



Malaysia edition

Global Internal Audit Study 2023

Seeing through walls to find new horizons



For more than a decade, PwC has conducted global surveys with Internal Audit (IA) leaders and their stakeholders. PwC Global Internal Audit Study 2023 was our largest ever. It captured views from 4,680 IA leaders, board members and executives in the business, covering 81 countries including Malaysia.

We see rapid changes in the risk landscape globally in the areas of technology, climate, geopolitics, regulations and workstyle reform. These changes are interconnected and interwoven, which add to the complexity of the risks. This results in blind spots, disruptions and increased stakeholder expectations.

The interwoven themes explored in this study will show that IA's objectivity and ability to 'connect the dots' mean that it has the potential to create new value, and give its stakeholders the confidence to navigate the risk multiverse.

For this to happen, a change in perspective is necessary for IA, moving from a compliance focused approach to actively supporting value protection and creation.

What does it take to navigate IA in today's risk multiverse?

- Reassess the return on investment (ROI) from IA's technology strategy and determine whether it fits the purpose.
- Revisit the risk-based approach of an IA plan to evaluate its effectiveness in addressing the risks and threats faced by the organisation.
- Allow room for agility in the audit plan to respond to urgent risks.

All of the above are only possible with an IA team that understands and is bold enough to adopt the evolved role that includes:

- a collaborative yet independent and objective outlook
- a clear IA talent strategy and model that allows for high talent density (the ratio of talent/ skills per employee)
- bringing a human touch and engagement into internal audits.



Key findings

IA is uniquely positioned to help organisations connect the dots and chart a path through risks and complexity. Our survey highlights how IA can evolve, add value and remain relevant, offering insights and strategies for IA leaders, board members, business executives and second line leaders.

	Findings	Why this is new	What this means for IA
1	Megatrends are creating a complex and interconnected risk multiverse	Recent megatrends are creating risks in new areas that are unprecedented in scale and complexity	IA is uniquely positioned to give the organisation confidence to navigate these challenges and find a new direction — and new opportunities
2	IA needs more involvement in strategic areas to remain relevant	Driven by increased complexity and higher stakes, business executives are opening the door for IA to help them address more strategic areas	IA can choose to engage differently with its stakeholders to provide new strategic value, or risk becoming irrelevant
3	IA can be a unifying force	First and second lines have 'levelled up' their capabilities and response to risk	IA can help combine expertise across the organisation to harness momentum and forge something stronger together
4	IA's human 'superpowers' are more important than ever	Technology has become exponentially more sophisticated, providing organisations with access to more data and opportunities than ever before	IA must continue to evolve its human capabilities to ensure it can turn data into decisions, build new relationships, and help others to see risk differently
5	IA can boost ROI by changing its approach to technology	Technology investment in recent years has not yielded the returns many have expected and the next wave of technology is already here	IA needs to recalibrate its approach and work with others to unlock the potential of technology; but the window of opportunity is closing fast

1

Megatrends are
creating a complex
and interconnected
risk multiverse



Responding to megatrends

A chance for IA to shine

To succeed in this new reality, organisations will need different approaches, skills and technology. This means IA leaders must be bold.

Our survey showed Malaysia respondents ranked IA's top attributes as its independence and objectivity, risk and controls mindset, and collaborative approach. Enhanced by IA's organisational reach, this unique combination makes IA ideally placed to help organisations connect the dots and navigate risk and complexity.

Our survey also found that, in addition to better governance, executives believe that a high-performing IA function can help:

1

Optimise business processes and systems

2

Provide confidence to make better and faster management decisions

3

Build trust from external stakeholders, including investors, regulators and customers.



PwC's 27th Annual Global CEO Survey

shows that 93% of CEOs in Malaysia are taking steps to reinvent their businesses amidst macroeconomic volatility, inflation and cyber security emerging as key threats in the next 12 months.

This reinvention effort has extended to IA as we are seeing examples of IA functions pushing forward to tackle today's megatrends such as supply chain disruption, rapid IT modernisation and the acceleration of Artificial Intelligence (AI).

Q. Which, if any, of the following risks and challenges have been addressed in your organisation's internal audit plan?

Cyber security and information management



Market and economic volatility (e.g. pricing inflation, cost management)



Business strategy and operating model (e.g. product strategy, sales channel disruption)



Talent (e.g. labour,/ skills shortage, workforce transformation)



External change (e.g. regulatory reform and compliance)



Supply chain disruption



Technology advancement (e.g. impact on business model and processes)



Sustainability and climate change (e.g. ESG reporting)



Geopolitics (e.g. international relations, trade agreements, sanctions)



■ Already addressed
 ■ Plan to address in the next 1-3 years
 ■ No plans to address

Source: PwC Global Internal Audit Study 2023, Malaysian respondents
 Note: 'Not sure' responses are excluded



Responding to megatrends

1. Supply chain disruption

In order to tackle the risks and the disruptions that occur at such scale and speed, IA can look at end-to-end supply chain and assess if:

- resilience and business continuity arrangements are robust
- management has stress-tested the supply chain for blind spots or weaknesses, such as vendor dependency.



48%

of IA functions in Malaysia address supply chain disruption in their audit plan

28%

plan to do so in the next 1-3 years

2. Rapid IT modernisation

To remain viable, many organisations have turned to technology to help adapt their strategies as well as commercial and operational models. Organisations are investing in enterprise resource planning (ERP) systems, generative AI (GenAI), machine learning, automation and cloud solutions.

However, only 45% of Malaysia's IA functions (compared to 54% globally) have included technology advancement in their audit plans. Another 45% plan to do so in the next 1-3 years. Technology modernisation is central to business reinvention and IA has to reflect on their own approaches to adapt by:

- being equipped with the right set of technological capabilities
- collaborating with third-party specialists
- being bold enough to stop IA activities that do not add value.

How IA functions in Malaysia plan to strengthen their technology and data analytics capabilities in the next 1-3 years



Training and upskilling



Invest in data analytics tools and resources



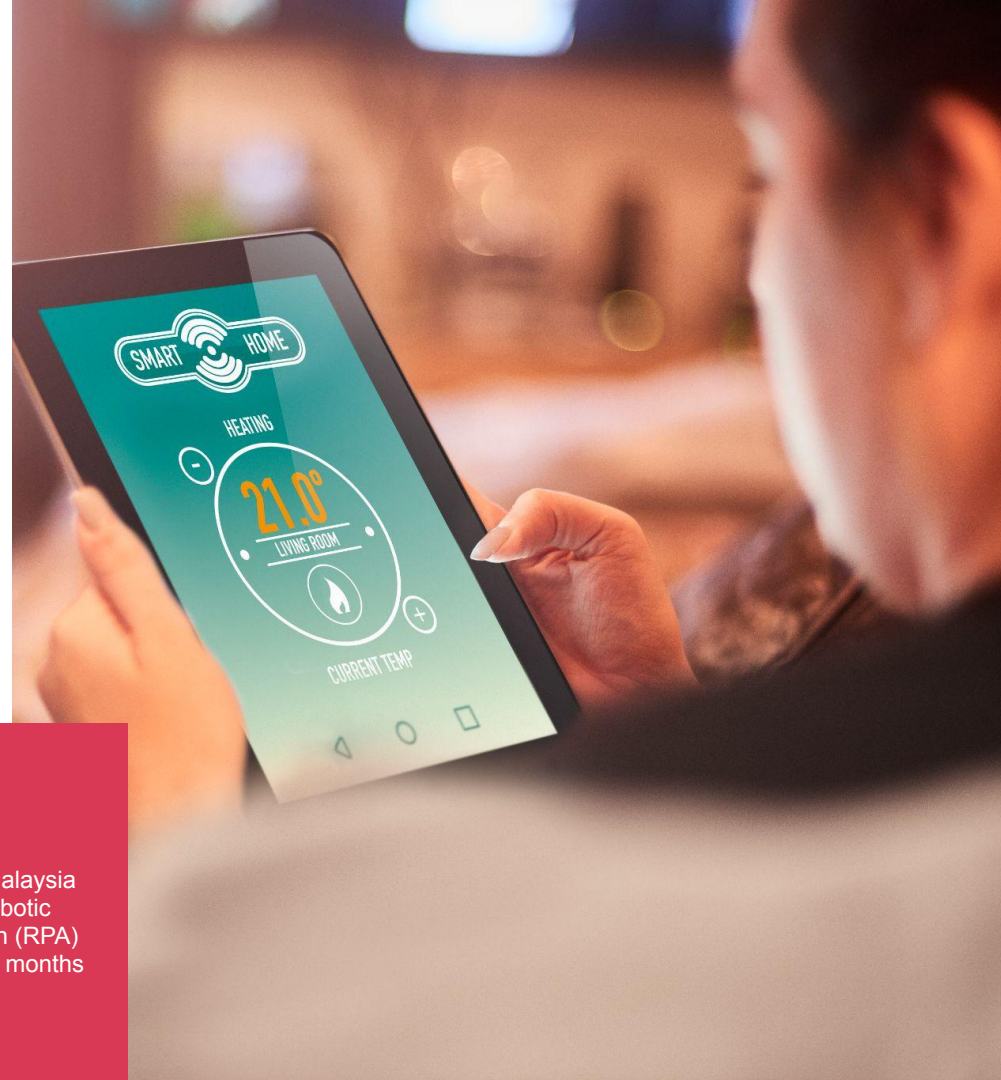
Enhance reporting through data visualisation software

3. AI is accelerating fast

A wide array of risks related to AI have already emerged, including risks to decision-making, privacy, cyber security, regulatory compliance, third-party relationships, legal obligations, and intellectual property.

IA will need to provide stakeholders with **confidence that there is a responsible governance framework around AI and that appropriate controls are embedded.**

This may require IA to get involved earlier in the change lifecycle to assess whether the organisation's AI strategy is appropriate and whether transformation risks are being addressed.



Only

20%

of IA functions in Malaysia
have invested in robotic
process automation (RPA)
or AI in the past 12 months

1

Actions to consider

Map to the megatrends

Reconcile the current IA plan with known and emerging megatrends to identify any gaps. Discuss with the audit committee, stakeholder and second line to determine the appropriate approach.

Understand the purpose, not just the process

For transformation initiatives (e.g., the introduction of AI), consider who is providing assurance over the alignment of business strategy, transformation objectives, implementation activities, and measurement of intended outcomes. The ability to connect the dots and to spot misalignment often requires an objective viewpoint.

2

IA needs more
involvement in
strategic areas
to remain relevant



When opportunity knocks, answer it

Business leaders in Malaysia are seeking **proactive and early strategic engagement with IA** and this may be driven by a multitude of factors:

- complexity of today's risks
- the need to provide assurance to stakeholders
- awareness of the benefits of better governance
- recognition of IA's value and potential

IA must be willing to challenge strategic decisions when risks indicate a course correction is needed.

80%

of surveyed business leaders in Malaysia want IA to be involved during the risk identification and assessment stage

55%

are seeking IA's involvement in management strategy and planning

Examples of strategic areas some IA functions are auditing:

- Digital transformation
- Workforce transformation
- Mergers and acquisitions
- Inflation
- R&D and product design
- Macroeconomic volatility

Q. Thinking of the key risks and challenges in your organisation, at which stage(s) would you ideally like Internal Audit to get involved?

Risk identification and assessment

80%

Testing of process and control effectiveness

75%

Control design and implementation

75%

Management strategy and planning

73%

Investigation when issues occur

55%

Remediation and resolution of issues

55%

Source: PwC Global Internal Audit Study 2023, Malaysian respondents

Note: 'Not sure' responses are excluded

Management wants better risk conversations

Our survey indicated that IA has the opportunity to have more high quality and open conversations with management about risk. Globally, only 36% of surveyed stakeholders classify their risk conversations with IA leaders as of sufficient quality and frequency.

Examples of how IA can have better risk conversations include:

- offering a viewpoint on new business strategies and plans
- authoring discussion papers or presentations on emerging risk areas or topics, outside of regular audit reports, which can prompt discussion
- summarising findings from multiple audit reports into broader root causes and themes. This can also be mapped to trends in the industry
- bringing other expertise from first or second line teams and external advisors, to broaden debates and offer different perspectives



2

Actions to consider

Get involved early

IA will need to have more high quality, open, and frequent conversations with management about risk. Better risk conversations can lead to new insights on emerging risks, more focused and timely assurance, and a fresh perspective on other opportunities.

Reconsider effort spent on strategic risks

Ask stakeholders what is important to them. IA can use a simple matrix to plot efforts spent on traditional versus strategic risk areas (refer to infographic on the right).

Relook at how information is being shared in conversations and meetings

Use visualisation tools to present fresh insights and show how IA is connecting the dots across risks. Varying the nature, timing and extent of reporting would allow IA to fit different needs and different stakeholders.

Illustrative quadrant showing IA risk focus and approach

Strategic

Risk areas

Strategic area, traditional approach e.g. ESG controls audit	10%	Strategic area, agile approach e.g. M&A review - IA as risk advisor	20%
Traditional area, traditional approach e.g. payroll controls audit	20%	Traditional area, agile approach e.g. expense audit using analytics	50%

Traditional

Approach/ methodology

Agile

3

IA can be
a unifying force



Working alone always results in blind spots

Risks can sometimes be **too big to see** (e.g., geopolitical, macro-economic, industry wide) or **buried in complex and multi-layered technical areas** (e.g., regulatory, cyber security, commercial).

IA's unique vantage point allows to 'see through the walls of the organisation' and shine a light on areas others may not clearly see.

The good news is that our survey showed that strengthening of the second line represents an opportunity for IA to harness these skills and **maximise the power of combining different capabilities**

IA can achieve a 'multiplier effect', adding up to better risk coverage, greater efficiency and more insights.

Only

38%

of business executives in Malaysia believe that IA have strong alignment with the other lines on key risks and problems

Overall, the second line has 'leveled up' in the last three years with the majority stating capabilities have increased. However, only a minority report a 'significant' step change across most areas.

Q. Over the last 3 years, to what extent have you seen a change in the overall strength and capabilities of those second line functions?

Information/ cyber security or other IT governance function



Internal control



ESG management (e.g. sustainability or environmental monitoring)



Compliance



Quality management (e.g. supplier, engineering, product development, program management)



Enterprise risk management



Legal (with risk or compliance monitoring responsibility)



Financial control (e.g. controllership with monitoring responsibility)



Inspection functions (e.g. health and safety)



Significant increase Some increase No change

Source: PwC Global Internal Audit Study 2023, Malaysian respondents

Note: 'Not sure' responses are excluded

Collaboration can involve a range of different approaches, such as:

- jointly preparing an assurance map and aligning activity plans
- ensuring the links between mission statements, charters, and strategies are clear
- aligning risk taxonomies and control libraries, or sharing research and reference materials
- co-investing in technology
- co-developing or sharing automation and scripts used in assurance activities
- talent sharing programmes, such as secondments and guest auditors
- forming communities of interest on specialist or topical matters, such as ESG



Q. Which of the following activities do you think would benefit from more Internal Audit involvement and/or increased Internal Audit alignment with the first and second line functions in your organisation?



Source: PwC Global Internal Audit Study 2023, Malaysian respondents
Note: 'Not sure' responses are excluded

3

Actions to consider

Map your assurance

Work with the other lines to map different control and assurance activities to identify duplication, blind spots, and opportunities to collaborate.

Tap into Centres of Excellence (CoEs)

Identify and collaborate with any CoEs, or similar pools of experience that may exist. Examples include cyber security, data and operational excellence groups. These can provide economies of scale, optimise methodologies and promote innovation.

Connect to communities of interest

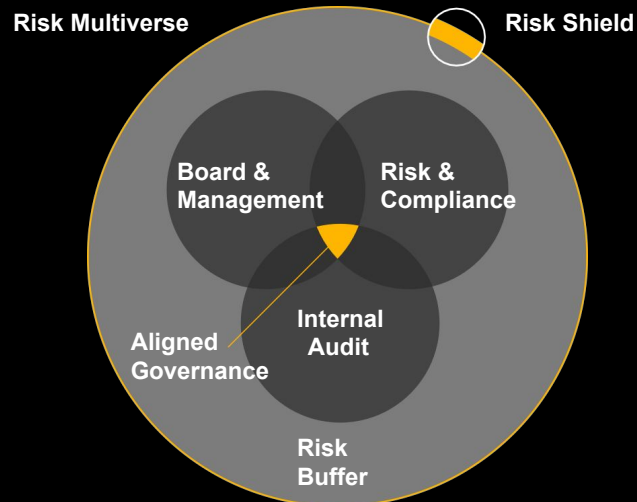
Bigger organisations may have the capacity to pull together cross-functional teams or interest groups on key risk or technical areas, such as ESG, AI or cyber security. Encourage those in the second and third line to get involved with professional or industry groups to build experience and get fresh ideas.

A 'risk shield' around the organisation

In today's world, where risks can come from all directions, an organisation's foresight and defence needs to be 360-degrees.

Organisations need to look differently at how the three lines work together to increase agility, break down silos, and remove blind spots to 'see through walls'.

IA should consider where activities intersect and overlap, how communication flows between them, and what this means for the organisation's resilience as a whole.



4

IA's human
'superpowers' are
more important
than ever



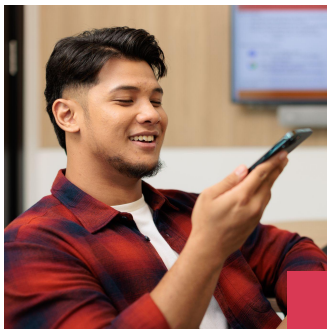
The human touch

Professional scepticism, a risk and controls mindset, and objectivity are long-standing IA skills and remain the foundation for its future.

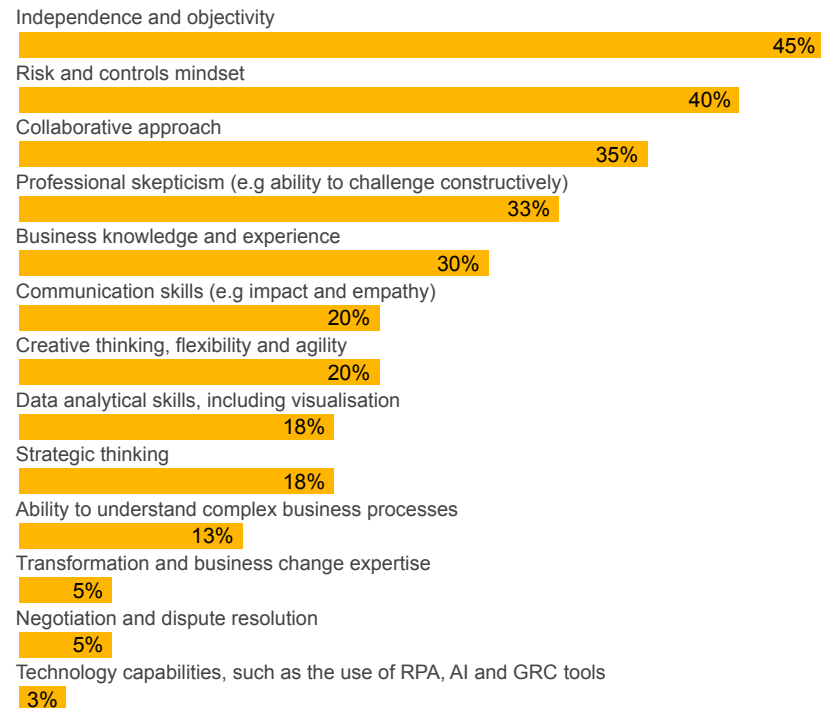
As the scale and complexity of risks change, IA will need more nuanced human skills to have meaningful and strategic conversations with its stakeholders.

While our survey showed Malaysian respondents ranked IA's top attributes as its independence and objectivity, only 18% rate strategic thinking as the strongest attribute of IA.

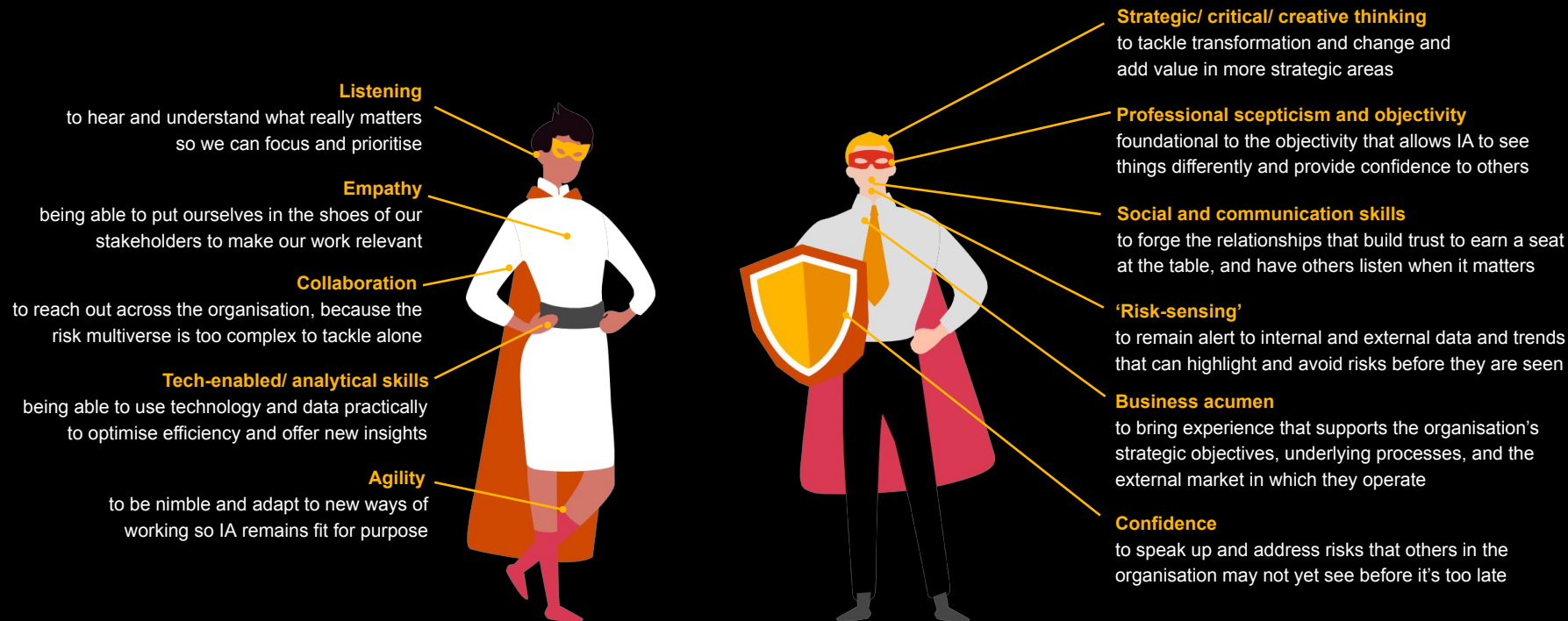
Whilst technology skills will remain critical, and should continue to evolve, they must be balanced by the human side of the equation. Important attributes include strengthening strategic thinking as well as creative thinking, agility, flexibility and empathy.



Q. Which of the following do you consider to be the strongest attributes of your Internal Audit department? (ranked top 3)



Source: PwC Global Internal Audit Study 2023, Malaysian respondents



Continual evolution

Like the world around us, IA's skills and capabilities need to keep evolving and adapting.

This requires a continual focus on professional growth and an open mind. It may also mean changing how IA recruits, retains, and develops talent.

4

Actions to consider

Identify skills gaps

Conduct a current and future state skills assessment. Determine how auditor capabilities can be aligned to support the organisation's future vision and strategy as well as risk profile.

Establish a talent strategy

Create an upskilling and sourcing strategy, including guest auditor, leadership development, and rotation and secondment (internal and external) programs, to create diversity and new thinking.

Consider succession

Set development paths and promote different types of skills and experience in line with the IA, talent and business strategies.

Incentivise self-driven learning

Create learning pathways for different roles to strengthen the technical and soft skills, and ensure there is sufficient recognition and incentives for individual upskilling.

Only **15%**
of surveyed executives
in Malaysia are very
confident that IA has the
talent and skills the function
will need in the next 3 to 5
years

Is your IA function fit for the future?

Here are the top five attributes that IA functions in Malaysia should improve on

Data analytical skills, including visualisation

Technological capabilities, such as the use of RPA, AI and GRC tools

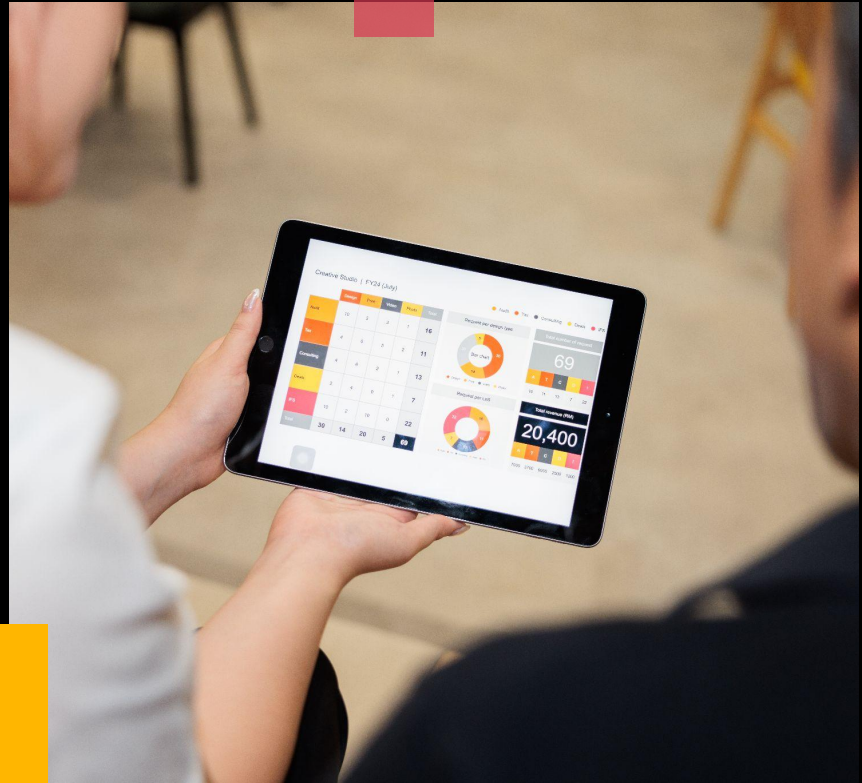
Transformation and business change expertise

Creative thinking, flexibility and agility

Strategic thinking

5

IA can boost ROI
by changing
its approach
to technology



Technology investment is not delivering desired benefits

Organisations have undertaken a lot of initiatives and activity in technology (e.g., RPA, analytics and IA workflow). But the ROI has not been realised, as only a few have achieved the desired benefits from their investments in technology and data.



Only

8%

of IA functions in Malaysia have achieved the desired benefits from their investments in technology and data over the last twelve months

Why ROI might be falling short

- **Strategy:** Technology is driving the strategy, rather than the strategy driving the technology.
- **Measurements for success:** IA has not defined the right KPIs to measure success. The outcomes might be there, but no one is measuring them.
- **Status quo:** The technology has changed, but people's way of working remains the same. Resistance to change is common and can stop teams from reaping the full benefits of technology.
- **Siloed:** Technology is operated in isolation, not connected to other data sources in the organisation, or accessible and visible to others.
- **Duplication (and confusion):** Investment in similar or competing technology is made in different parts of the organisation. This can lead to confusion over which should be used, prioritised and invested in.

Q. Which, if any, of the following outcomes have been achieved as a result of Internal Audit's investment in technology and data over the last 12 months?

More efficient and impactful reporting (e.g dashboards, visualisation)



Increased risk coverage (across audit plan or individual audits)



Better risk targeting and scoping (e.g less judgemental, data-led scoping)



Increased efficiency (e.g less audit effort to execute same testing)



Able to provide more insights to the organisation



■ Already achieved
 ■ Partially achieved
 ■ Expect to achieve in next 1-3 years
 ■ Do not expect to achieve

Source: PwC Global Internal Audit Study 2023, Malaysian respondents



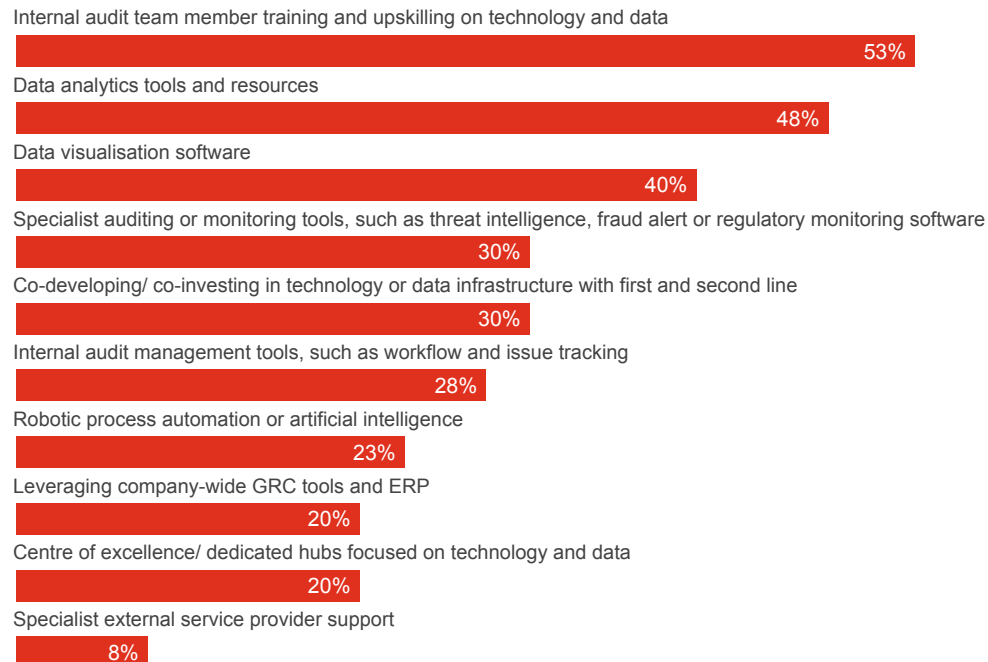
Speeding up

In [PwC's 27th Annual Global CEO Survey](#), 41% of CEOs in Malaysia foresee substantial impacts AI would have on their companies, workforce and markets within the next three years. Yet, half admit to not having adopted GenAI across their companies in the past 12 months.

Similarly, 65% of respondents based in Malaysia from our IA study say that they have not invested in AI and has no plans to do so in the next three years. There could be various reasons for this. It could be fatigue from other technology investments or perhaps IA leaders don't know how or where to get started.

There are, however, risks to inaction, including becoming irrelevant as others move forward. No one knows for sure where AI will lead, but many have an educated view, and IA needs to be at the forefront of that thinking. There is still an opportunity to make forward strides in embedding technology through all that IA does.

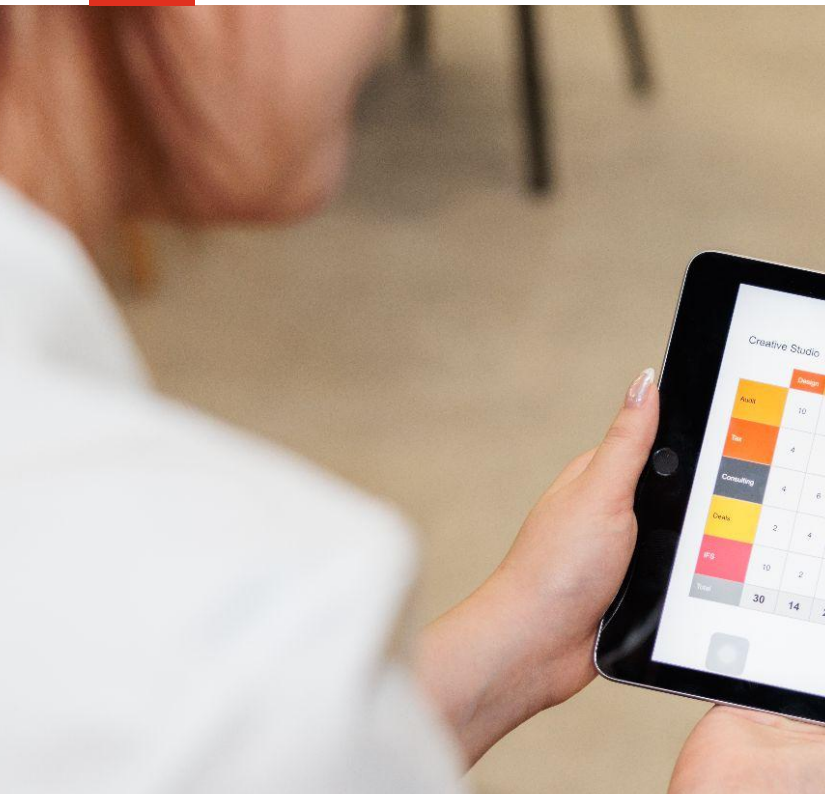
Q. Which, if any, does your Internal Audit department plan to invest in during the next 1-3 years?



Source: PwC Global Internal Audit Study 2023, Malaysian respondents

5

Actions to consider



Co-develop and co-invest in technology

Explore opportunities with other functions to co-invest in technology and to leverage data sources and tools that may already exist or could be co-developed (e.g., eGRC, analytics, workflow, and visualisation tools). Share assurance techniques and automation, such as monitoring routines and analytics scripts.

Shift to continuous auditing

Create a strategy for more proactive continuous auditing and monitoring from discrete, point-in-time audits. Look for opportunities to connect data across end-to-end processes to provide broader and more strategic insights.

Build AI into IA's technology strategy

Define the roadmap for how AI and AI auditing will be implemented. Find ways to collaborate with the broader organisation to upskill together and jointly consider associated risks.

Take a hard look at your technology approach

When evaluating or implementing new technology, list the activities in IA and beyond that you will start, stop or continue. This is important so the real benefits can be considered.

Speed up and shine,
or slow down
and fade away





Pioneers rarely have a template

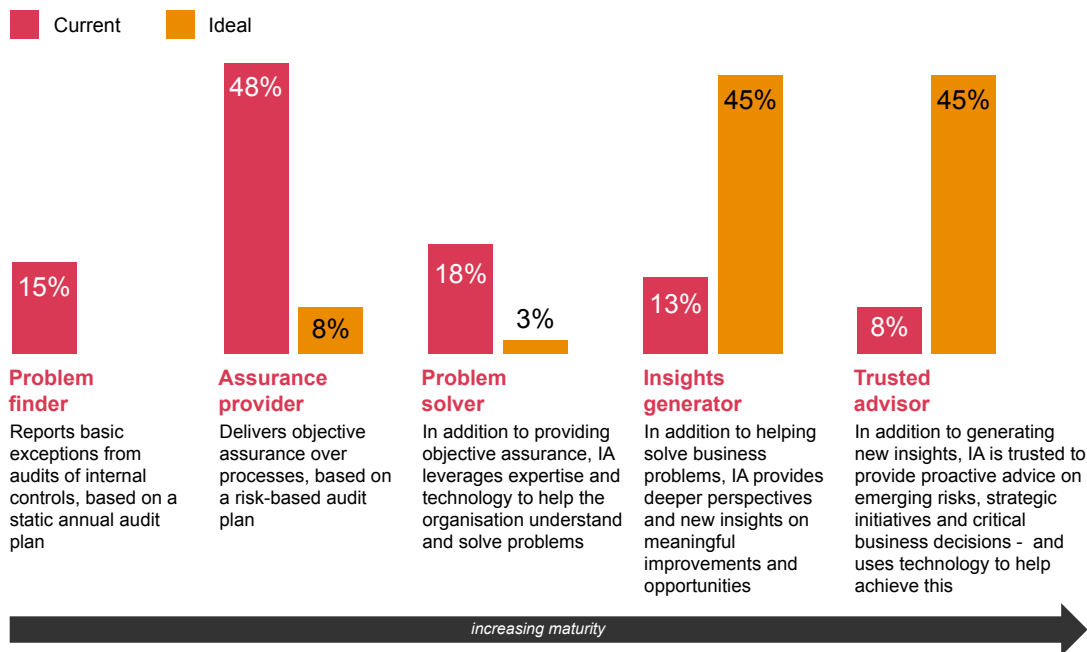
PwC's IA Maturity Continuum, introduced in prior IA studies, provides a model to help IA and its stakeholders determine where they are in their maturity journey.

Our survey shows that whilst most organisations currently categorise their IA maturity as a 'Problem Finder' (15%), 'Assurance Provider' (48%) or 'Problem Solver' (15%), **more and more organisations want IA to become a 'trusted advisor' in the next three years (45%).**

This would involve providing new and proactive advice on risks and initiatives that are strategic to the organisation, and being confident in using technology to help achieve this.

There is, however, no one-size-fits all approach. Pioneers rarely have a template. This means that each organisation needs to have clarity on where they are now, and where they want to be in the near, mid, and long term.

Q. Which of the following statements best describes the overall value and maturity of your internal audit department at current state, as well as ideal state within the next 3 years?



Source: PwC Global Internal Audit Study 2023, Malaysian respondents

Staying relevant

Just as CEOs recognise the imperative to keep their strategy and business model viable, IA has the obligation to continually evolve and remain relevant.

Our survey affirms that high-performing IA functions are driving broader business outcomes and delivering more value than ever before.

Respondents in Malaysia agree that stronger governance and risk awareness (58%) and more robust and efficient internal controls (with fewer failures) (45%), are the key outcomes that result from high-performing IA functions.

These are outcomes that any organisation would value, but ones that can remain hidden behind walls if IA and the business are not willing to climb them together.



Q. What are the most important outcomes your organisation could achieve by having a high performing internal audit department?

Stronger governance and risk awareness

58%

More robust and efficient internal controls, with less frequent failures

45%

Increased trust from external stakeholders, including investors, regulators and customers

38%

Better corporate culture to deliver on the organisation's value and purpose

33%

Greater resilience and ability to protect or manage disruption

33%

Increased management confidence to make better and faster decisions

28%

New strategic business opportunities, such as cost reduction or revenue generating initiatives

25%

Optimised business processes and systems

20%

Greater success in transformation programme, such as digital and workforce transformation

8%

Contact us

Our Internal Audit team in Malaysia is part of our global network.

Contact our experts on how we can you elevate your internal audit.



**Dominic
Chegne**

Partner,
Risk Services
PwC Malaysia
dominic.hk.chegne@pwc.com



**Nik Shahrizal
Sulaiman**

Partner,
Risk Services
PwC Malaysia
nik.shahrizal.sulaiman@pwc.com



**Shoba
Ananthanarayan**

Associate Director,
Risk Services
PwC Malaysia
shoba.ananthanarayan@pwc.com