



Advice and Insight on Moving Your Internal Audit Group Up a Line

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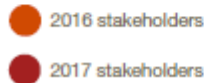
Executive Vice President and Chief Auditor

Agenda

- Stakeholders view on internal audit for insight and advice
- Think like your CEO
- Rules are not sacred.
- Do not just provide assurance, help business

Stakeholders feeling toward Internal Audit

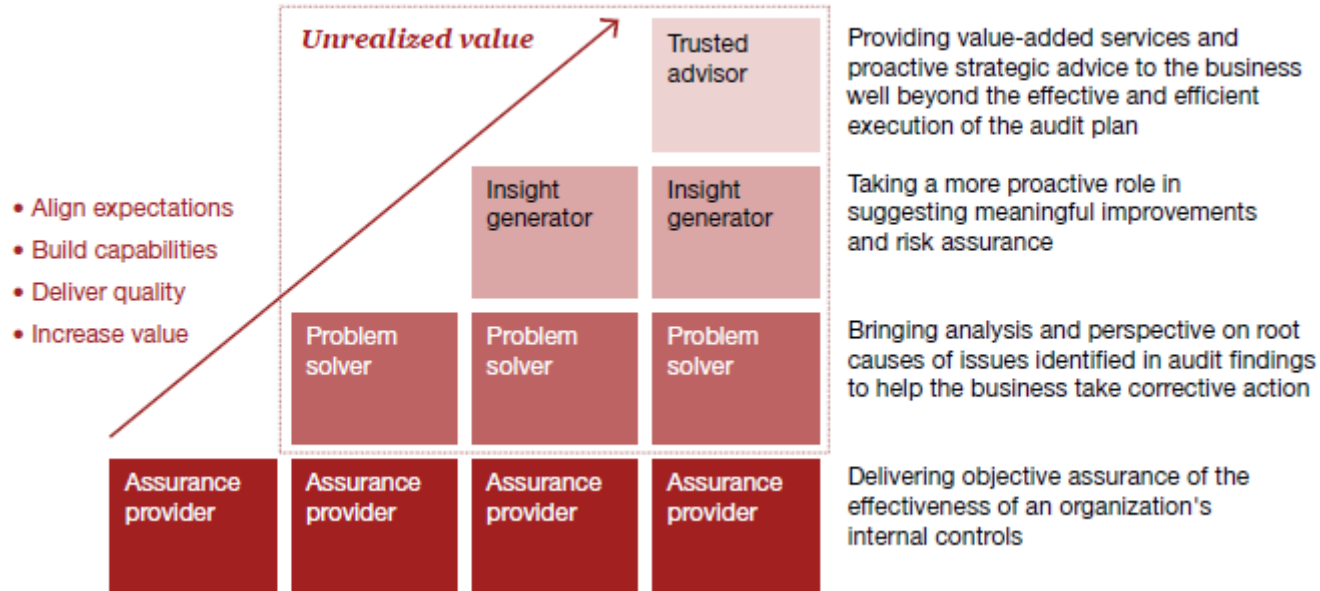
*Stakeholders reporting
Internal Audit contributes
significant value*



- Lowest in the last five years
- Ongoing compliance burdens
- Pressure to do more with less

2017 State of the Internal Audit Profession Study, PwC

The Journey to Capture Unrealized Value



Source: PwC 2014 State of Internal Audit Profession Study

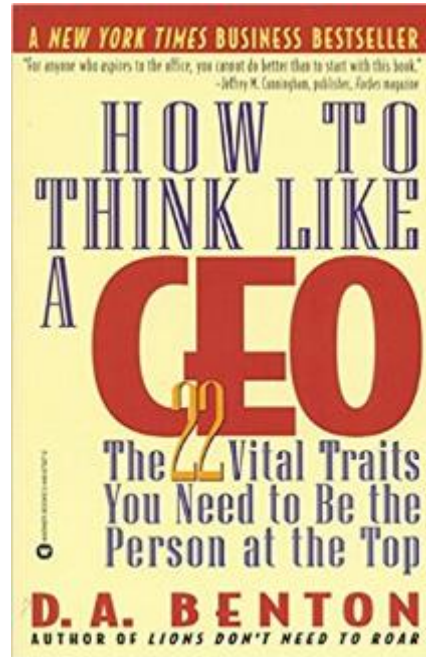
2018 State of Internal Audit Profession

- Expectation from the Management:
 - Expected to proactively contribute to responsible innovation
 - Able to quickly assess the full impact of technical advances
 - Then pivot with each new innovation to fully understand how that innovation is acting to change the organization's risk profile.

2018 State of Internal Audit Profession

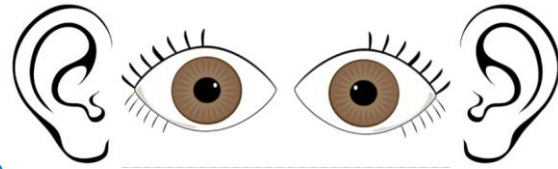
- Expectation from Boards:
 - Have a prospective on the risks that the new technology brings
 - On the controls in place to appropriately manage those new risks
 - To provide advice on how their organization should exploit new technology and make recommendations

Think like your CEO



Think like your CEO

- Internal Audit is eyes and ears to your CEO
- What are the questions that your CEO will be asking about certain business or processes?
 - Right culture
 - Strategically aligned
 - Compliant to laws and regulations
 - Practicality and sustainability
 - Cost effectiveness
 - Optimal technology



Right Culture

- Tone at the top that is created by your CEO (e.g. mission, vision and value)
- How each business and process translates tone at the top to their BAU (sub-culture)
- Ethical and moral compass of each business and process
- Transparency and fairness in HR practice
- Timely and accurate issue escalation

Strategically Aligned

- Aligning objectives to the company's risk appetite
- Business and process tactical goals are set based on CEO's strategy
- Appropriate KPIs and KRIs are established and monitored
- Timely and accurate reporting of results to CEO

Compliant to Laws and Regulations

- Constant identification of all laws and regulations that need to be in compliant
- Advising and educating business and process owners about compliance
- Proper enforcing mechanism
- Timely and accurate monitoring and remediation mechanism

Practicality and Sustainability

- Simple process is the best process
- Must be hustle free or minimum burden, otherwise business will not continue
- Continuously train staff
- There is always better ways to do what we do now.

Cost Effectiveness

- The business and process must continue to look for saving opportunities
- Automate as much as you can
- Outsourcing and co-sourcing is one option
- Continue to achieve faster and better businesses and processes

Optimal Technology

- There is no business and process exist without technology
- Legacy vs latest technology
- Basic access control poses significant risk
- You do not have to build and maintained everything – cloud and outsourcing

Rules are Not Sacred



Rules are Not Sacred

- Unless there is a regulatory requirement, rules are created by the company.
- What you create can be changed.
- Question rules for their validity and usefulness before auditing compliance.
- Business is usually aware of issues with existing rules.
- Help business to dump outdated and harmful rules and recreate new ones.

Busting Rules



Do Not Just Provide Assurance, Help Business



Tell Them What They Are Not Aware

- Let business assess their control as a part of an audit
- Then compare their assessed results with audit findings
- Businesses often find gaps in their perception against the reality
- It is also a good scorecard to enhance their control

Validate Issues as They are Fixed

- In-flight project usually requires validation of issues as they are fixed.
- Continuous validation of remediation requires dedicated resource and real or near time response.
- Using predictive analytics, a potential show-stopping issues can be addressed before it is materialized.
- Though internal audit is independent, IA can be considered a part of the team.

CAE Is a Part of the Management



Advice and Insight on Moving Your Internal Audit Group Up a Line

