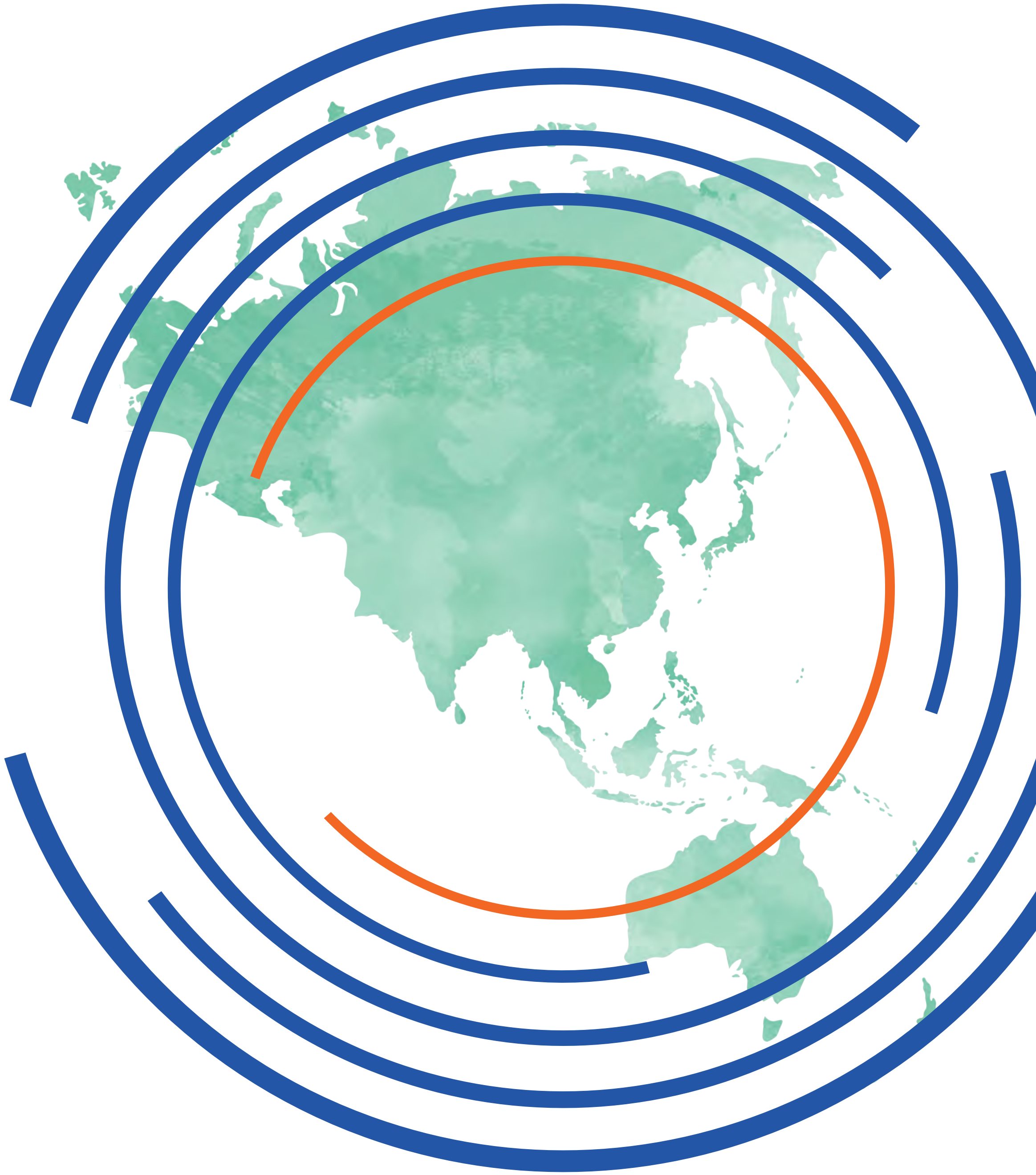

1. EXECUTIVE SUMMARY

Geopolitical Shocks Strain Operations, While Risks Rise From New Technology

This was the year that many areas in Asia Pacific doubled efforts to close the gap with other regions in adopting AI, despite high technology costs, persistent cyber risk, and surging inflationary pressures. Geopolitical risk levels also rose steeply, making it the third highest risk in the region.

Digital disruption was the fastest growing risk in Asia Pacific, growing by 20 percentage points — double the global average (Exhibits 1.1 and C.2). Geopolitical changes added another layer of pressure, as the closure of the Strait of Hormuz in February 2026 sent organizations scrambling to tighten financial controls, combat rising fraud, and restructure supply chains as rising fuel prices pushed up inflation and squeezed spending power among businesses and consumers.

East Asia

In the East Asia subregion, digital disruption risks rose dramatically by 25 percentage points compared to the prior year (Exhibit 2.3). At the same time, supply chains were disrupted as companies struggled with U.S. tariffs, market changes, and complex regulatory environments. With much internal audit time allocated to these pressures and their financial repercussions, CAEs at the roundtable expressed concern about relatively low audit priority for other high-risk areas, including digital disruption and human capital (Exhibit 2.5).

Southeast Asia

Southeast Asian businesses have been one of the beneficiaries of the U.S.'s recent pivot away from trade with China, but war in the Middle East has strained supply chains — an impact potentially amplified by climate-related risks as the El Niño weather phenomenon returned in 2026. Geopolitical uncertainty risk ratings rose by 18 percentage points to 55% (Exhibit 3.3), with audit effort increasing most markedly for digital disruption and market changes (Exhibit 3.4). Organizations disrupted by AI were seeking to penetrate new digital markets in a region connected mostly by sea. And CAEs increased automation to free up time to provide advisory services aimed at better controlling interconnected risks.

South Asia

Geopolitical uncertainty jumped 23 percentage points as a Top 5 risk in this year's survey and moved into second place (70%) in the South Asia subregion (Exhibit 4.2). That is because countries such as India are highly dependent on imported fuel. In response to price inflation for raw materials, products, transport, and wages, CAEs increased audit priority for supply chains (+10) and financial liquidity (+9) (Exhibit 4.3). Tackling high risk levels related to cybersecurity (72%) and digital disruption (63%) in a region with a stalling economy is increasingly challenging (Exhibit 4.1). Technology expenses are becoming incommensurate with the risk, and some new systems become obsolete before they have achieved an adequate return on investment.

Pacific

In the Pacific subregion, cybersecurity (79%) and digital disruption (53%) were the most common Top 5 risks (Exhibit 5.1). CAEs at the roundtable expressed concern about regulations keeping up with developments in AI.

ASIA PACIFIC RESEARCH PARTICIPATION

632 survey responses

28 countries/locations

3 roundtables

3 in-depth interviews

RESEARCH PARTNER

Asian Confederation of **Institutes of Internal Auditors**

The Australian government, for example, abandoned plans to legislate on the ethical use of the technology, leaving the adoption of national risk models undecided. CAEs rated supply chain (38%) and fraud (38%) among their Top 5 risks, while geopolitical uncertainty was relatively low (26%) (Exhibit 5.1).

Central Asia

Central Asia shared many of the Top 5 risks for the region as a whole, including cybersecurity (71%), digital disruption (50%), and business resilience (46%) (Exhibit 6.1). But risks were higher than the regional average for financial/liquidity (63%) and fraud (54%) (Exhibit 1.3). Central Asia includes responses from Uzbekistan, Kazakhstan, Tajikistan, and Afghanistan.

Overall Asia Pacific Trends

The region saw a significant reshuffling of risk rankings compared to the prior year (Exhibit 1.1). Digital disruption spiked 20 percentage points vs. the prior year; geopolitical uncertainty jumped 13 percentage points; and cybersecurity was up 10 percentage points (Exhibit 1.1). Business resilience and human capital were displaced from the second and third highest ranked risks to fourth and fifth, respectively. The risks with the largest displacement were business resilience (–15), human capital (–15), regulatory change (–14), and market changes/competition (–12) (Exhibit 1.1).

Changes in risk ratings were accompanied by changes in audit priority (Exhibit 1.2). Audit priority increased substantially for digital disruption (+15) and cybersecurity (+7), in alignment with the risk increase. Although audit priority increased only modestly for geopolitical uncertainty (+5), audit priority was increased more substantially for related areas, including financial/liquidity (+13) and supply chain (+10). The audit priority areas that were displaced the most were regulatory change (–20), governance/corporate reporting (–11), and human capital (–9) (Exhibit 1.2).

Key Points

- Digital disruption was the fastest growing risk in Asia Pacific, growing by 20 percentage points — double the global average (Exhibits 1.1 and C.2).
- While supply chain risk rose modestly in the survey — up 5 percentage points to 33% (Exhibit 1.1) – it was a major risk for many businesses, with its importance better reflected in the rise in audit priority to 42% (Exhibit 1.2).
- In response to impacts of geopolitical change, CAEs increased audit priority for supply chain and financial/liquidity risks.
- During periods of volatility, organizational leaders should be aware of the displacement effect, where new risks and audit priorities take time and attention away from existing risks (Exhibits 1.1 and 1.2).

Asia Pacific Subregions

For this report, participating countries/locations were organized into the subregions below, listed according to the number of survey responses received.

East Asia	Southeast Asia	South Asia	Pacific	Central Asia
Japan	Indonesia	India	Fiji	Uzbekistan
Chinese Taiwan	Singapore	Bangladesh	Australia	Kazakhstan
China	Malaysia	Pakistan	New Zealand	Tajikistan
South Korea	Philippines	Sri Lanka	Papua New Guinea	Afghanistan
Hong Kong, China	Vietnam	Bhutan	Maldives	
Mongolia	Thailand			
Macau Special Admin Region, China	Brunei Darussalam			

AI The region saw a significant reshuffling of risk rankings compared to the prior year, with substantial increases for **digital disruption (+20)**, **geopolitical uncertainty (+13)**, and **cybersecurity (+10)**.

Exhibit 1.1. Asia Pacific – Top 5 Risks Trend

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**

2023	2024	2025	2026	Change from 2025 to 2026	Change	Risk areas
66%	**64%**	**62%**	**72%**		**+10**	**Cybersecurity**
30%	**36%**	**39%**	**59%**		**+20**	**Digital disruption (including AI)**
28%	**30%**	**35%**	**48%**		**+13**	**Geopolitical/macroeconomic uncertainty**
61%	62%	58%	43%		-15	Business resilience
59%	57%	56%	41%		-15	Human capital
47%	49%	49%	37%		-12	Market changes/competition
27%	**24%**	**28%**	**33%**		**+5**	**Supply chain and outsourcing**
22%	**22%**	**20%**	**28%**		**+8**	**Fraud**
21%	**19%**	**19%**	**28%**		**+9**	**Financial/liquidity**
35%	32%	38%	24%		-14	Regulatory change
24%	22%	23%	21%		-2	Governance/corporate reporting
22%	26%	17%	20%		+3	Climate change/environment
23%	23%	21%	19%		-2	Organizational culture
18%	21%	19%	13%		-6	Communications/reputation
12%	11%	11%	8%		-3	Health/safety
4%	4%	6%	6%		0	Mergers/acquisitions

Increased risk compared to prior year   Decreased risk compared to prior year

How to Interpret the Graph
Orange text indicates an increase of 4 percentage points or more compared to the prior year. The orange and blue bars show the difference in ratings from 2025 to 2026. The column labeled "change" shows the percentage point difference from 2025 to 2026.

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 632 for Asia Pacific.

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Exhibit 1.2. Asia Pacific – Top 5 Audit Priorities Trend

***Survey question:* What are the Top 5 audit areas on which internal audit spends the most time and effort? (Choose 5.)**

2023	2024	2025	2026	Change from 2025 to 2026	Change	Audit areas
66%	**63%**	**63%**	**70%**		**+7**	**Cybersecurity**
59%	60%	57%	51%		-6	Business resilience
42%	**43%**	**42%**	**48%**		**+6**	**Fraud**
54%	55%	56%	45%		-11	Governance/corporate reporting
35%	**30%**	**30%**	**43%**		**+13**	**Financial/liquidity**
33%	**28%**	**32%**	**42%**		**+10**	**Supply chain and outsourcing**
19%	**23%**	**25%**	**40%**		**+15**	**Digital disruption (including AI)**
56%	52%	58%	38%		-20	Regulatory change
33%	33%	36%	27%		-9	Human capital
23%	25%	23%	19%		-4	Organizational culture
23%	25%	19%	18%		-1	Market changes/competition
18%	16%	17%	15%		-2	Health/safety
10%	16%	10%	13%		+3	Climate change/environment
21%	23%	18%	13%		-5	Communications/reputation
6%	**6%**	**7%**	**12%**		**+5**	**Geopolitical/macroeconomic uncertainty**
3%	2%	4%	6%		+2	Mergers/acquisitions

Increased audit priority compared to prior year   Decreased audit priority compared to prior year

How to Interpret the Graph
Orange text indicates an increase of 4 percentage points or more compared to the prior year. The orange and blue bars show the difference in ratings from 2025 to 2026. The column labeled "change" shows the percentage point difference from 2025 to 2026.

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 632 for Asia Pacific.

Exhibit 1.3. Asia Pacific – Top 5 Risks per Subregion

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**

Risk areas	All Asia Pacific	East Asia	Southeast Asia	South Asia	Pacific	Central Asia
Cybersecurity	**72%**	**68%**	**76%**	**72%**	**79%**	**71%**
Digital disruption (including AI)	**59%**	**57%**	**61%**	**63%**	**53%**	**50%**
Geopolitical/macroeconomic uncertainty	**48%**	**43%**	**55%**	**70%**	26%	38%
Business resilience	**43%**	**42%**	**44%**	**44%**	**49%**	**46%**
Human capital	**41%**	**46%**	36%	**42%**	36%	29%
Market changes/competition	37%	41%	**37%**	28%	36%	21%
Supply chain and outsourcing	33%	39%	23%	41%	**38%**	17%
Fraud	28%	24%	30%	27%	**38%**	**54%**
Financial/liquidity	28%	25%	30%	19%	23%	**63%**
Regulatory change	24%	21%	26%	19%	26%	42%
Governance/corporate reporting	21%	27%	14%	13%	23%	17%
Climate change/environment	20%	15%	26%	33%	21%	8%
Organizational culture	19%	23%	15%	16%	15%	17%
Communications/reputation	13%	11%	16%	8%	17%	4%
Health/safety	8%	9%	4%	8%	19%	13%
Mergers/acquisitions	6%	9%	4%	0%	0%	13%

5 highest risks

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 632 for Asia Pacific.

Exhibit 1.4. Asia Pacific – Top 5 Audit Priorities per Subregion

Survey question: **What are the Top 5 audit areas on which internal audit spends the most time and effort? (Choose 5.)**

Audit areas	All Asia Pacific	East Asia	Southeast Asia	South Asia	Pacific	Central Asia
Cybersecurity	**70%**	**66%**	**71%**	**80%**	**68%**	**88%**
Business resilience	**51%**	**46%**	**58%**	**55%**	**55%**	**46%**
Fraud	**48%**	44%	**49%**	**50%**	**57%**	**58%**
Governance/corporate reporting	**45%**	**48%**	39%	**45%**	**55%**	38%
Financial/liquidity	**43%**	**45%**	39%	38%	**47%**	**67%**
Supply chain and outsourcing	42%	44%	**40%**	**55%**	34%	25%
Digital disruption (including AI)	40%	35%	**50%**	30%	38%	**50%**
Regulatory change	38%	**46%**	27%	41%	43%	29%
Human capital	27%	31%	26%	22%	19%	17%
Organizational culture	19%	24%	13%	14%	17%	21%
Market changes/competition	18%	16%	25%	16%	9%	17%
Health/safety	15%	17%	10%	16%	32%	4%
Climate change/environment	13%	11%	15%	16%	9%	13%
Communications/reputation	13%	11%	17%	9%	9%	8%
Geopolitical/macroeconomic uncertainty	12%	10%	17%	13%	2%	17%
Mergers/acquisitions	6%	6%	5%	3%	6%	4%

5 highest audit priorities

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 632 for Asia Pacific.

2. EAST ASIA

Digital Disruption Risks Are Rising Rapidly

In alignment with other Asia Pacific regions, cybersecurity was the highest-ranking Top 5 risk in East Asia (68%) (Exhibit 2.1). However, cybersecurity risk ratings varied notably within East Asia, with Japan especially high (82%), and Chinese Taiwan (64%), South Korea (64%), and China (53%) notably lower (Exhibit 2.2).

Organizations in East Asia are pushing forward with AI adoption and other technology, as indicated by the significant increase in digital disruption risk (+25) (Exhibit 2.3). Risk levels were the highest for South Korea (69%), Chinese Taiwan (62%), and China (59%), while Japan's risk ratings were notably lower (44%) (Exhibit 2.2). Digital disruption became the second highest rated risk in East Asia this year.

Human capital risk (46%) and geopolitical uncertainty (43%) took third and fourth place, respectively (Exhibit 2.1). Human capital risks were highest in Japan and Chinese Taiwan, while geopolitical risks were highest for China and Chinese Taiwan (Exhibit 2.2).

Cyber threats and AI opportunities

CAEs in Japan gave the highest cybersecurity risk ratings in East Asia – 82% (Exhibit 2.2), and they work within a regulatory environment that prioritizes cyber defense. For example, Japan's Active Cyber Defense Act requires authorities to seek out and neutralize hackers where possible. By contrast, digital disruption risk rated much lower than the rest of East Asia, with only 44% of Japanese CAEs ranking digital disruption as a Top 5 risk (Exhibit 2.2). "Only recently has the regulator asked us to prepare for the risk of digital disruption, so Japanese companies are often slow to address the risks they cannot see clearly yet," a CAE at a Japanese financial business said at the roundtable. That is likely to change as new AI-specific regulation gathers pace in the country.

Regionally, manufacturers are adopting AI at speed — not least to create efficiencies in production processes, with audit effort growing to support that trend (up 12 percentage points) (Exhibit 2.4). "We reviewed the operational processes to identify opportunities, create efficiencies, and cut costs — and did a companywide internal audit of all of its assets," said the CAE from the Chinese manufacturer. The function had also begun to intensify its training on the topic and to apply AI in its internal audit processes. "The most benefit we have derived from AI is by being able to collate information from across the entire business and process it quickly," he said. CAEs in East Asia agreed that they must support their organizations at both a strategic and operational level.

Geopolitical threats create shortages and increase compliance efforts

The U.S.-Israeli war against Iran pushed up prices of oil, food, and other products, squeezing margins and cutting demand from consumers already struggling with a cost-of-living crisis. Internal audit priorities rose sharply in the two most heavily impacted areas — financial liquidity (+17) and supply chains (+16) (Exhibit 2.4). The CAE from a Chinese energy business said that his organization suffered significant delays to a project when one equipment supplier was found to be a company facing U.S. sanctions. Global businesses based in the region

EAST ASIA SURVEY PARTICIPATION

Japan	99
Chinese Taiwan	98
China	51
South Korea	39
Hong Kong, China	6
Mongolia	1
Macau Special Admin Region, China	1
Total	**295**

PRIMARY INDUSTRIES

Manufacturing	42%
Financial and insurance	11%
Information and communication	9%
Wholesale and retail	7%

with a dual listing on a local and a U.S. stock exchange faced additional risks. "There is a growing divergence and contradiction in regulatory requirements between the two jurisdictions we are listed in," said the CAE at a Hong Kong-based financial services firm. For example, the U.S. Office of Foreign Assets Control required the firm to block business relations with some organizations, but refusing to work with some of these organizations goes against some Chinese regulations.

In the manufacturing industry, a CAE of a semiconductor business in Chinese Taiwan said that the internal audit function had revised the control systems around procurement not only to ensure the sanctions requirements were met, but also to ensure that the business did not hold too much expensive inventory. "We checked management assumptions because our inventory was piling up and because control frameworks can quickly date in a fast-moving environment," she said.

From human capital to human-AI interaction

Human capital risk was seen as a Top 5 risk by 46% of CAEs; however, only 31% of CAEs said it was a Top 5 area of internal audit priority (Exhibit 2.5). The CAE from Hong Kong warned that internal audit functions risked being too narrow in their approach to human capital reviews. "Now we are talking about AI-human relationships and the changes to the way we live and work," she said, "so if we only focus on operational issues and policies, we are in danger of not supporting our organizations with the strategic risk management aspects of human capital," she said.

CAEs say it is important for internal auditors to use AI themselves in order to provide better assurance around it for the enterprise. "We have to harness AI in the audit process to provide insight at scale and provide assurance on the companywide adoption of AI at a more strategic level," a roundtable participant noted.

As well as seeking AI skills in the audit function, the CAE at the Chinese manufacturer said that expert fraud and financial control auditors were in high demand and were critical for human resources auditing. "We include issues such as the segregation of duties in our routine work and review the HR control framework to test for weaknesses," he said. "If we find issues, we can dive deeper with more expert resources from our team." He said it was also important to speak to workers at sites to gauge the culture.

Special circumstances in China

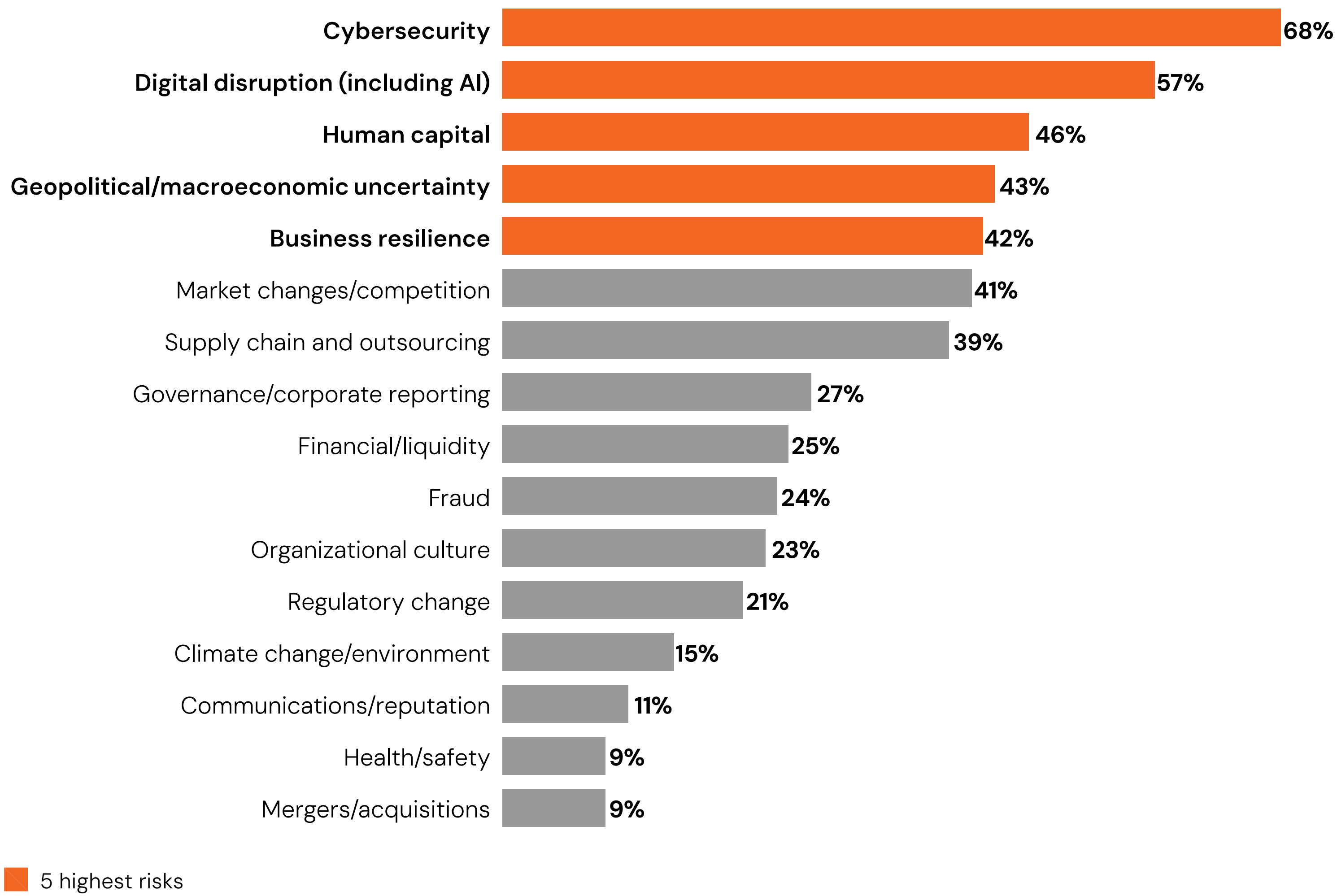
Since 2021, China's huge construction industry has seen a 38% drop in the value of properties, with an estimated 90 million homes empty or unfinished. As income for existing real estate stock dropped, businesses slowed their building programs, hitting suppliers' revenue streams and increasing non-payment from bankrupt customers.

In this context, liquidity (55%) and fraud (61%) risks are high in China's risk rankings, with fraud risk more than twice as high as the regional average (Exhibit 2.2). As one CAE from China noted, as sales go down, executives are more tempted to falsify sales figures or bribe suppliers to hit their key performance indicators. Similarly, staff suffering from a cost-of-living crisis are more likely to steal products or sell data to increase their income. This CAE noted that calls to his whistleblowing hotline had significantly increased.

In response to geopolitical developments, internal audit priority rose sharply for **financial/liquidity risks (+17)** and **supply chain (+16)**.

Exhibit 2.1. East Asia – Top 5 Risks

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**



Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 295 for East Asia.

Exhibit 2.2. East Asia – Top 5 Risks per Country/Location

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**

Risk areas	All East Asia	Japan	Chinese Taiwan	China	South Korea
Cybersecurity	**68%**	**82%**	**64%**	**53%**	**64%**
Digital disruption (including AI)	**57%**	**44%**	**62%**	**59%**	**69%**
Human capital	**46%**	**56%**	**53%**	31%	21%
Geopolitical/macroeconomic uncertainty	**43%**	24%	**58%**	**55%**	31%
Business resilience	**42%**	**43%**	**53%**	35%	15%
Market changes/competition	41%	41%	48%	37%	26%
Supply chain and outsourcing	39%	31%	51%	39%	**33%**
Governance/corporate reporting	27%	**46%**	9%	16%	**38%**
Financial/liquidity	25%	18%	18%	**55%**	23%
Fraud	24%	15%	9%	**61%**	**33%**
Organizational culture	23%	31%	14%	12%	**36%**
Regulatory change	21%	25%	18%	12%	**33%**
Climate change/environment	15%	9%	24%	6%	21%
Communications/reputation	11%	8%	7%	16%	23%
Health/safety	9%	12%	4%	4%	21%
Mergers/acquisitions	9%	12%	5%	10%	13%

5 highest risks Ties for fifth place

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 295 for East Asia.

Exhibit 2.3. East Asia – Top 5 Risks Trend

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**

2024	2025	2026	Change from 2025 to 2026	Change	Risk areas
58%	**59%**	**68%**		**+9**	**Cybersecurity**
28%	**32%**	**57%**		**+25**	**Digital disruption (including AI)**
61%	60%	46%		-14	Human capital
31%	**34%**	**43%**		**+9**	**Geopolitical/macroeconomic uncertainty**
65%	57%	42%		-15	Business resilience
59%	58%	41%		-17	Market changes/competition
24%	**26%**	**39%**		**+13**	**Supply chain and outsourcing**
26%	26%	27%		+1	Governance/corporate reporting
15%	**17%**	**25%**		**+8**	**Financial/liquidity**
16%	**18%**	**24%**		**+6**	**Fraud**
24%	24%	23%		-1	Organizational culture
32%	39%	21%		-18	Regulatory change
26%	14%	15%		+1	Climate change/environment
21%	19%	11%		-8	Communications/reputation
10%	10%	9%		-1	Health/safety
4%	6%	9%		+3	Mergers/acquisitions

Increased risk compared to prior year   Decreased risk compared to prior year

How to Interpret the Graph

Orange text indicates an increase of 4 percentage points or more compared to the prior year. The orange and blue bars show the difference in ratings from 2025 to 2026. The column labeled "change" shows the percentage point difference from 2025 to 2026.

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 295 for East Asia.

Exhibit 2.4. East Asia – Top 5 Audit Priorities Trend

Survey question: **What are the Top 5 audit areas on which internal audit spends the most time and effort? (Choose 5.)**

2024	2025	2026	Change from 2025 to 2026	Change	Audit areas
60%	**60%**	**66%**		**+6**	**Cybersecurity**
54%	56%	48%		-8	Governance/corporate reporting
57%	53%	46%		-7	Business resilience
60%	66%	46%		-20	Regulatory change
26%	**28%**	**45%**		**+17**	**Financial/liquidity**
23%	**28%**	**44%**		**+16**	**Supply chain and outsourcing**
40%	41%	44%		+3	Fraud
21%	**23%**	**35%**		**+12**	**Digital disruption (including AI)**
37%	42%	31%		-11	Human capital
29%	27%	24%		-3	Organizational culture
14%	15%	17%		+2	Health/safety
29%	22%	16%		-6	Market changes/competition
24%	18%	11%		-7	Communications/reputation
16%	8%	11%		+3	Climate change/environment
7%	7%	10%		+3	Geopolitical/macroeconomic uncertainty
2%	3%	6%		+3	Mergers/acquisitions

Increased audit priority compared to prior year   Decreased audit priority compared to prior year

How to Interpret the Graph
Orange text indicates an increase of 4 percentage points or more compared to the prior year. The orange and blue bars show the difference in ratings from 2025 to 2026. The column labeled "change" shows the percentage point difference from 2025 to 2026.

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 295 for East Asia.

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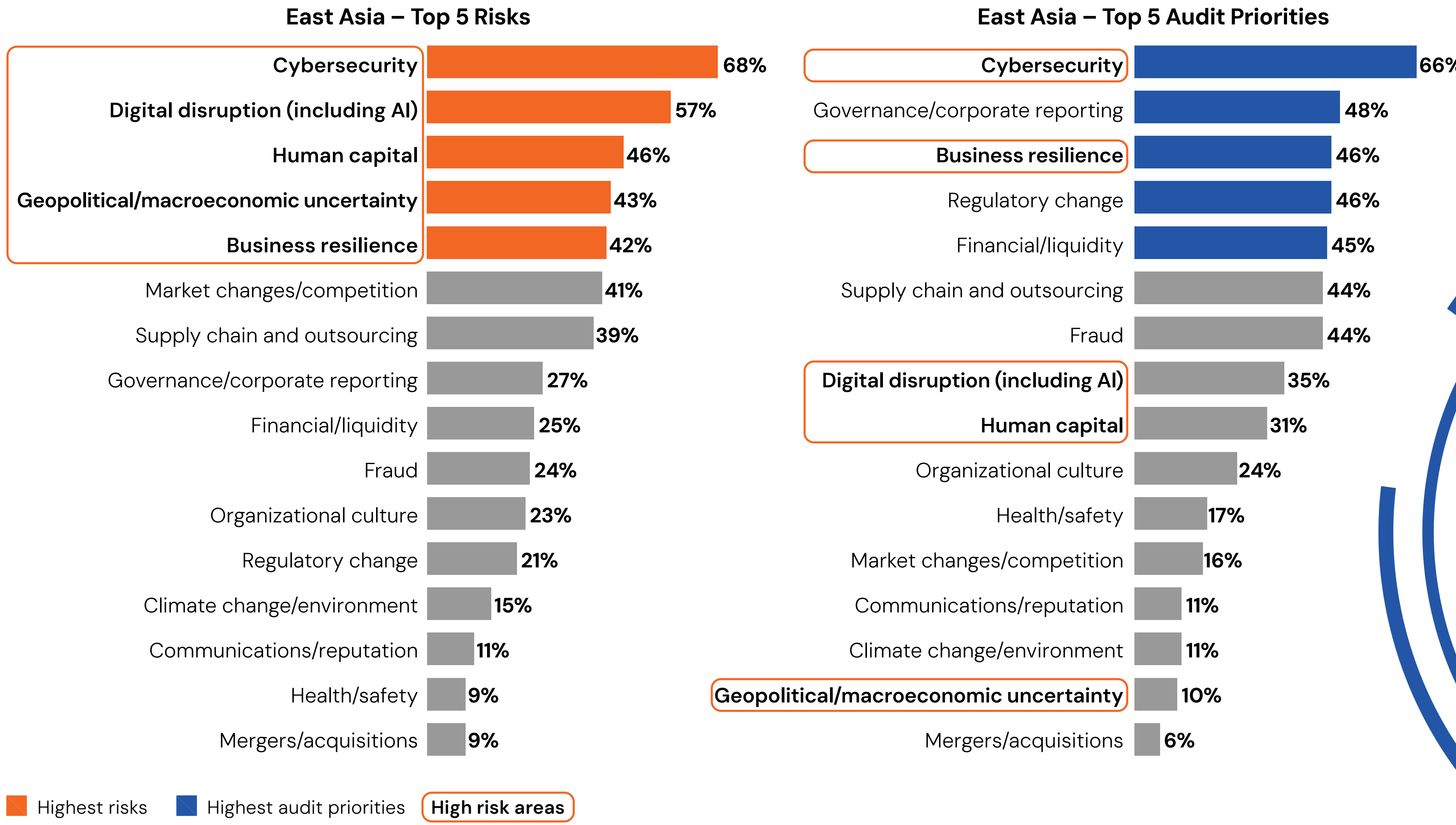
Exhibit 2.5. East Asia – Top 5 Risks vs. Top 5 Audit Priorities

Survey question 1: **What are the Top 5 risks your organization currently faces? (Choose 5.)**
Survey question 2: **What are the Top 5 audit areas on which internal audit spends the most time and effort? (Choose 5.)**



Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 295 for East Asia.

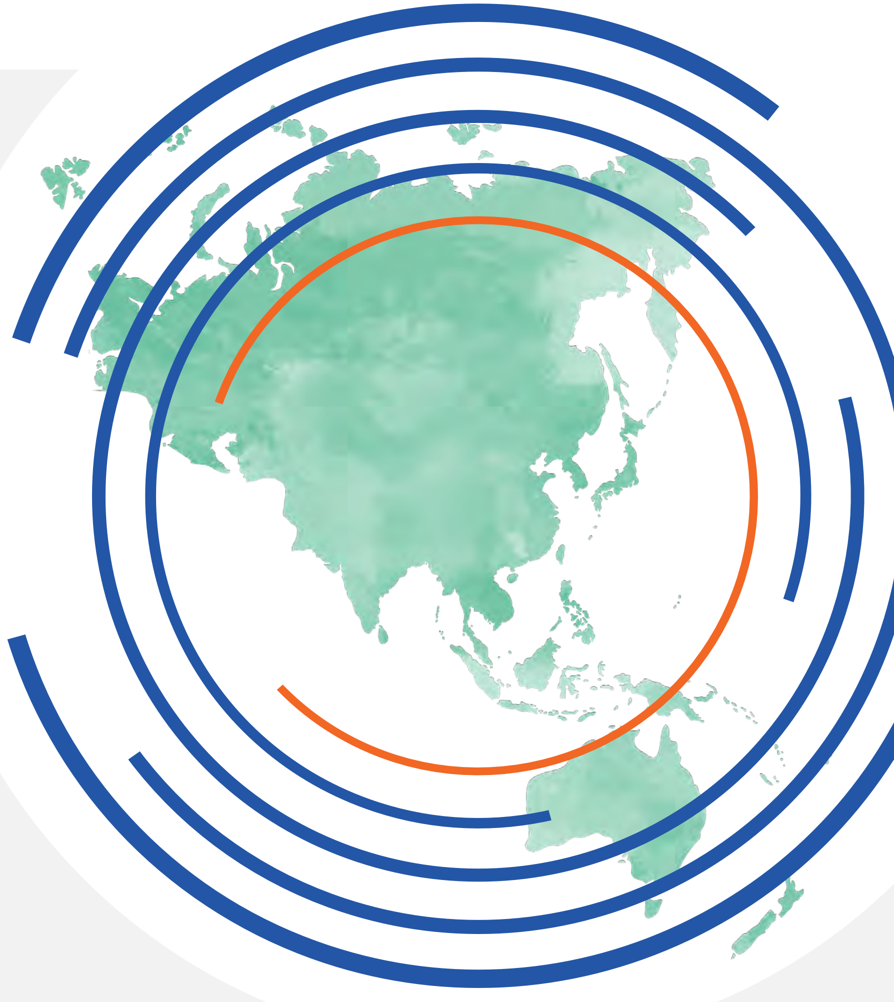
KEY POINTS

Survey insights

- Cybersecurity was the highest-ranking Top 5 risk in East Asia (68%). The risk ratings for cybersecurity in Japan were especially high (82%), while Chinese Taiwan (64%), South Korea (64%), and China (53%) were notably lower (Exhibit 2.2).
- Internal audit priorities rose most in financial liquidity and supply chains (17 and 16 percentage point increases, respectively) (Exhibit 2.4).
- While human capital risk was seen as a Top 5 risk by 46% of CAEs, only 31% said it was an area of internal audit focus (Exhibit 2.5).

Internal audit strategies

- Support the organization's efforts to adopt AI by reviewing operational processes to identify opportunities, create efficiencies, and cut costs.
- Review the control systems around procurement, supply chains, and sanctions, both to ensure regulatory compliance and to find efficiencies.
- Support the business in considering its strategic workforce needs in light of fast-changing developments in AI.
- Provide assurance that human resources processes include the right controls for combating fraud, including the segregation of duties.



3. SOUTHEAST ASIA

Increased Audit Agility Helps Tackle Interconnected Risks

While cybersecurity and digital disruption topped the Top 5 risk rankings for Southeast Asia, the repercussions from war in the Middle East saw geopolitical risk rise substantially by 18 percentage points (Exhibit 3.3). CAEs responded to a broad range of interconnected risks by increasing advisory services, taking advantage of time made available due to audit automation.

The U.S. pivot away from Chinese suppliers had increased trade for Southeast Asia. But the impact of war in the Middle East on supply chains has become existential for some manufacturers in the region. "A lot of our clients have raised concerns about the increase of their raw material prices as well as the availability of materials for manufacturing," the director of a professional services firm in Malaysia said.

This year will see the cyclical return of the El Niño weather phenomenon to the region, producing intense heat, heavy rainfall, drought, and higher air pollution. El Niño can create complex challenges for transportation and infrastructure in Southeast Asia (Sigma7 report). In Indonesia and the Philippines, more than one-third of CAEs rated climate change as a Top 5 risk (Exhibit 3.2).

More CAEs said financial/liquidity risk (+10) and fraud (+4) were Top 5 risks this year (Exhibit 3.3), as companies sought to tighten financial controls and control expenses. Concurrently, internal audit priority for financial/liquidity risk and fraud also increased (Exhibit 3.4). Yet strategies to combat fraud are hampered in some countries where regulatory requirements lag behind technological developments. And regional coordination to combat fraud remains fragmented. CAEs at the roundtable agreed that fraud risk is higher than the rankings might suggest because much fraud risk is included in cybersecurity considerations.

Staying current with new technology

Rapid digitalization and AI adoption are sweeping Southeast Asia, with 80% of firms having moved from AI experimentation to real-world implementation, according to the consulting firm McKinsey. Strategic digital expansion is helping organizations to stay competitive in an online global marketplace. A CAE at a Philippines-based media company noted that his industry now faces competition from U.S. networks, gaming companies, and local startups, but by moving to cloud-based services, his organization has been able to expand globally to new markets, with Africa now one of its bigger customers.

Auditors strengthen resilience in face of geopolitical uncertainty

Fewer CAEs chose business resilience as a Top 5 risk this year (44%), possibly because they chose geopolitical risk instead (55%) (Exhibit 3.3). But CAEs continued to choose business resilience as a top area for internal audit effort (58%) (Exhibit 3.5). "Business resilience becomes a consideration because it is intertwined with geopolitical risk," a CAE from a real estate business in Singapore said. Through business resilience reviews, she said that she identified key risks in areas such as financial controls (which are normally dealt with by second-line functions) and reassessed how well the controls were suited to changing trends.

Business resilience entails being able to understand the interconnectedness of the risks an organization faces, rapidly assess their impacts, and adapt strategies as

SOUTHEAST ASIA SURVEY PARTICIPATION

Indonesia	86
Singapore	38
Malaysia	37
Philippines	32
Vietnam	6
Thailand	2
Brunei Darussalam	1
Total	**202**

PRIMARY INDUSTRIES

Financial and insurance	32%
Mining, energy, water	11%
Manufacturing	8%
Wholesale and retail	7%
Public sector	7%

needed. A CAE from a global vehicle manufacturer in Singapore said that she took a such a risk-based approach to her audit work by including the highest threat topics in the audits conducted across the organization. "That helps because we can summarize how these audits are helping to tackle our main risks after the second or third quarter of the year," she said. She could then adjust the audit plan to focus on key findings.

To assess business resilience at her organization, the CAE from the real estate business in Singapore reviewed how well management monitored key risks, what mitigating actions they took, and how they reported those efforts to the risk committee and board. This strategy aligns with The IIA's Organizational Resilience Topical Requirement, which says the CAE must ensure that adequate governance structures are in place to keep the board informed of whether the organization has allocated adequate resources to achieve its resilience objectives.

Increasing internal audit capacity

New risks require new skills, especially for technology. "The classic challenge is that the internal audit team itself does not have the capability and readiness to audit all these new risks," the CAE at a financial technology business in Indonesia said. But CAEs were finding creative ways to increase knowledge on staff.

Some CAEs have been incorporating temporary workers from other business units into their internal audit functions, especially those with expertise in AI, according to a joint report about AI governance released by IIA–Singapore and KPMG. Arrangements like this help build AI literacy across the enterprise and support development of good governance.

In addition, to reduce time spent auditing areas where risk governance maturity was already high, CAEs said that they automated their control processes or switched to control self-assessment. That allowed them to "focus on higher-value areas," said one.

For example, in addition to helping his organization implement an AI governance framework, the CAE at the Philippines-based media company said that he had created more capacity in his audit plan by adopting data analytics. That strategy increased the time available for advisory services significantly.

The same CAE also uses a two-step strategy to support his organization in implementing new technology. First, the CAE supports management by "providing independent, objective advice and providing control considerations on the risk they are seeing in a pre-implementation review." Then the CAE follows up with a separate team to conduct post-implementation audits. "Rather than looking at us as the police within the organization, they see us as someone they can consult with on difficult problems," he said.

Comparing top risks to top audit priority

Exhibit 3.5 compares Top 5 risks to the Top 5 areas where CAEs say their internal audit functions spend the most time and effort. Cybersecurity, business resilience, and digital disruption are at the top of both risk and audit priority for Southeast Asia. However, market changes and geopolitical uncertainty have much higher risk ratings compared to their audit priority ratings. In roundtable discussions, CAEs explain that external risks, such as market changes or politics, are often addressed in the business areas that are impacted, such as business resilience, financial/liquidity, and regulatory change.

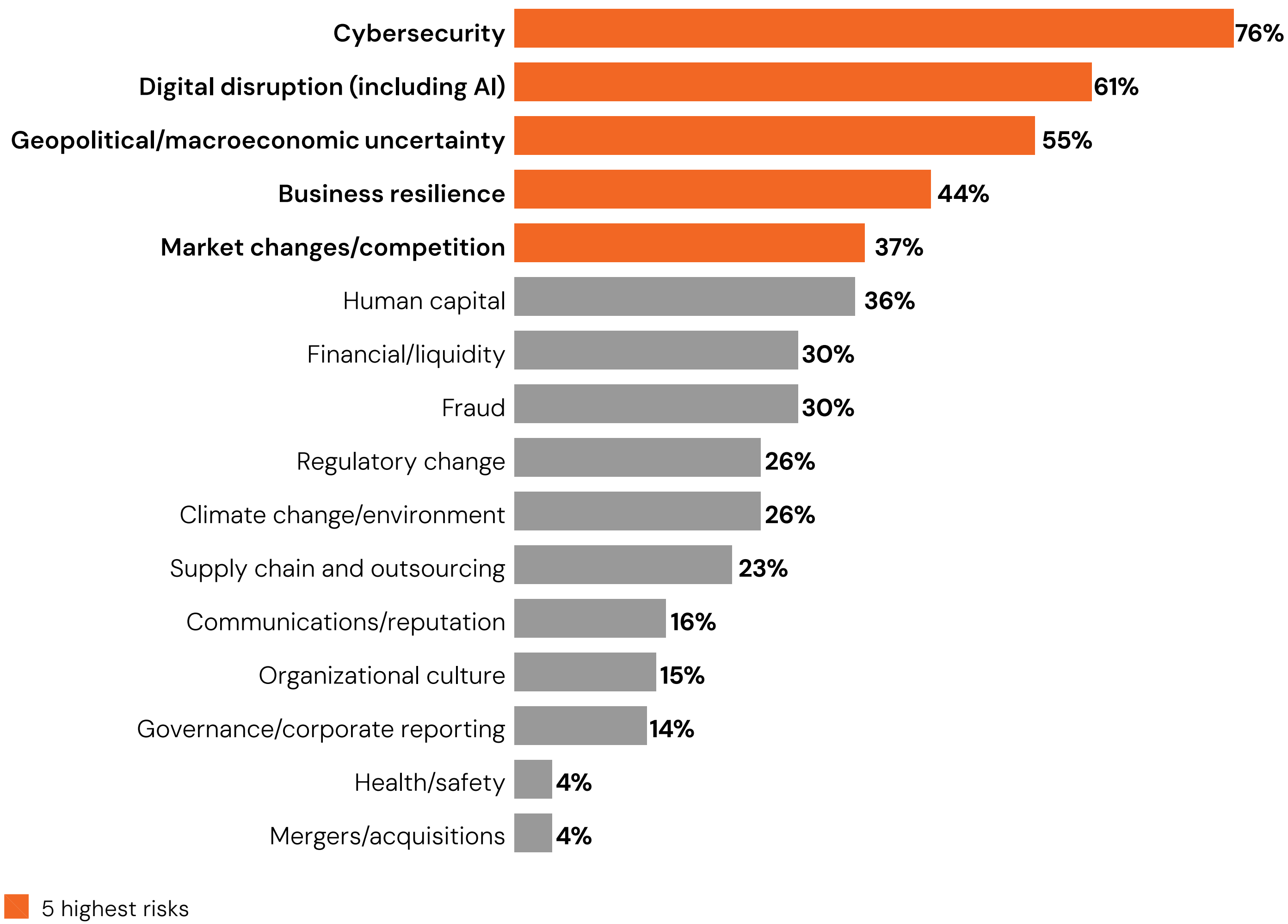
CAEs in Southeast Asia continued to choose **business resilience** as a top area for **internal audit effort (58%)**, along with **cybersecurity (71%)** and **digital disruption (50%)**.

"Rather than looking at us as the police within the organization, they see us as someone they can consult with on difficult problems."

– Roundtable participant, Philippines

Exhibit 3.1. Southeast Asia – Top 5 Risks

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**



Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 202 for Southeast Asia.

Exhibit 3.2: Southeast Asia – Top 5 Risks per Country/Location

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**

Risk areas	All Southeast Asia	Indonesia	Singapore	Malaysia	Philippines
Cybersecurity	**76%**	**70%**	**89%**	**81%**	**69%**
Digital disruption (including AI)	**61%**	**52%**	**84%**	**57%**	**63%**
Geopolitical/macroeconomic uncertainty	**55%**	**50%**	**74%**	**46%**	**50%**
Business resilience	**44%**	**37%**	**45%**	**54%**	**53%**
Market changes/competition	**37%**	35%	**45%**	32%	41%
Human capital	36%	27%	39%	**43%**	**59%**
Financial/liquidity	30%	34%	18%	35%	28%
Fraud	30%	**41%**	11%	35%	22%
Regulatory change	26%	35%	8%	19%	28%
Climate change/environment	26%	36%	13%	11%	34%
Supply chain and outsourcing	23%	19%	21%	24%	31%
Communications/reputation	16%	20%	26%	8%	6%
Organizational culture	15%	16%	13%	19%	9%
Governance/corporate reporting	14%	17%	8%	24%	6%
Health/safety	4%	6%	3%	5%	0%
Mergers/acquisitions	4%	6%	3%	5%	0%

5 highest risks

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 202 for Southeast Asia.

SOUTHEAST ASIA

Exhibit 3.3. Southeast Asia – Top 5 Risks Trend

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**

2024	2025	2026	Change from 2025 to 2026	Change	Risk areas
72%	**67%**	**76%**		**+9**	**Cybersecurity**
47%	**52%**	**61%**		**+9**	**Digital disruption (including AI)**
28%	**37%**	**55%**		**+18**	**Geopolitical/macroeconomic uncertainty**
60%	62%	44%		-18	Business resilience
37%	**30%**	**37%**		**+7**	**Market changes/competition**
51%	49%	36%		-13	Human capital
25%	**20%**	**30%**		**+10**	**Financial/liquidity**
33%	**26%**	**30%**		**+4**	**Fraud**
35%	35%	26%		-9	Regulatory change
24%	**22%**	**26%**		**+4**	**Climate change/environment**
22%	33%	23%		-10	Supply chain and outsourcing
18%	18%	16%		-2	Communications/reputation
19%	**10%**	**15%**		**+5**	**Organizational culture**
15%	22%	14%		-8	Governance/corporate reporting
12%	11%	4%		-7	Health/safety
3%	6%	4%		-2	Mergers/acquisitions

Increased risk compared to prior year   Decreased risk compared to prior year

How to Interpret the Graph

Orange text indicates an increase of 4 percentage points or more compared to the prior year. The orange and blue bars show the difference in ratings from 2025 to 2026. The column labeled "change" shows the percentage point difference from 2025 to 2026.

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 202 for Southeast Asia.

SOUTHEAST ASIA

Exhibit 3.4. Southeast Asia – Top 5 Audit Priorities Trend

Survey question: **What are the Top 5 audit areas on which internal audit spends the most time and effort? (Choose 5.)**

2024	2025	2026	Change from 2025 to 2026	Change	Audit areas
67%	**67%**	**71%**		**+4**	**Cybersecurity**
64%	66%	58%		-8	Business resilience
27%	**32%**	**50%**		**+18**	**Digital disruption (including AI)**
50%	**42%**	**49%**		**+7**	**Fraud**
35%	42%	40%		-2	Supply chain and outsourcing
38%	**35%**	**39%**		**+4**	**Financial/liquidity**
53%	50%	39%		-11	Governance/corporate reporting
43%	41%	27%		-14	Regulatory change
27%	26%	26%		0	Human capital
19%	**13%**	**25%**		**+12**	**Market changes/competition**
20%	23%	17%		-6	Communications/reputation
5%	**10%**	**17%**		**+7**	**Geopolitical/macroeconomic uncertainty**
16%	16%	15%		-1	Climate change/environment
18%	14%	13%		-1	Organizational culture
15%	17%	10%		-7	Health/safety
3%	3%	5%		+2	Mergers/acquisitions

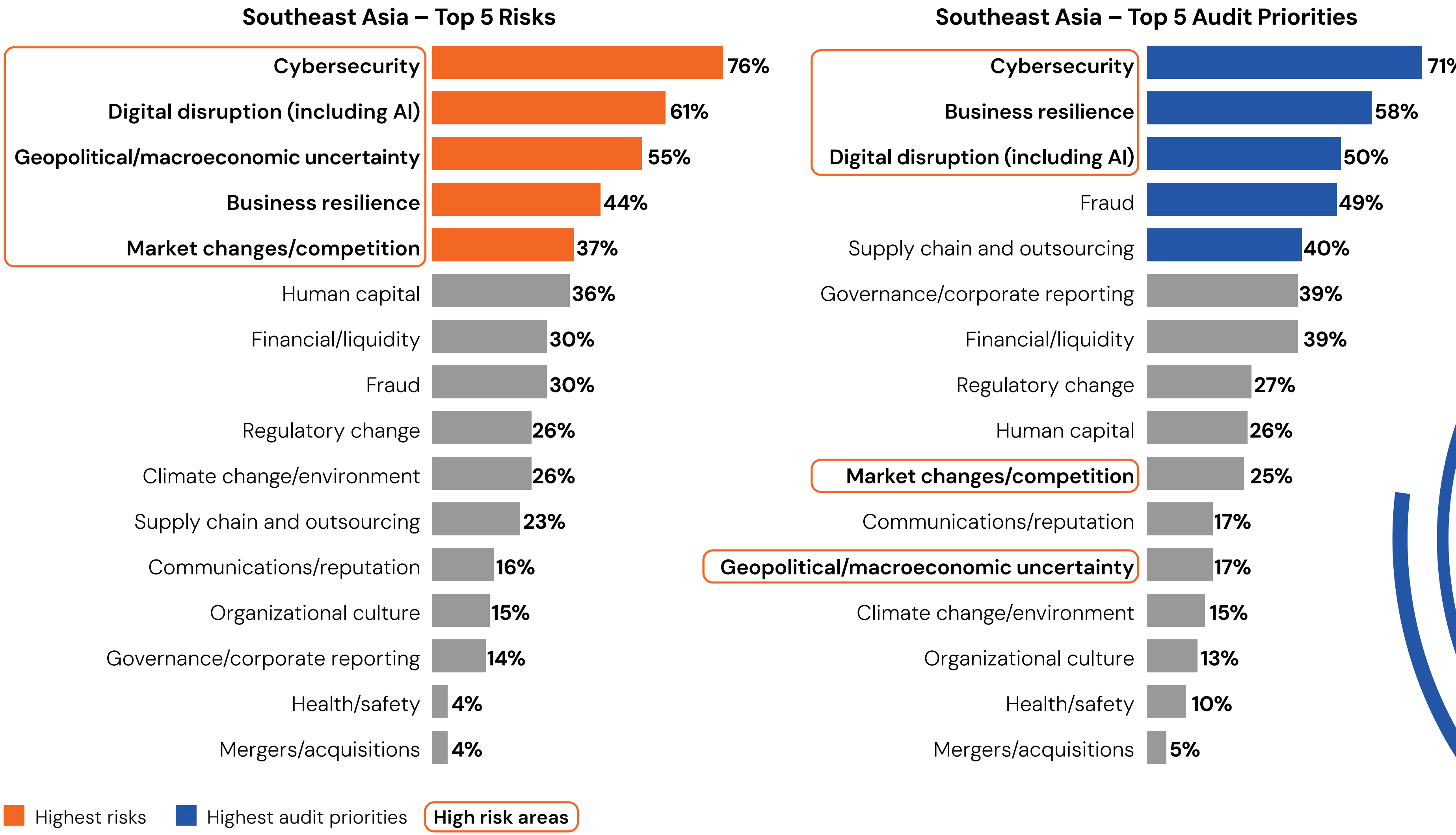
Increased audit priority compared to prior year　Decreased audit priority compared to prior year

How to Interpret the Graph
Orange text indicates an increase of 4 percentage points or more compared to the prior year. The orange and blue bars show the difference in ratings from 2025 to 2026. The column labeled "change" shows the percentage point difference from 2025 to 2026.

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 202 for Southeast Asia.

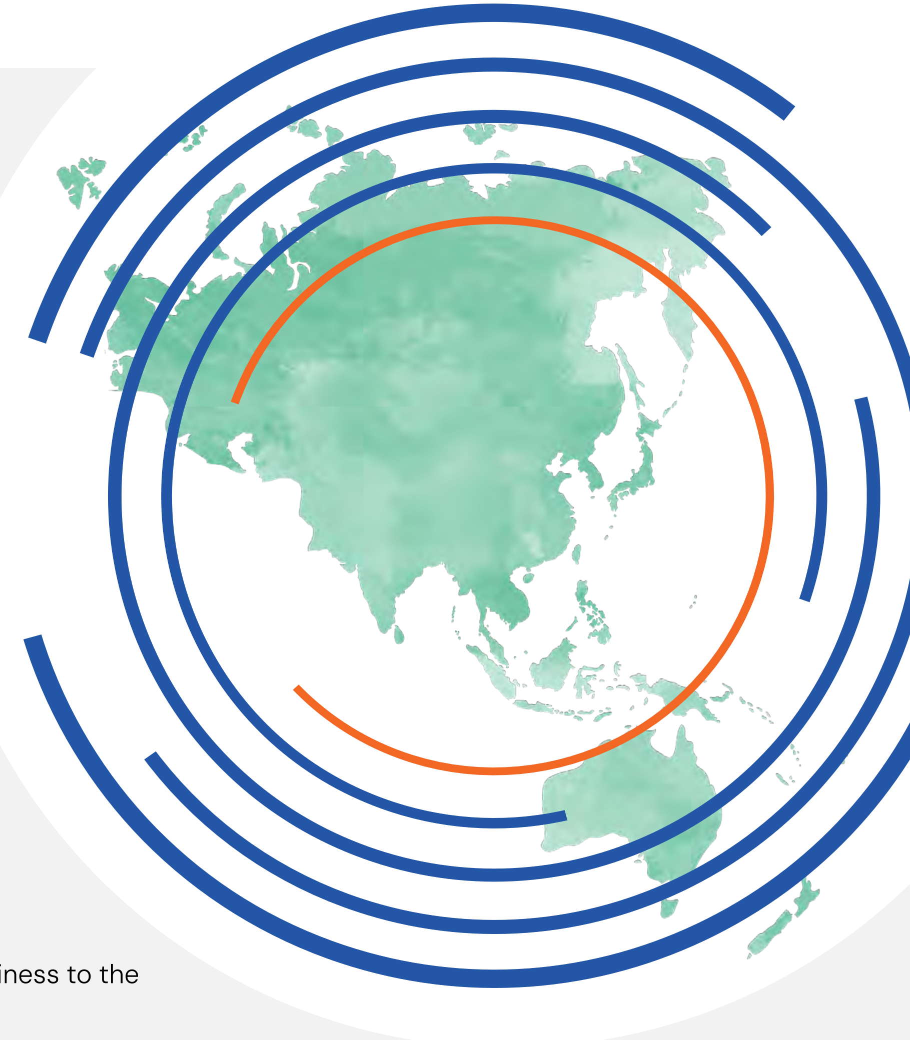
Exhibit 3.5: Southeast Asia – Top 5 Risks vs. Top 5 Audit Priorities

Survey question 1: **What are the Top 5 risks your organization currently faces? (Choose 5.)**
Survey question 2: **What are the Top 5 audit areas on which internal audit spends the most time and effort? (Choose 5.)**



Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 202 for Southeast Asia.

KEY POINTS



Survey insights

- Cybersecurity (76%) and digital disruption (61%) were cited most often as Top 5 risks in Southeast Asia (Exhibit 3.1).
- Geopolitical risk rose 18 percentage points to 55% as a Top 5 risk, while business resilience fell by the same amount to 44% (Exhibit 3.3). This suggests geopolitical risk displaced business resilience risk in the risk ranking.
- Audit priority trends showed a clear shift toward digital disruption (+18) and market changes (+12) and a shift away from governance (–11) and regulatory change (–14) (Exhibit 3.4).

Internal audit strategies

- Adopt a risk-based strategy to audit planning that captures the impact of emerging risks across the enterprise.
- Regularly review the control frameworks in existing processes to ensure they reflect changes in the nature of threats.
- Provide assurance that management is monitoring and reporting risks and opportunities to the relevant committees.
- Review the ability of governance structures to support decision-making at the management and board levels.
- Enhance internal audit's capabilities by outsourcing or assigning experts from the business to the function for a temporary period.
- Provide value-added services, such as pre-implementation reviews, where possible.

4. SOUTH ASIA

Emergency Pressures Demand Attention

Geopolitical and macroeconomic uncertainty jumped 23 percentage points as a Top 5 risk and moved into second place (70%), just beneath cybersecurity (72%), but above digital disruption (63%) (Exhibit 4.2). The attention required by cybersecurity and geopolitical risks diverted resources from a wide range of other areas — from climate change and spiraling technology costs to regulation and reputation.

The recent war between Israel and the U.S. with Iran has amplified the impacts of longer-term trends, such as the depreciation of the rupee in India, rising interest rates, and inflation. The fuel crisis resulting from the closure of the Strait of Hormuz battered supply chains and increased transport costs for workers and freight. "These factors are really stretching working capital," a CAE at a financial services business said.

Not only are countries such as India, Pakistan, and Bangladesh reliant on imported fossil fuels, but most energy infrastructure is old and prone to outages when temperatures increase, according to a report from Climate Analytics.

Audit plans revised to focus on financial continuity

Before the outbreak of war in the Middle East, some CAEs at the roundtable said that they had already completed their annual audit plans, which then needed to be revised rapidly. Price inflation for raw materials, products, transport, and wages shifted internal audit effort toward supply chains and financial liquidity, for which audit priority ratings increased by 10 and 9 percentage points, respectively (Exhibit 4.3).

In addition, roundtable participants said they added new topics to their existing audits to reduce costs. "We have reviewed every single item in the trial balance statement in the company accounts to understand whether there was a potential to reduce the cost or find alternative, cheaper solutions," one CAE said. A CAE from a manufacturing conglomerate in Bangladesh said that his internal audit function had increased its focus on business resilience to ensure the survival of the enterprise.

Roundtable participants also said they had increased emphasis on fraud detection. While most small-scale internal fraud could be picked up by strengthening existing controls, a more thematic approach is required for larger or more organized criminality. "These frauds do not sit within processes but across entities, including vendors, and can involve collusion or coercion," the CAE at the financial services firm said.

Geopolitical uncertainty **jumped 23 percentage points** as a Top 5 risk in this year's survey and moved into second place.

SOUTH ASIA SURVEY PARTICIPATION

India	42
Bangladesh	10
Pakistan	8
Sri Lanka	3
Bhutan	1
Total	**64**

PRIMARY INDUSTRIES

Financial and insurance	25%
Manufacturing	25%
Information and communication	11%
Wholesale and retail	8%

Cybersecurity costs are soaring

If fraud has increased recently because of macroeconomic and geopolitical pressures, the growth of e-commerce is likely to continue driving it upwards. Eighty percent of CAEs from South Asia in the survey said that cybersecurity was a Top 5 audit priority (Exhibit 4.3), as policy makers, regulators, and financial institutions launch coordinated efforts to counteract AI-assisted fraud schemes. The reputational damage that comes from cyber failures is too often overlooked, according to a CAE at an IT services business in India. "I've been beaten down many times for saying that these threats are strongly related to reputation — but that is my duty," he said.

Tackling the risks related to cybersecurity and digital disruption in a region with a stalling economy is increasingly challenging. "The cost of cybersecurity over the years is no longer commensurate with the growth of the business — it's exponential," a CAE at a global IT business in the region said. Complex rules over the location of global data centers, a rocketing number of cyberattacks, and a shortage of semiconductors have made it difficult to secure networks and build capacity. "Technology is advancing so rapidly that you haven't recouped the cost of your existing technology before it becomes obsolete," he said.

Auditors work to get ahead of compliance requirements with limited resources

Regulatory change was cited as a high risk by only 19% of survey respondents this year (down from 37% in the prior year) (Exhibit 4.2). At the same time, audit effort for regulatory change fell by 8 percentage points (Exhibit 4.3). But a CAE at an Indian financial services firm said faster-moving threats had simply displaced attention from the fact that new regulations are placing a strain on many organizations. For example, new import regulation policies enacted in 2025 have placed restrictions on import licenses for foreign suppliers, causing supply chain disruption and increased costs, a CAE at an Indian retailer said. In addition, he noted difficulty from new data protection rules that require customers to opt in to receive marketing messages. "They [customers] will be totally disinclined to opt in to our messages because of the daily level of spam from the industry," he said.

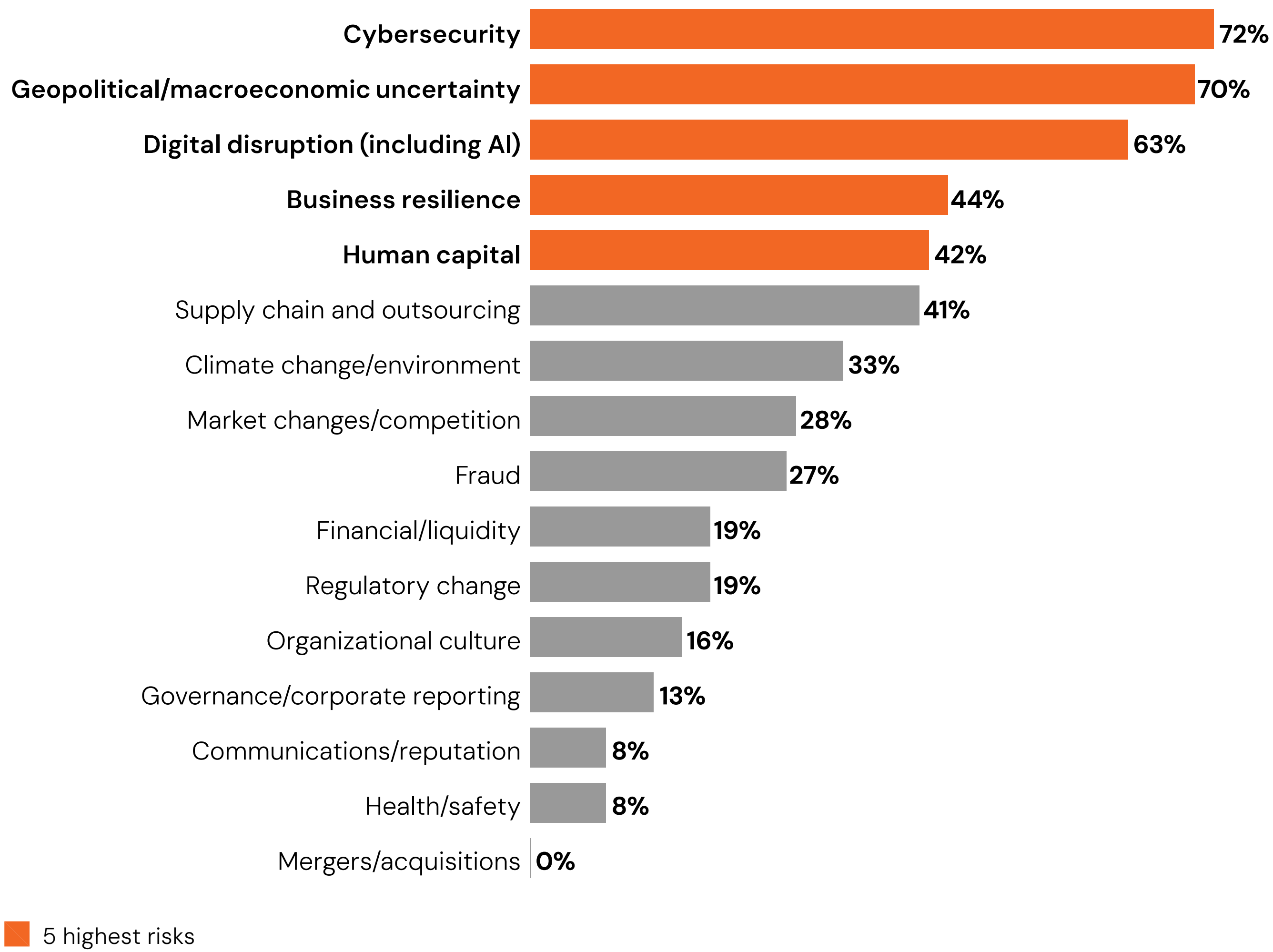
He stated that he had joined a committee at his organization to help the business formulate an approach that would not fall foul of compliance rules. "There is no point in us waiting to audit this area or saying something that will not be part of the solution — we have to be involved in helping the business now," he said.

> **"The cost of cybersecurity over the years is no longer commensurate with the growth of the business — it's exponential."**
>
> **– Roundtable participant**

SOUTH ASIA

Exhibit 4.1. South Asia – Top 5 Risks

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**



Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 64 for South Asia.

SOUTH ASIA

Exhibit 4.2. South Asia – Top 5 Risks Trend

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**

2024	2025	2026	Change from 2025 to 2026	Change	Risk areas
69%	75%	72%		-3	Cybersecurity
41%	**47%**	**70%**		**+23**	**Geopolitical/macroeconomic uncertainty**
48%	**56%**	**63%**		**+7**	**Digital disruption (including AI)**
55%	49%	44%		-5	Business resilience
59%	41%	42%		+1	Human capital
17%	**27%**	**41%**		**+14**	**Supply chain and outsourcing**
17%	29%	33%		+4	Climate change/environment
34%	36%	28%		-8	Market changes/competition
31%	29%	27%		-2	Fraud
31%	20%	19%		-1	Financial/liquidity
38%	37%	19%		-18	Regulatory change
14%	15%	16%		+1	Organizational culture
21%	13%	13%		0	Governance/corporate reporting
17%	12%	8%		-4	Communications/reputation
7%	8%	8%		0	Health/safety
0%	5%	0%		-5	Mergers/acquisitions

Increased risk compared to prior year   Decreased risk compared to prior year

How to Interpret the Graph
Orange text indicates an increase of 4 percentage points or more compared to the prior year. The orange and blue bars show the difference in ratings from 2025 to 2026. The column labeled "change" shows the percentage point difference from 2025 to 2026.

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 64 for South Asia.

Exhibit 4.3. South Asia – Top 5 Audit Priorities Trend

Survey question: **What are the Top 5 audit areas on which internal audit spends the most time and effort? (Choose 5.)**

2024	2025	2026	Change from 2025 to 2026	Change	Audit areas
72%	71%	80%		+9	Cybersecurity
72%	59%	55%		-4	Business resilience
28%	45%	55%		+10	Supply chain and outsourcing
52%	57%	50%		-7	Fraud
55%	56%	45%		-11	Governance/corporate reporting
45%	49%	41%		-8	Regulatory change
31%	29%	38%		+9	Financial/liquidity
28%	29%	30%		+1	Digital disruption (including AI)
31%	21%	22%		+1	Human capital
14%	8%	16%		+8	Climate change/environment
17%	19%	16%		-3	Health/safety
14%	15%	16%		+1	Market changes/competition
17%	11%	14%		+3	Organizational culture
10%	8%	13%		+5	Geopolitical/macroeconomic uncertainty
14%	9%	9%		0	Communications/reputation
0%	7%	3%		-4	Mergers/acquisitions

Increased audit priority compared to prior year   Decreased audit priority compared to prior year

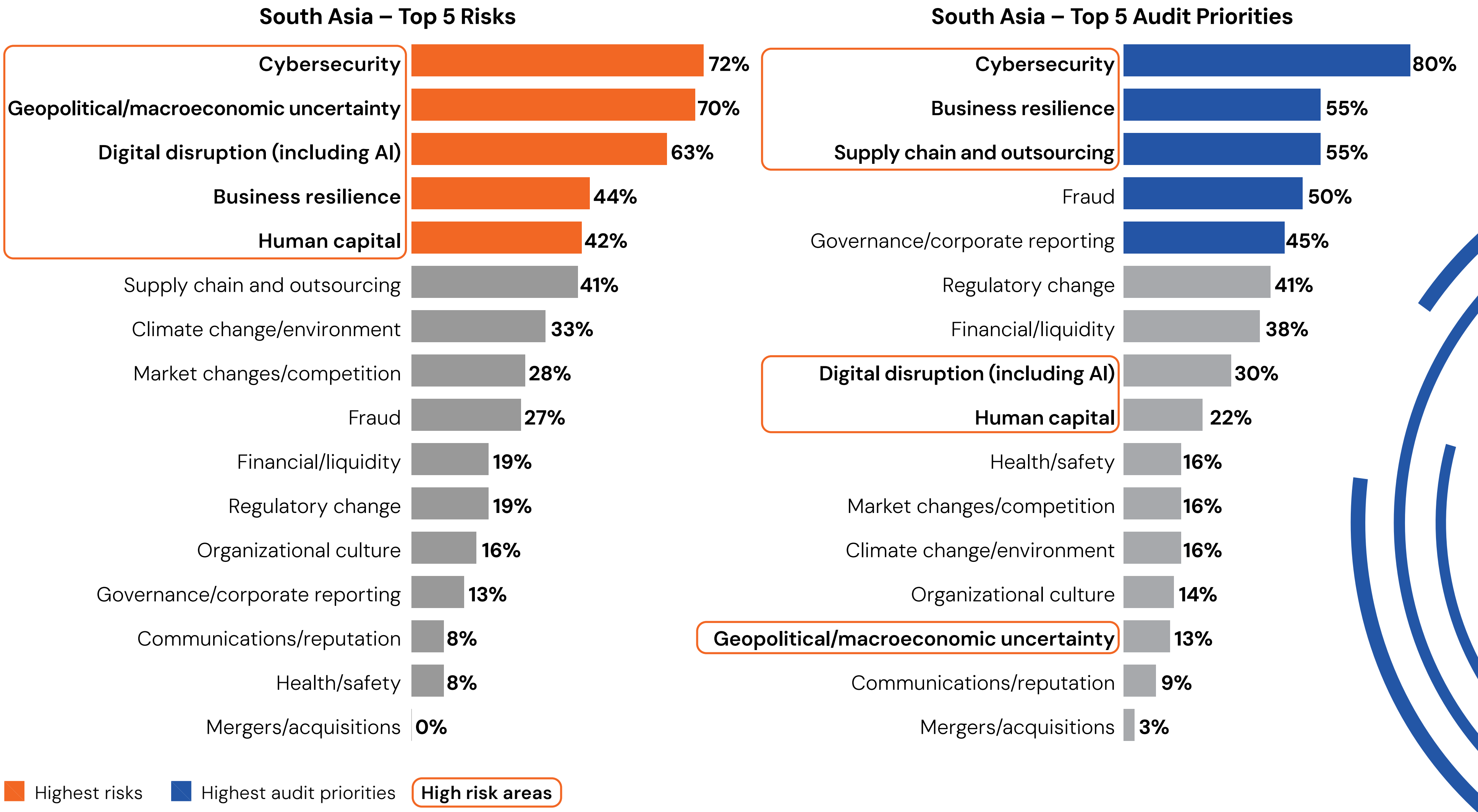
How to Interpret the Graph
Orange text indicates an increase of 4 percentage points or more compared to the prior year. The orange and blue bars show the difference in ratings from 2025 to 2026. The column labeled "change" shows the percentage point difference from 2025 to 2026.

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 64 for South Asia.

SOUTH ASIA

Exhibit 4.4. South Asia – Top 5 Risks vs. Top 5 Audit Priorities

Survey question 1: **What are the Top 5 risks your organization currently faces? (Choose 5.)**
Survey question 2: **What are the Top 5 audit areas on which internal audit spends the most time and effort? (Choose 5.)**



Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 64 for South Asia.

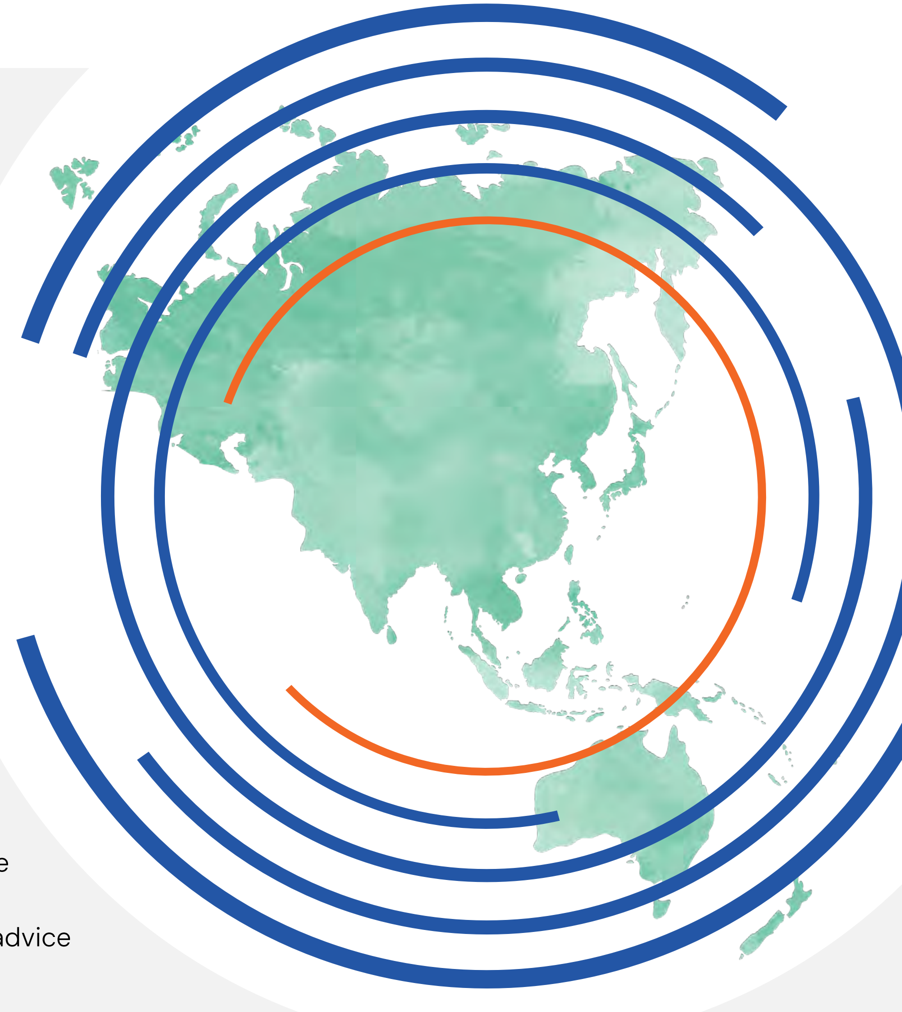
KEY POINTS

Survey insights

- Geopolitical uncertainty jumped 23 percentage points as a Top 5 risk in this year's survey and moved into second place (70%) in the South Asia subregion, just below cybersecurity (72%) (Exhibit 4.2).
- Price inflation for raw materials, products, transport, and wages increased internal audit effort on supply chains (+10) and financial liquidity (+9) (Exhibit 4.3).
- Regulatory change risk ratings fell by 18 percentage points this year, and audit effort in this area fell by 8 percentage points (Exhibits 4.2 and 4.3). CAEs said regulatory change risk was likely displaced by rapidly evolving geopolitical risk.

Internal audit strategies

- Build flexibility into the internal audit plan and include emerging issues alongside standard audit assignments.
- Be proactive in identifying cost-cutting measures in operational processes and supply chains.
- Have the courage to raise issues such as reputation risk where the board and executive management may not fully understand the potential impact on the business.
- Help the organization prepare for regulatory changes by providing risk and assurance advice on key areas and processes.



5. PACIFIC

Seeking More Audit Alignment With Risk Levels

CAEs in the Pacific subregion cited cybersecurity (79%) and digital disruption (53%) as their top risks — in line with global ratings (Exhibits 5.1 and C.1). While audit priority is high for some key areas (cybersecurity, fraud, and business resilience), CAEs see a need for better alignment with some other high-risk areas (Exhibit 5.2).

Lack of AI regulation causes frustration

The advent of generative AI models has seen organizations scrambling to adapt to rapid changes in the external threat environment while integrating AI into their businesses, a CAE at an Australian healthcare organization said. Regulations are developing at an uneven pace. For example, in December 2025, the Australian government decided not to pursue European-style AI safety guidelines, which left businesses looking to global bodies for guidance on important issues. Without clear regional laws, organizations faced uncertainty over the type of risk models they would need to use to assess the potential ethical impacts of their initiatives — an "open question" for the global body.

By comparison, the country's cybersecurity laws are mature, with new legislation focusing on ransomware, for example, going through parliament at the time of writing. But a CAE from a financial services firm in Australia said that the growing number of novel generative AI attacks makes traditional cybersecurity controls less effective. "We are thinking about how to address the same risk [cybersecurity], but in a completely different way because of the exponential speed and complexity that AI tooling has brought to the environment," he said.

In fact, the heavy focus on cybersecurity and digital disruption could be a threat in itself, a risk leader from an Australian law firm said. As information security and IT departments fought over limited budgets, he said that there was too much "turf guarding" around the information released to the board in a bid to secure those funds. That lack of information could weaken strategic and tactical decision-making.

Responsiveness to geopolitical threats

Only 26% of Pacific survey respondents said geopolitical uncertainty was a Top 5 risk for their organizations (compared with 48% globally), but roundtable participants said geopolitical risk is still relevant for the region (Exhibits 5.1 and C.1). "Last year we were talking about tariffs in relation to U.S. foreign policy; this year we are addressing the impact of the Iranian war in the Middle East," said the CAE from the healthcare organization. Although audit priority for geopolitical risk was also very low, geopolitical risk may be addressed through business resilience, which was a Top 5 audit priority for more than half of CAEs (55%) (Exhibit 5.2).

Audit priority needs better alignment with some risks

Audit effort is relatively well aligned with the region's top risks in areas such as cybersecurity, fraud, and

PACIFIC SURVEY PARTICIPATION

Fiji	18
Australia	17
New Zealand	6
Papua New Guinea	5
Maldives	1
Total	**47**

PRIMARY INDUSTRIES

Financial and insurance	26%
Public sector	23%
Wholesale and retail	11%
Health and social work	9%

business resilience — less so in areas such as digital disruption, supply chain, human capital, and market changes (Exhibit 5.2).

For areas with lower audit priority, one of the primary challenges is identifying controls. "It is very hard to audit something when we don't understand what controls can be put in place to minimize the risk," a technology auditor from an Australian mining company said. "There is no such thing as best practice in these areas in a world that is constantly changing, so we need to rethink our approach to controls and testing," she added.

CAEs said risk and audit priority misalignment underlined the need for a risk-based internal audit strategy. "There is a lag between internal audit's risk identification and our internal audit priorities," the CAE at the healthcare business said. He said that the annual audit plan was thrown into disarray by the outbreak of the war in the Middle East, which directly affected the organization's supply chains. While presenting an annual plan to the audit committee was still a necessity, CAEs at the roundtable said they refreshed it every quarter or even every month.

AI

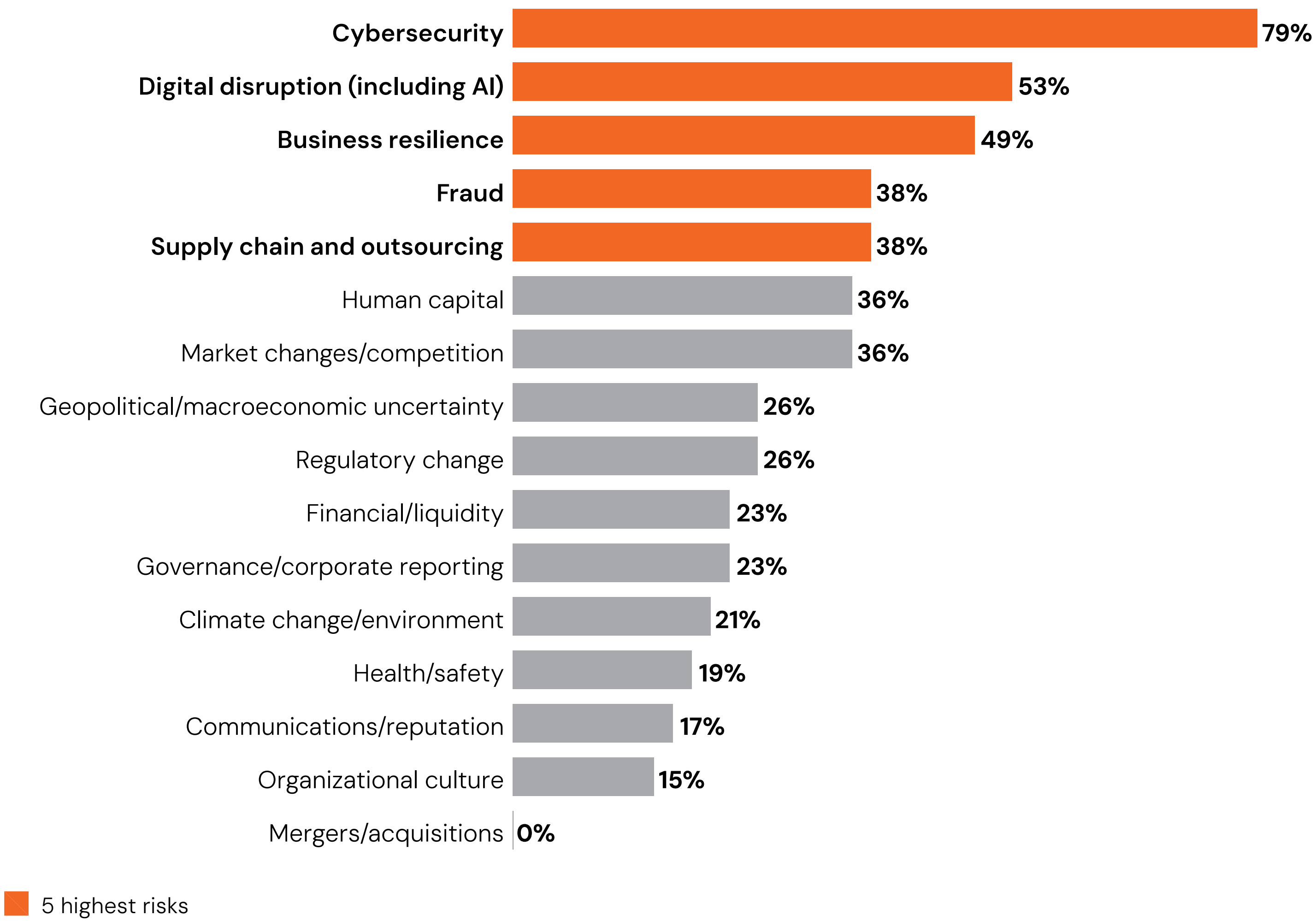
Cybersecurity (79%) and **digital disruption (53%)** were the top risks in the Pacific region.

"There is a lag between internal audit's risk identification and our internal audit priorities."

– Roundtable participant, Australia

Exhibit 5.1. Pacific – Top 5 Risks

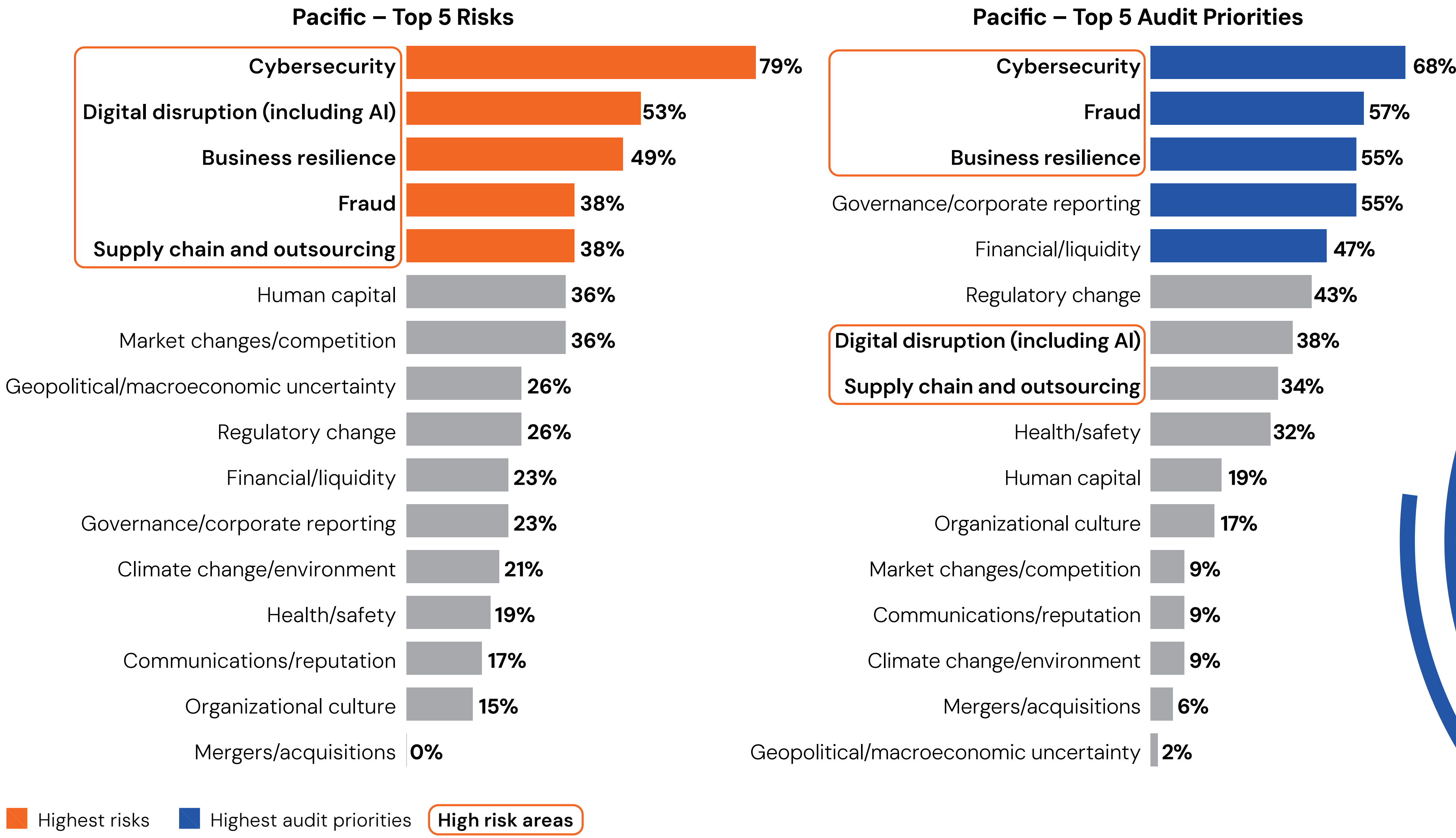
Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**



Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 47 for Pacific.

Exhibit 5.2. Pacific – Top 5 Risks vs. Top 5 Audit Priorities

Survey question 1: **What are the Top 5 risks your organization currently faces? (Choose 5.)**
Survey question 2: **What are the Top 5 audit areas on which internal audit spends the most time and effort? (Choose 5.)**



Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 47 for Pacific.

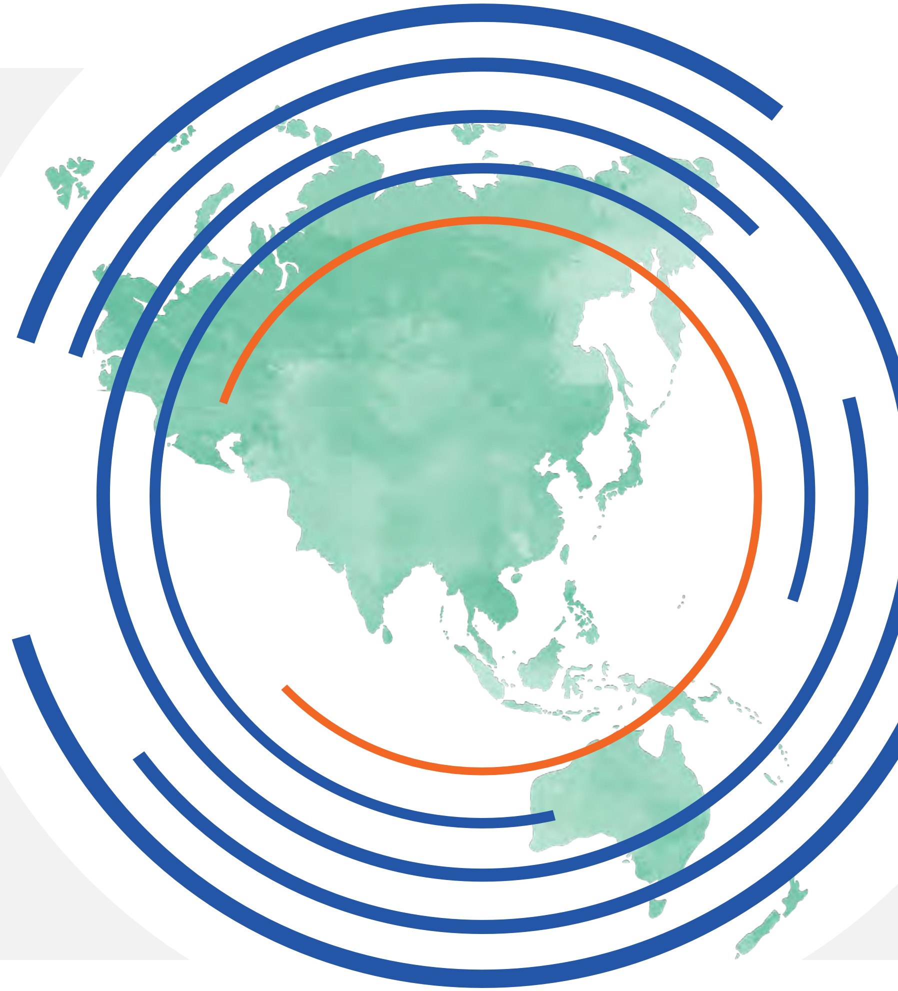
KEY POINTS

Survey insights

- Cybersecurity (79%) and digital disruption (53%) were the top risks in the Pacific region (Exhibit 5.1).
- Only 26% of CAEs said geopolitical uncertainty was a Top 5 risk (Exhibit 5.1), compared with 48% globally (Exhibit C.1).
- Although audit priority for geopolitical risk was noticeably low (2%), this risk may be addressed through business resilience which was a Top 5 audit priority for more than half of CAEs (55%) (Exhibit 5.2).

Internal audit strategies

- Adopt a risk-based strategy to audit planning so that audit effort is aligned with organizational threats.
- Review and refresh the audit plan quarterly or monthly to incorporate fast-moving risks.
- Ensure that control frameworks are up to date and reflect the evolving nature of risks.
- Provide assurance that the information the board receives on cybersecurity and AI is complete and accurate.

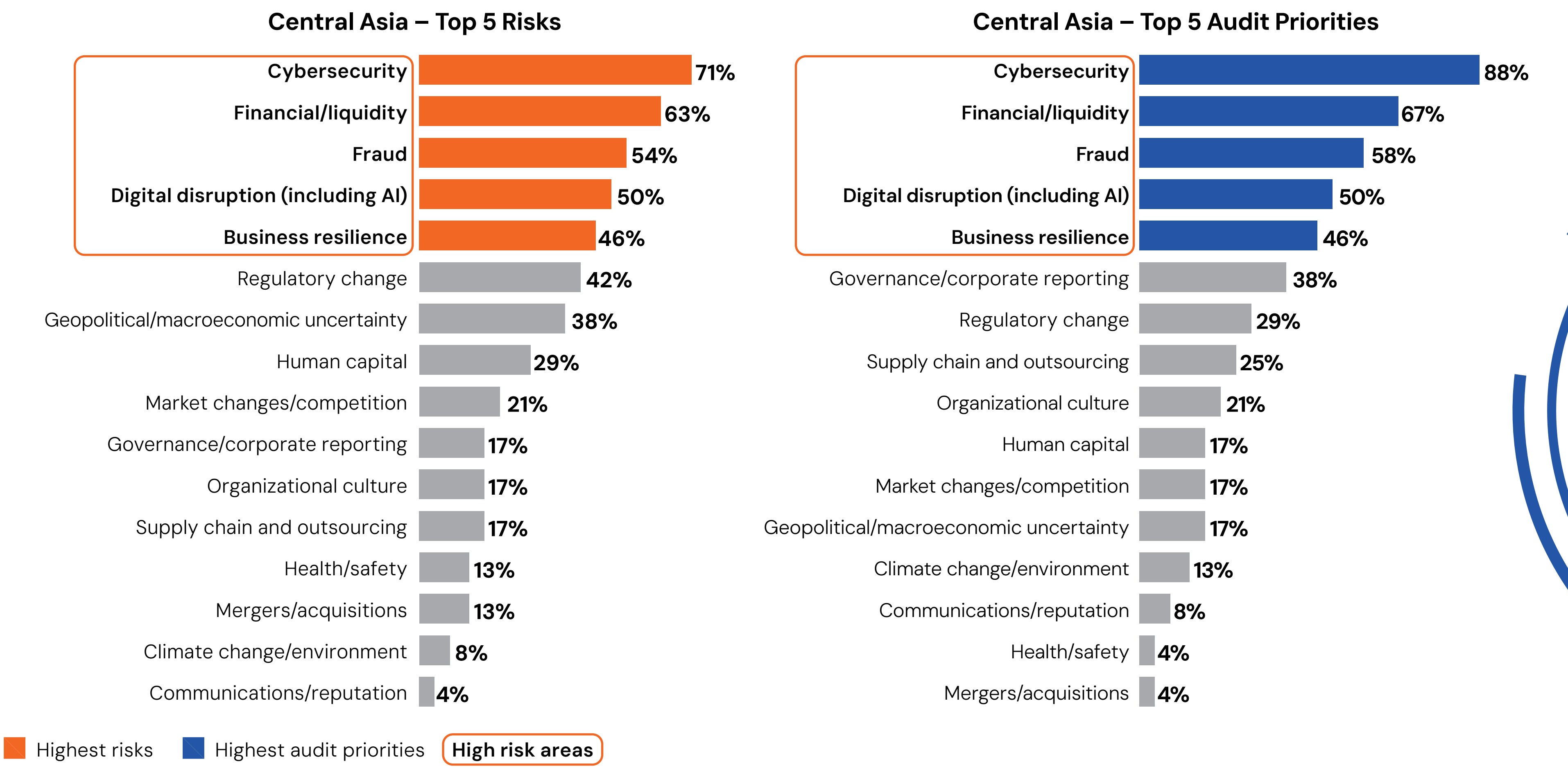


6. CENTRAL ASIA

Central Asia shared many of the Top 5 risks for the region as a whole, including cybersecurity (71%), digital disruption (50%), and business resilience (46%) (Exhibit 6.1). But risks were higher than the regional average for financial/liquidity (63%) and fraud (54%) (Exhibit 1.3). Central Asia includes responses from Uzbekistan, Kazakhstan, Tajikistan, and Afghanistan.

Exhibit 6.1. Central Asia – Top 5 Risks vs. Top 5 Audit Priorities

Survey question 1: **What are the Top 5 risks your organization currently faces? (Choose 5.)**
Survey question 2: **What are the Top 5 audit areas on which internal audit spends the most time and effort? (Choose 5.)**



Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 24 for Central Asia.

APPENDIX A. METHODOLOGY

Survey, Roundtables, and Interviews

The Internal Audit Foundation collected survey responses from March 24 to May 6, 2026, for all regions except Europe. Responses from Europe were collected by the European Institutes Research Group from March 2 to April 7, 2026.

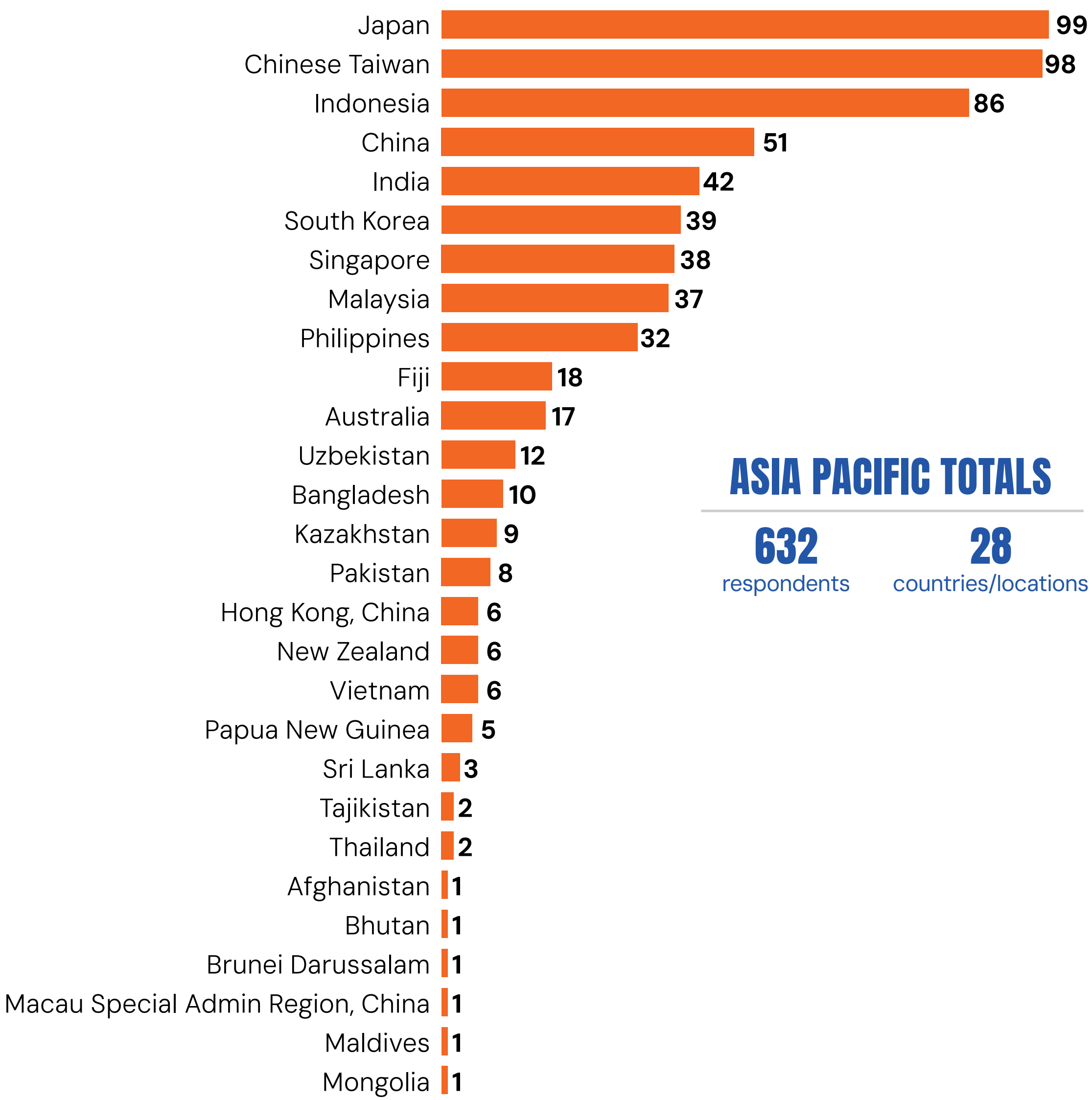
Completed surveys were received from 3,285 internal auditors who confirmed that they were the highest-ranking internal auditor at their organizations. They represented 132 countries/locations. The survey was conducted online through contacts associated with IIA National Institutes and regional bodies. In addition, roundtables and interviews were conducted for each regional report.

The 16 risk areas used in the survey are shown below. Respondents were asked a variety of questions about risk levels, audit planning, and risk governance maturity.

Risk Name	Risk Description Used in the Survey
Business resilience	Business continuity, operational resilience, crisis management, and disaster response
Climate change/environment	Climate change, biodiversity, and environmental sustainability
Communications/reputation	Communications, reputation, and stakeholder relationships
Cybersecurity	Cybersecurity and data security
Digital disruption (including AI)	Digital disruption, new technology, and AI (artificial intelligence)
Financial/liquidity	Financial, liquidity, and insolvency risks
Fraud	Fraud, bribery, and the criminal exploitation of disruption
Geopolitical/macroeconomic uncertainty	Macroeconomic, social, and geopolitical uncertainty
Governance/corporate reporting	Organizational governance and corporate reporting
Health/safety	Health, safety, and security
Human capital	Human capital, diversity, and talent management and retention
Market changes/competition	Market changes/competition and customer behavior
Mergers/acquisitions	Mergers and acquisitions
Organizational culture	Organizational culture
Regulatory change	Change in laws and regulations
Supply chain and outsourcing	Supply chain, outsourcing, and ‘n^{th}’ party risk

APPENDIX B. DEMOGRAPHICS

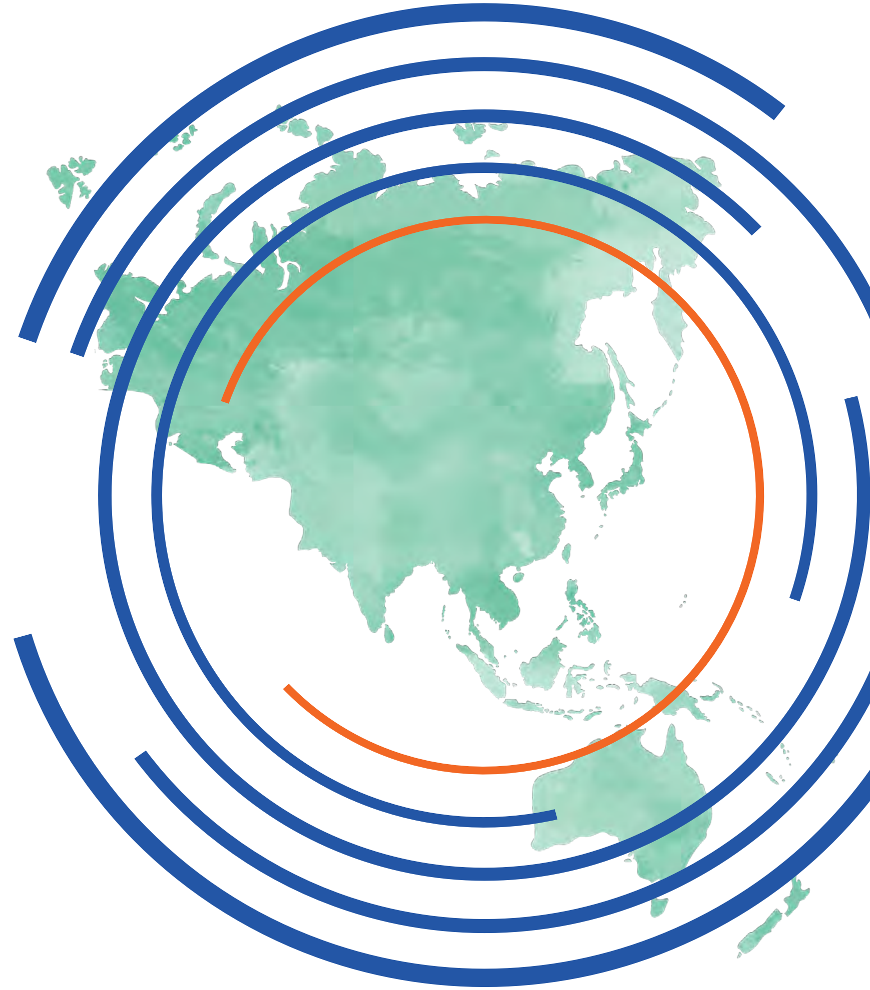
Exhibit B.1. Asia Pacific – Responses per Location



ASIA PACIFIC TOTALS

632 respondents

28 countries/locations



Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 632 for Asia Pacific.

DEMOGRAPHICS

Exhibit B.2. Asia Pacific – Responses per Subregion

East Asia		Southeast Asia		South Asia		Pacific		Central Asia	
Japan	99	Indonesia	86	India	42	Fiji	18	Uzbekistan	12
Chinese Taiwan	98	Singapore	38	Bangladesh	10	Australia	17	Kazakhstan	9
China	51	Malaysia	37	Pakistan	8	New Zealand	6	Tajikistan	2
South Korea	39	Philippines	32	Sri Lanka	3	Papua New Guinea	5	Afghanistan	1
Hong Kong, China	6	Vietnam	6	Bhutan	1	Maldives	1	**Total**	**24**
Mongolia	1	Thailand	2	**Total**	**64**	**Total**	**47**		
Macau Special Administrative Region, China	1	Brunei Darussalam	1						
Total	**295**	**Total**	**202**						

Exhibit B.3. Asia Pacific – Organization Type per Subregion

Audit areas	All Asia Pacific	East Asia	Southeast Asia	South Asia	Pacific	Central Asia
Publicly traded	36%	51%	22%	42%	8%	0%
Financial services	22%	11%	32%	25%	26%	71%
Privately held	21%	25%	20%	13%	17%	8%
Public sector	12%	7%	17%	5%	30%	17%
Nonprofit	4%	2%	4%	6%	13%	0%
Other/service provider	5%	4%	5%	9%	6%	4%

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 632 for Asia Pacific.

APPENDIX C. GLOBAL RISK OVERVIEW

Digital Disruption and Geopolitical Risks Rising Rapidly

Disruption, both digital and geopolitical, defined the global risk landscape in 2026, driven by AI's pervasive impacts and rising instability fueled by wars in Ukraine and the Middle East.

Cybersecurity maintained the number 1 position, listed as a Top 5 risk by 80% of respondents (Exhibit C.1). Compared to the prior year, cybersecurity risks rose the most for Africa (+11), Asia Pacific (+10), and the Middle East (+9).

Keeping its second place ranking from last year, digital disruption rose 10 percentage points overall, largely driven by Asia Pacific (+20) and North America (+16).

Geopolitical uncertainty risk rose from sixth to third in the global risk rankings, increasing by 10 percentage points. The most dramatic increase was for the Middle East, 31 percentage points, followed by Asia Pacific (+13). Nearly half (48%) of respondents listed geopolitical uncertainty as a Top 5 risk, compared to only 30% in 2023.

Although not reaching the top of the risk ratings, it's notable that fraud risk ratings rose 6 percentage points globally.

As technology and geopolitical risks rose, they displaced business resilience (–12) and regulatory change (–9) in the risk rankings.

Regional risks – convergence and hot spots

Across regions, the highest ranked risks are becoming more similar, creating key areas of risk convergence around technology and geopolitical uncertainty (Exhibit C.2).

Cybersecurity is the highest ranked risk for every region, and digital disruption takes second place for all but one region. Geopolitical uncertainty was in the Top 5 for all regions for the first time since the survey started four years ago, taking third place for most.

Even with risk convergence in key areas, systemic differences expose each region to unique risks (Exhibit C.1).

- **Africa:** Africa faces greater challenges with fraud (50%) and financial/liquidity (49%) compared to other global regions. Notably, risk levels rose moderately across a wide range of risk areas, as risk ratings for business resilience decreased substantially (–21).
- **Asia Pacific:** Asia Pacific rated risk levels higher than average for business resilience (43%), market changes (37%), and supply chain (33%). The region saw a significant reshuffling of risk rankings compared to the prior year.
- **Europe:** Similar to the previous year, regulatory change (40%) ranked high for the region and well above the global average (32%). Human capital risk was in the Top 5 (39%).
- **Latin America:** Latin America saw higher risk rankings for fraud (38%) compared to the global average.
- **Middle East:** Business resilience (47%) and financial/liquidity risks (42%) were higher in the Middle East.
- **North America:** Compared to the average of the regions, risk ratings for North America were higher for market changes/competition (41%), regulatory change (42%), human capital (45%), and supply chain (33%) (Exhibit C.2).

MORE GLOBAL RESOURCES

See the *Risk in Focus Global Summary report* for regional trend data and analysis.

Exhibit C.1. Global – Top 5 Risks per Region

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**

Risk areas	Average of the regions	Africa	Asia Pacific	Europe	Latin America	Middle East	North America
Cybersecurity	**80% ↑**	**73% ↑**	**72% ↑**	**86% ↑**	**80% ↑**	**81% ↑**	**85%**
Digital disruption (including AI)	**58% ↑**	**50% ↑**	**59% ↑**	**52% ↑**	**61% ↑**	**58% ↑**	**69% ↑**
Geopolitical/macroeconomic uncertainty	**48% ↑**	**35% ↑**	**48% ↑**	**51% ↑**	**52% ↑**	**60% ↑**	**43%**
Human capital	**38%**	30%	**41%**	**39%**	**37%**	34%	**45%**
Business resilience	**35%**	28%	**43%**	37%	25%	**47%**	29%
Financial/liquidity	34%	**49% ↑**	**28% ↑**	28%	**36% ↑**	**42% ↑**	24%
Regulatory change	32%	28%	24%	**40%**	36%	20%	**42%**
Market changes/competition	29%	20%	37%	32%	27%	20%	**41% ↑**
Fraud	29%	**50% ↑**	**28% ↑**	16%	**38% ↑**	22%	**18% ↑**
Supply chain and outsourcing	**27% ↑**	**21% ↑**	**33% ↑**	26%	17%	**35% ↑**	33%
Governance/corporate reporting	20%	27%	21%	13%	15%	27%	14%
Climate change/environment	19%	**31% ↑**	20%	21%	23%	15%	7%
Organizational culture	19%	26%	19%	17%	26%	13%	16%
Communications/reputation	15%	18%	13%	**17% ↑**	15%	13%	16%
Health/safety	10%	12%	8%	12%	7%	10%	11%
Mergers/acquisitions	5%	2%	6%	5%	4%	3%	7%

5 highest risks

How to Interpret the Graph
The **red arrows** ↑ indicate an increase of 4 percentage points or more compared to the prior year.

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 3,285.

Exhibit C.2. Global – Top 5 Risks Trend

Survey question: **What are the Top 5 risks your organization currently faces? (Choose 5.)**

2023	2024	2025	2026	Change from 2025 to 2026	Change	Risk areas
73%	**71%**	**73%**	**80%**		**+7**	**Cybersecurity**
34%	**39%**	**48%**	**58%**		**+10**	**Digital disruption (including AI)**
30%	**28%**	**38%**	**48%**		**+10**	**Geopolitical/ macroeconomic uncertainty**
51%	49%	43%	38%		-5	Human capital
47%	54%	47%	35%		-12	**Business resilience**
32%	32%	31%	34%		+3	Financial/liquidity
39%	**37%**	**41%**	**32%**		-9	**Regulatory change**
32%	**32%**	**31%**	**29%**		-2	**Market changes/competition**
24%	**27%**	**23%**	**29%**		**+6**	**Fraud**
26%	22%	24%	27%		+3	Supply chain and outsourcing
27%	26%	24%	20%		-4	Governance/corporate reporting
19%	21%	18%	19%		+1	Climate change/environment
26%	25%	24%	19%		-5	Organizational culture
21%	21%	19%	15%		-4	Communications/reputation
11%	11%	10%	10%		0	Health/safety
6%	6%	5%	5%		0	Mergers/acquisitions

Increased risk compared to prior year   Decreased risk compared to prior year

How to Interpret the Graph
Orange text indicates an increase of 4 percentage points or more compared to the prior year. The orange and blue bars show the difference in ratings from 2025 to 2026. The column labeled "change" shows the percentage point difference from 2025 to 2026.

Note: Risk in Focus survey conducted online worldwide from March 2 to May 6, 2026. *n* = 3,285.

APPENDIX D. IIA RESOURCES

The IIA offers a variety of resources to support internal auditors with risk assessment and audit planning through the Standards and Guidance department. Most of these resources are available free to IIA members worldwide, and some are also available to the public at large. To see the most recent releases, visit the Global Guidance resource page and the Statements of Position release page.

Risk Environment

- Assessing the Risk Management Process, 2nd Edition (The IIA, Global Practice Guide, 2024)
- Role of the Internal Audit Function in Enterprise Risk Management (The IIA, Statement of Position, 2026)

Audit Priorities

- AI Framework Support Tools (The IIA, Audit Tools, 2026)
- Artificial Intelligence Auditing Framework (The IIA, 2024)
- Auditing Cybersecurity Operations: Prevention and Detection, 2nd Edition (The IIA, Global Practice Guide, 2025)
- Auditing Privacy and Data Protection Risks, 3rd Edition (The IIA, Global Practice Guide, 2026)
- Internal Auditing and Fraud, 3rd Edition (The IIA, Global Practice Guide, 2024)
- Organizational Resilience Topical Requirement (The IIA, Topical Requirement, 2026)

Risk Governance Maturity and Internal Audit Coverage

- Developing a Risk-Based Internal Audit Plan, 2nd Edition (The IIA, Global Practice Guide, 2025)
- Developing an Internal Audit Strategy (The IIA, Global Practice Guide, 2025)
- Three Lines Model (The IIA, Statement of Position, 2026)

Global Internal Audit Standards

- Complete Global Internal Audit Standards
- Condensed Global Internal Audit Standards

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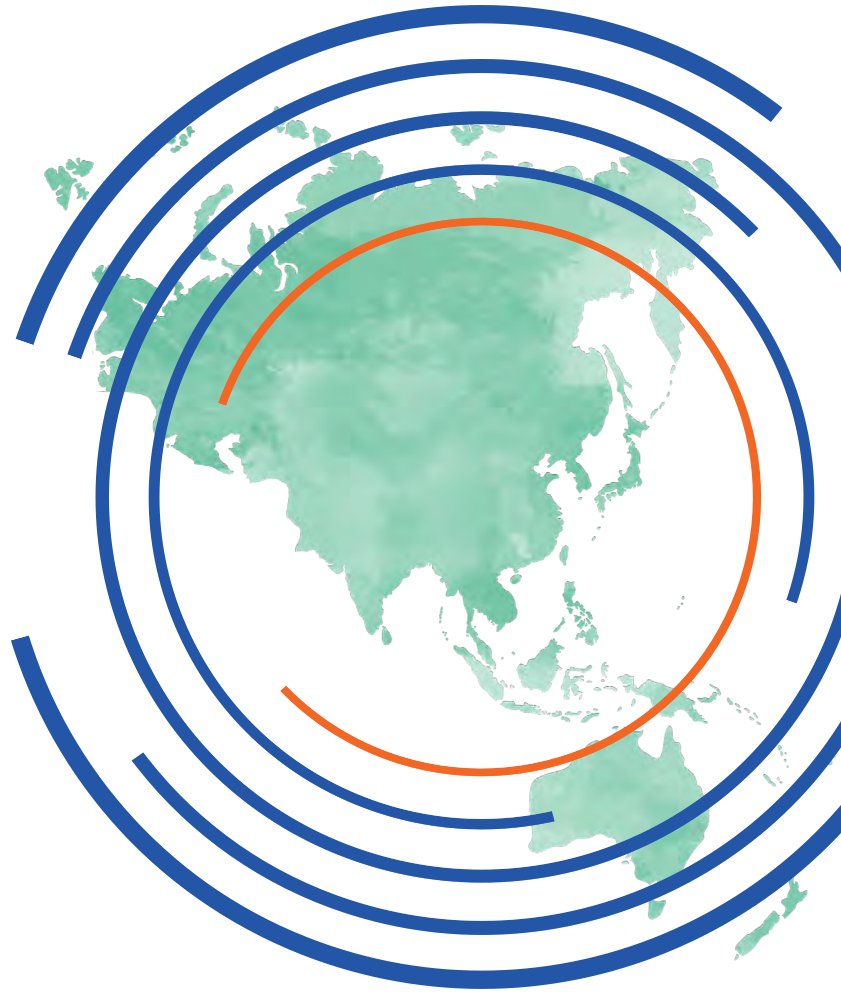

THANK YOU!

The research development team thanks the internal audit leaders across Asia Pacific who participated in the survey, roundtables, and interviews. Their practical insights helped transform survey results into a more actionable understanding of how risks are evolving in the region and how internal audit functions can respond with greater relevance, agility, and strategic impact.

Asian Confederation of
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