

IIA's 2024 GAM Conference Takeaways and Perspectives

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I attended the Institute of Internal Auditor's (IIA's) GAM (now "Great Audit Minds") conference March 11 – 13, 2024 in Las Vegas. If you weren't among the 1000+ there or online (or in different sessions), I offer some takeaways, plus my own perspectives.

SEC climate rule is out, but it's not the only thing. The California climate regulations could apply to you, and so could EU's Corporate Sustainability Reporting Standard (CSRS). And watch out for FAR's proposal. [Risk Advisory Partner, Top 20 accounting firm]

DHC Comments to SEC

Hileman Perspective: There has been almost obsession with the SEC climate rule, as if this were the only requirements. Granted, the bar for the quality of content in an SEC filing is high. Nonetheless, there are also risks of incomplete, inaccurate, or false reporting to government entities for compliance. Ditto for reporting to analysts or customers; loss of a key customer (and the sales that go with it) is a material financial hit however you look at it. The FAR (Federal Acquisition Regulations) has been a sleeper. Climate- and Sustainability-requirements would likely work their way up the supply chain.



ESG concepts aren't new. An auditor approaching Sustainability disclosures for the first time should spend less time ticking and tying, and more time understanding. [In-house Internal Auditor who has led audits of Sustainability reporting]

Hileman Perspective: It seems like we've been hearing about an SEC climate disclosure rule forever, and like it's something radically new. I began my career in environmental compliance decades ago. Compliance involves reporting to regulatory authorities, which, in turn, requires people, process, controls and technology. The SEC Conflict Minerals rule is a decade old. UK's Modern Slavery Act came into force in 2015. But just like "internal controls" sounds foreign to second line leaders (Environmental, Safety, Procurement, etc.), the workings of these areas are often foreign to Internal Audit. A key objective of the COSO ICSR¹ supplemental guidance was to bridge this gap.

¹ COSO released "Achieving Effective Internal Controls Over Sustainability Reporting (ICSR)" in March 2023. Douglas Hileman is an author. The document is free, available at www.coso.org; the link and other thought leadership is at www.douglashileman.com.



COSO's ICSR Supplemental Guidance is experiencing a "second wave" now – during the first reporting season since its release a year ago. CFO, Controllers, and auditors are taking note. The new IIA Global Internal Audit Standards help pave the way for Internal Audit's involvement.

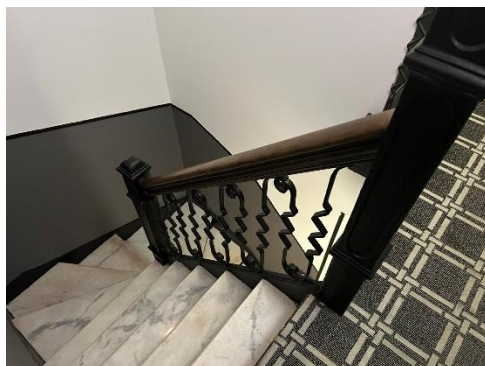


Hileman Perspective: My twist on the long and winding road to COSO's ICSR document. [As full disclosure, Brad Monterio (of the IIA) and I are two of the six authors of the document.] Several presenters mentioned the document. I brandished a hard copy throughout GAM. Just as another presenter said that ESG isn't new, applying the COSO Internal Controls Integrated Framework beyond financial reporting isn't entirely new either. But it is going mainstream.

As Step 1, start by identifying and inventorying climate-related requests. Restart at Step 1 as often as necessary. [Risk Advisory Partner, Top 20 accounting firm]

Hileman Perspective: This is sound advice from the voice of experience. The external environment is changing – and so is the business. Sustainability compliance, reporting and disclosures is not a sequence of discrete steps. You don't jump from one to the next. It starts out more like an M. C. Escher staircase.

If everyone isn't pulling in the same direction, that's just another kind of waste. As a first activity, Internal Audit can see if everyone understands the objectives [of Sustainability policies and performance metrics]. [Chief Audit Executive of a large government entity]



Hileman Perspective: It's election season, so you can count on candidates railing against "waste, fraud and abuse." Catchy tag line. "Waste" can be subjective. Are car-free districts downtown a waste or a godsend? This Chief Audit Executive of a large government entity, expressed an enlightened perspective on "waste." It is gratifying that s/he is being mindful of taxpayers; private sector leaders can add value with the same perspective.



There's a time to be honest, and a time to be candid. [CFO and board member]



Hileman Perspective: The discussion among three board members offered excellent insights to anyone dealing with boards. Or for any functional leader contributing to content or messages to the board. Sustainability reporting and disclosures will be on the board agenda more, especially with increasing requirements for assurance. Many insights would need more context to discuss here. This one stands on its own.

Internal Audit can influence decision-makers throughout the entire life cycle of a transaction, including post-closing [integration or after spin-off]. IA can improve effectiveness by reviewing the due diligence process itself. [Director at private bank and advisory firm.]

Hileman Perspective: I've rarely seen Internal Audit discussed in the context of transactions. Transactions are undertaken to increase shareholder value. The illustrious Harvard Business Review² cites studies as showing that 70 - 90 per cent of acquisitions fail. From my experience in the EHS/Sustainability slice of transactions, I can see why. In other words, acquisitions pose inherent risk. What's the risk, and what are mitigation measures? Internal Audit plays these roles. IA knows how to maintain independence, and how to use specialists: Environmental, Tax, Cyber, etc.



There's nothing like being there. Me.

Hileman Perspective: There was a virtual option for much of the conference. Presenters were mindful of remote attendees. Some of my most meaningful interactions were in the lunch line, walking down the hall after a session, and being part of a vendor demo at a booth.

² Don't Make This Common M&A Mistake, by Graham Kenny; Harvard Business Review, March 16, 2020; accessed online 3/14/2024.