ACIIA CAE Leadership Forum

PS7: Panel - Formula to IA Agility: C + I

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Agenda

#1 Change and Disruption

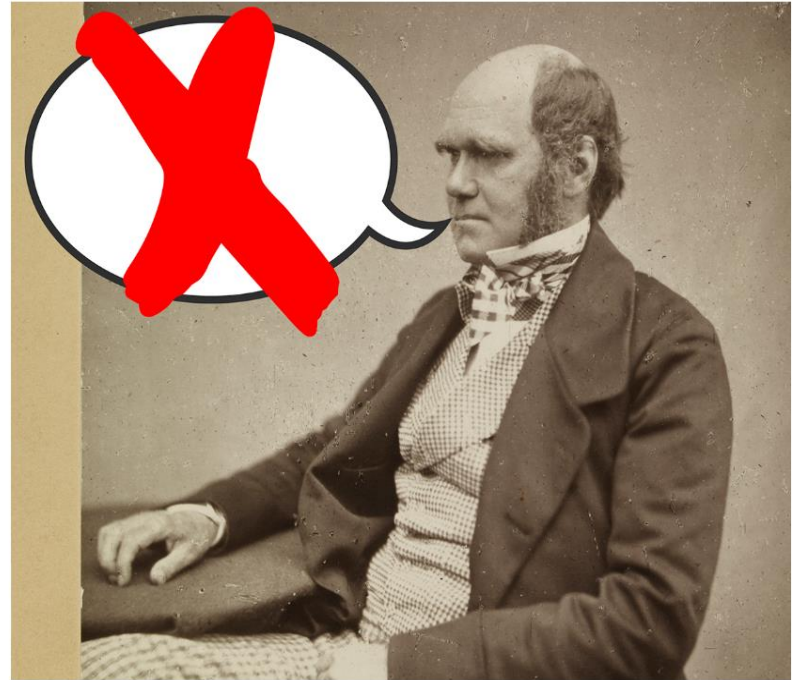#3 Agility = C + I

#2 Pressures on Internal Audit

CHANGE

DISRUPTION

Image Source: https://hbr.org/2016/01/how-big-data-is-changing-disruptive-innovation

ADAPT OR DISAPPEAR

"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change."

Of interest to know that it was not Darwin who said this but he has been quoted..

PRESSURES ON INTERNAL AUDIT

#1 Rising Stakeholder expectations

#2 Volatile Risk Landscape

#3 Complex Technology Risks

#4 Risk from Organisation Culture

#5 Rising Stature of 2nd LOD functions

#6 Talent Shortage

Balancing Assurance and Other services

NAVIGATING THE DISRUPTIVE LANDSCAPE

❖ Improving Agility of the IA Function

❖ Building a Collaborative Model

❖ Innovating the IA Approach

IA AGILITY

- Follow the risks and strategy of the businesses as they are operating in a dynamic landscape

- Insightful, proactive, future-focused

- Promote organisation improvement

- Adapt and respond to both existing and emerging risks

BUILDING COLLABORATIVE MODEL

- Collaborate with operational management (1st LOD) compliance and monitoring functions (2nd LOD)

- Respond to disruption with a more unified approach

- Maximize synergy by leveraging expertise and knowledge of respective teams

- Improve coordination, communication and agility in response.

- Promotes continuous efforts in organisational improvement

BUILDING COLLABORATIVE MODEL

The Three Lines of Defense Model

Governing Body / Board / Audit Committee

Senior Management

1st Line of Defense	2nd Line of Defense	3rd Line of Defense	External audit	Regulator
Management Controls — Internal Control Measures	Financial Control / Security / Risk Management / Quality / Inspection / Compliance	Internal Audit		

Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

Monitoring Controls	Ongoing Monitoring	Periodic Monitoring

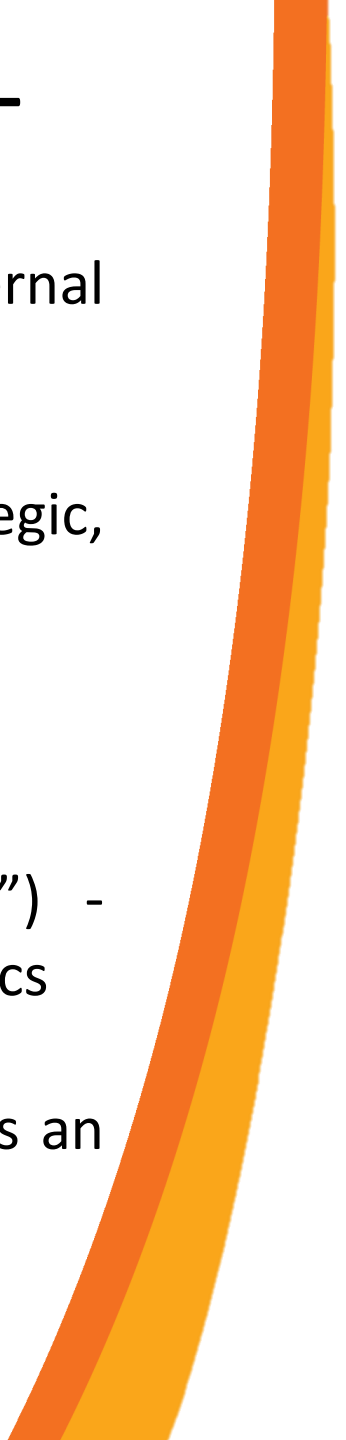**Continuous and Predictive**
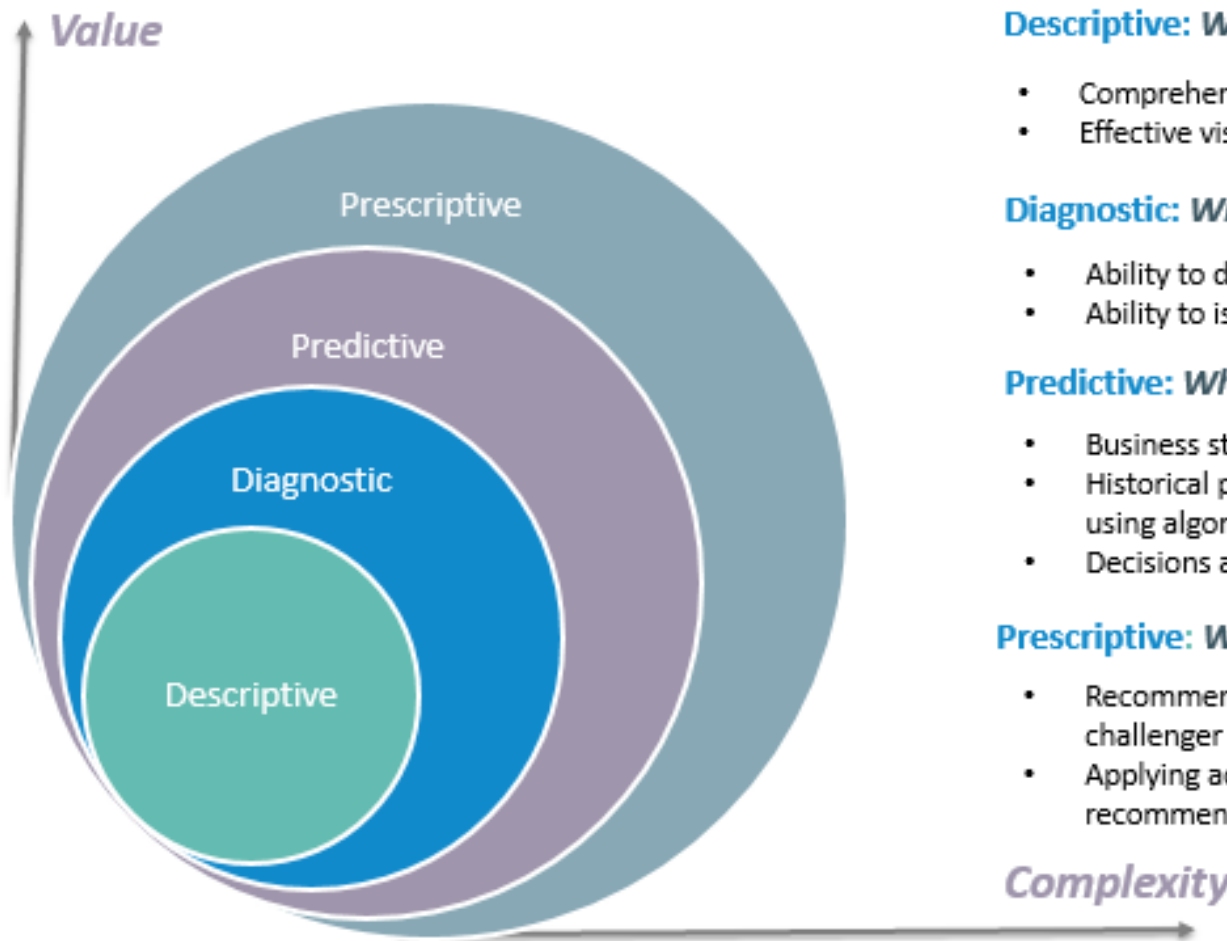- Risk Assessment, Control & Monitoring Activities and Audit

Collaborative model with the 3 LOD to improve coordination, and agility in response and for organisational improvement

INNOVATING INTERNAL AUDIT

- Re-think and re-invent the focus and approach of internal audit.

- Multi-disciplinary skills required to deal with strategic, business, operational and technology risks

- Technology and data-enabled.

- Leverage on the technology super-powers ("ABCD") - artificial intelligence, blockchain, cloud and data analytics

- Breadth and depth of knowledge in the organisation is an engine for innovation and business improvements

4 types of Data Analytics

Value

Prescriptive

Predictive

Diagnostic

Descriptive

Complexity

What is the data telling you?

Descriptive: *What's happening in my business?*

- Comprehensive, accurate and live data
- Effective visualisation

Diagnostic: *Why is it happening?*

- Ability to drill down to the root-cause
- Ability to isolate all confounding information

Predictive: *What's likely to happen?*

- Business strategies have remained fairly consistent over time
- Historical patterns being used to predict specific outcomes using algorithms
- Decisions are automated using algorithms and technology

Prescriptive: *What do I need to do?*

- Recommended actions and strategies based on champion / challenger testing strategy outcomes
- Applying advanced analytical techniques to make specific recommendations

IN SUMMARY

- **AGILITY** is key for IA to remain strategically relevant

- With technology and big data, a **COLLABORATIVE MODEL** that integrates internal audit and businesses can be achieved.

- IA has to embrace disruption and **INNOVATE**

- IA must be **TALENT READY**. Future ready internal auditors should be tech savvy; data-enabled, far-sighted; business-minded and multi-disciplinary

- IA's journey continues with hindsight, insight and foresight

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Thank you!
Maraming Salamat po!

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