

Strategic Transformation

Internal Audit & Risk

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1. Accelerate your transformation

2. Embrace new emerging technologies

3. Unearth new value



Agenda



1. Why Transform

2. How to Transform

3. Next Steps

Vision: A world class Professional Accountancy Institute.

Agenda



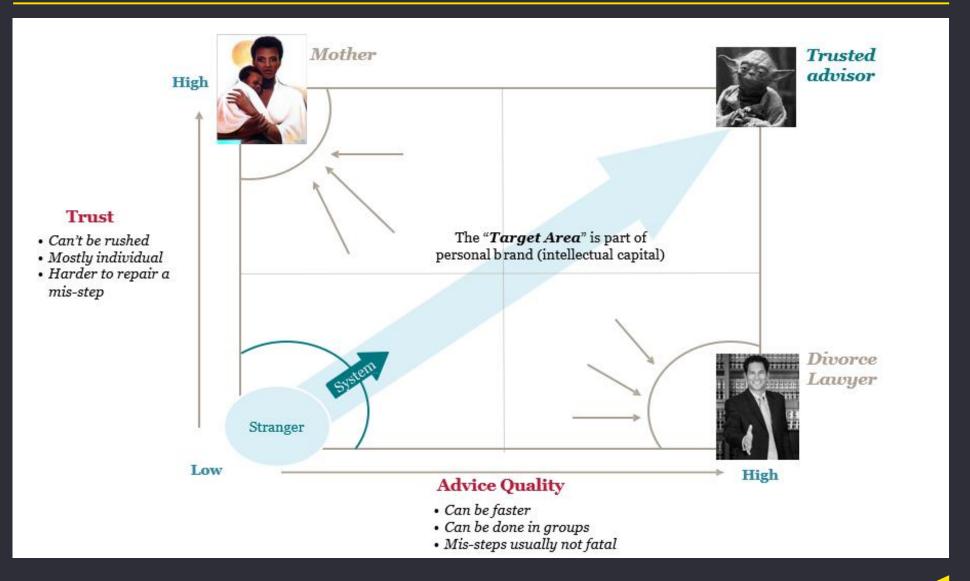
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2. What to Transform

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The next 20yrs will be the most disruptive and exciting we have ever seen, driven by four global forces

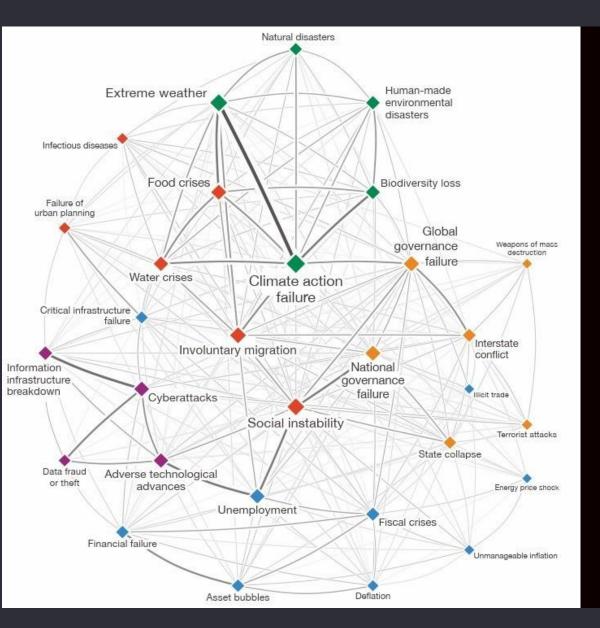


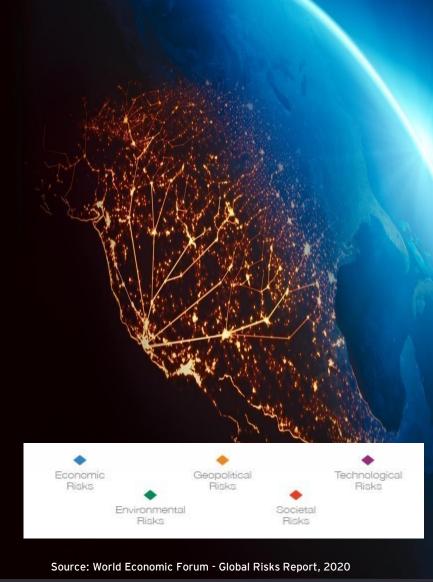


Organisations today face a deluge of rapid change => internal audit and risk must therefore be more strategic



Global Risks Interconnections Map, 2020







EY Global Risk Survey 2020

- Nearly 80% of board members felt unprepared for a major risk event like COVID-19
- Less than 25% of board members are very satisfied with their effectiveness in overseeing changes to the risk landscape and adjusting the organization's risk appetite accordingly.
- Only 40% of board members satisfied with the management of new and emerging risks citing talent and skill sets as the top obstacles
- Fewer than 20% of board members are extremely confident in risk reporting from management on a range of significant issues, including business megatrends, new and emerging business models and culture, and conduct-related risks
- Only 21% are very satisfied with the accuracy, completeness and breadth of the risk reports they do receive.
- Only 64% of board members believe their composition and represented skill sets are adequate for overseeing the organization's risk management.

Do you see a need or opportunity to change any part of your IA operating model as you go forward?





A different picture of IA and Risk is emerging...





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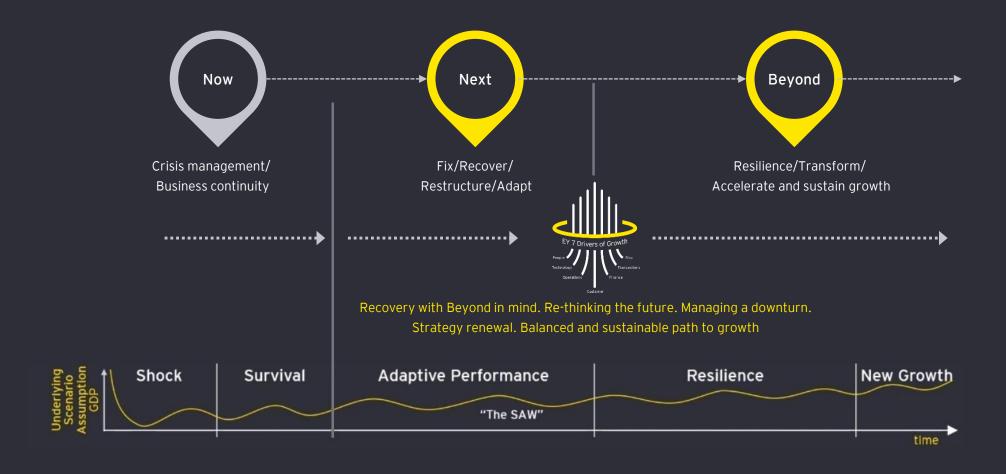
What are the second or third order consequences of a particular decision?

Alex Gorsky CEO, Johnson & Johnson





IA & Risk functions need to reposition strategic advice to align NOW, NEXT & BEYOND





How to navigate through the **NOW**, **NEXT & BEYOND**

Companies across the globe are facing business disruption. At EY, we look across the three horizons of the NOW, NEXT and BEYOND to help you take relevant positive actions.

SOCIETAL HUMAN FINANCIAL Creating Growing reputation and trust through Creating an inclusive culture of Building trust in capital markets and having Leading long-term growth through long-term value personal development and purpose. genuine social and environmental impact. demand fulfilment and innovative offerings. margin optimisation, cost optimization. NOW **NEXT BEYOND** Safeguard business continuity through effective Ignite recovery through business adaptation and Deliver long-term value creation by reframing crisis response planning stronger enterprise resilience and transforming business The "Reframed Continued crisis and Future" slow recovery Reframe Shock and Adapt operations Increase resilience ▶ Redefine purpose, competitive advantages and re-start ▶ Fix Supply Chain ▶ Achieve lower and more agile cost base business model Re-start production Increase workforce flexibility Seize new growth opportunities, pursue acquisitions and divestitures Ensure Customer Access Optimize Supply Chain - mitigate Continue to lean into digital, enable full digital Reduce Cost geo-risk, create buffers, enhance agility Respond and continue enterprise (virtual and digitized work, re-balanced Streamline Structures. ▶ Maximize digital customer access channel mix, accelerated digital marketing) ▶ Protect Workforce and People Portfolio, Footprint ► Enhance digitization, automation, ► Secure Financial Stability Create a platform for customer-inspired Back-up with cyber security ► Continue Operations ▶ Enhance adaptive performance and manage long term Strategic re-assessment Government and public Technology policy . Customer and and brand information • Insurance and legal disputes

Enterprise Resilience Framework

Supply chair

Transformed IA & Risk functions



Proactive risk focus



Audit spectrum, not audit plan



Flexible operating model



Behavioral science



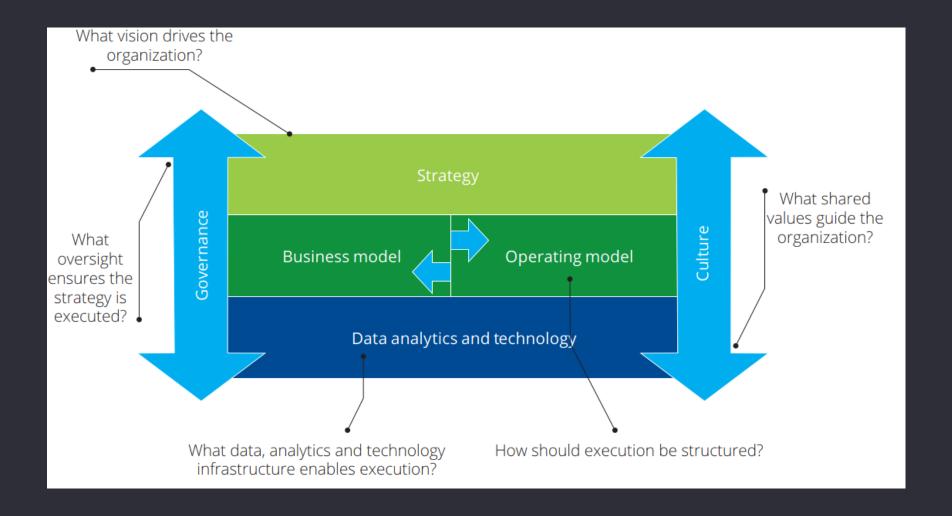
Embracing new emerging technologies



Higher precision audit activities



Cornerstone of risk transformation





Practical example - implement continuous auditing

Continuous Auditing

Continuous auditing can be an important mechanism for aligning internal audit activities more closely with the actual pace of transaction processing. Companies that implement continuous auditing have been able to redirect internal auditors' focus so they can serve as business consultants—identifying trends, investigating exceptions, and guiding strategy.

Practical example - implement advanced risk analytics and foresights

Implement advanced sectoral analytics embedded into a solution with "what-if"/predictive simulation capabilities that provide

sharp insights on process deviations, operational inefficiencies, financial leakages and probable red flags on real-time interactive dashboards.

Agenda



Why Transform

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Transformed IA & Risk strategies allow you to evolve and to meet the needs of the business — both today and tomorrow.

- Leverage a digital and purpose-driven approach to develop a refreshed strategy, mandate and road map to their future-state vision.
- Transformation is a series of initiatives, supported by technology, that help the IA & Risk functions adapt to the changes occurring in the organization and environment.
- Bridge the gap between focusing on the risks you are facing today and developing the processes you need to address future-state risks while engaging your people to collaborate on change.

Insights on transformation

1

Leverage organizational strategy

Growth strategy

(e.g., organic vs. acquisition, domestic vs. international)

Branding strategy

(e.g., premium vs. low-cost provider, key differentiators)

Market entry strategy

(e.g., market/countries to enter, FDI vs. JC vs. partnership)

Product strategy

(e.g., product customization, life cycle management)

Operations strategy

(e.g., supply chain, project management, level of centralization)

2

Develop well-aligned IA strategy

Internal audit strategy

- ► Time horizon aligned with organizational strategy
- ► Driven by stakeholder expectations
- Compliance and making the business better
- ► Risk coordination
- ► IA initiatives

3

Employ critical enablers throughout Critical IA strategic requirements

People and sector knowledge

Design strategic mandate

Develop value charter and

Determine organizational

overarching business model

structure based on

scorecard

Continuous risk coordination

Internal audit business drivers

Innovation



Run IA operations like a business

► Conduct risk assessment

Plan

- Evaluate against strategy and key business drivers
- Determine operating structure
- Develop strategically aligned audit plan

Execute

- Execute against audit plan
- Use data analytics throughout
- Periodically recalibrate audit plan

Evaluate

- Assess KPIs against mandate value scorecard
- Re-evaluate strategy and audit plan
- Employ continuous improvement

¹ Ernst & Young, Turning risk into results: how leading companies use risk management to fuel better performance, 2011.

1. Develop clear business case for your transformation journey

2. Accelerate your transformation

3. Sustain your transformation progress

Develop a clear business case for your transformation journey:

a) Design the transformation roadmap that aligns with your strategic goals and culture

b) Enhance and develop new operating models for your functions and processes

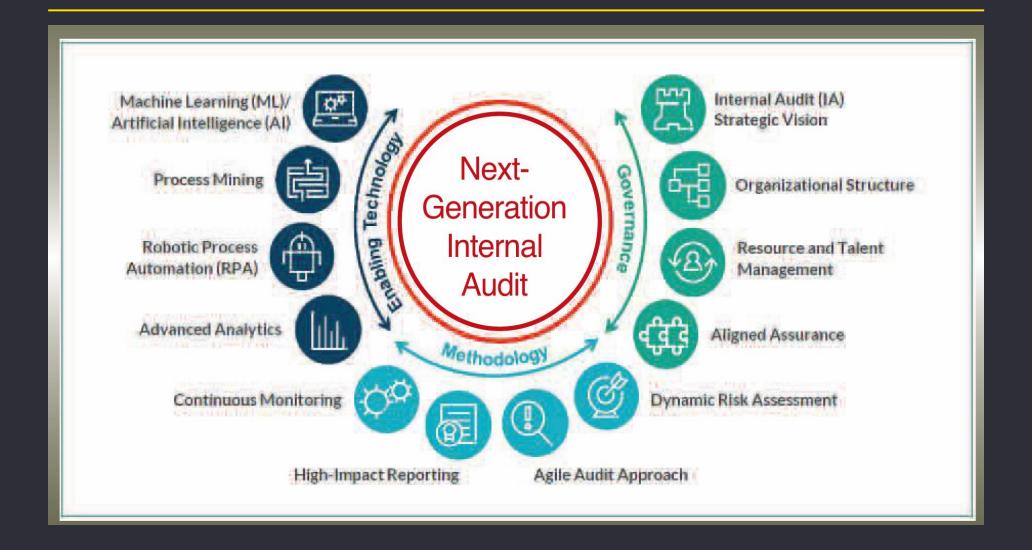
- 2. Accelerate your transformation:
 - a) Bring transformation use cases to life through big data analytics and emerging technologies (AI, RPA, Blockchain, NLP and Cyber)

b) Develop next generation talent profiles to lead your transformation efforts

- 3. Sustain your transformation progress:
 - a) Provide access to relevant tools and platforms

b) Source support, on-shore, off-shore and Subject Matter Resources

Transformation across Governance, Methodology and Enabling Technology



End result of strategic transformation of IA and Risk functions

- Improved strategic value and reporting to the board and key executive stakeholders
- Technology-enabled solutions
- Better alignment to the IA mandate
- Enhanced insights on risks (internal and external)
- Sector-related insights
- Expanded risk coverage
- Cost efficiencies to the business

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