



Strategic Transformation

Internal Audit & Risk

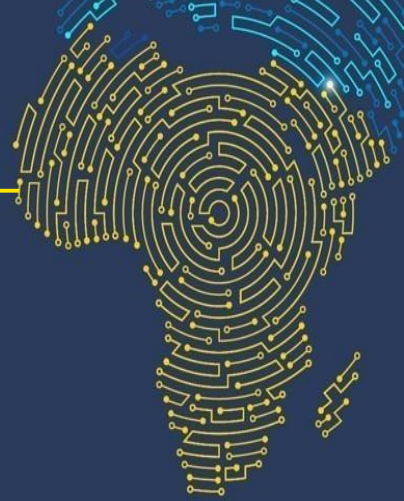
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Key Takeaways

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



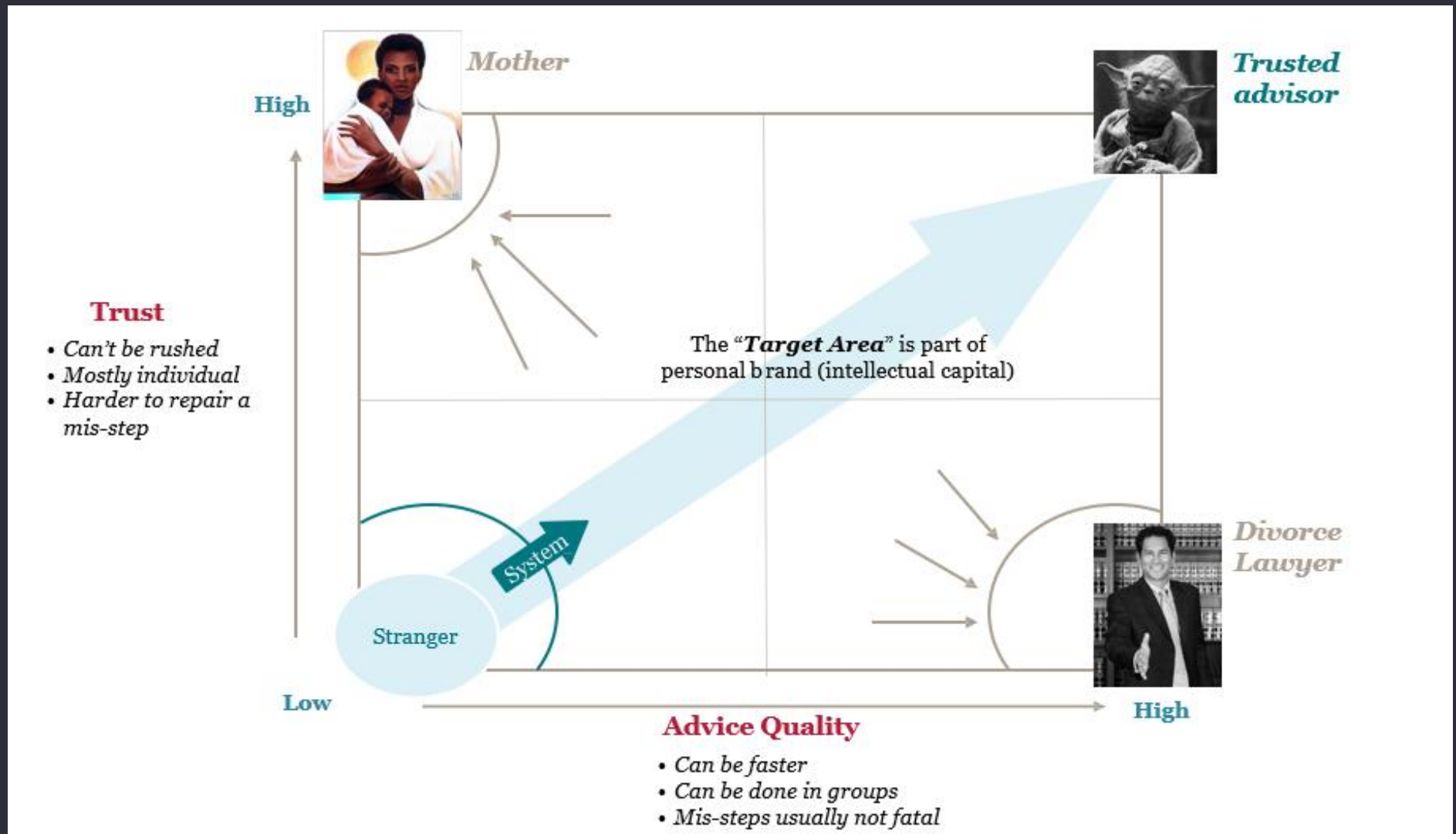
1. Why Transform

2. What to Transform

3. Next Steps

Vision: A world class Professional Accountancy Institute.

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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



Increased transaction volumes



Groundbreaking emerging technologies



Business transformation

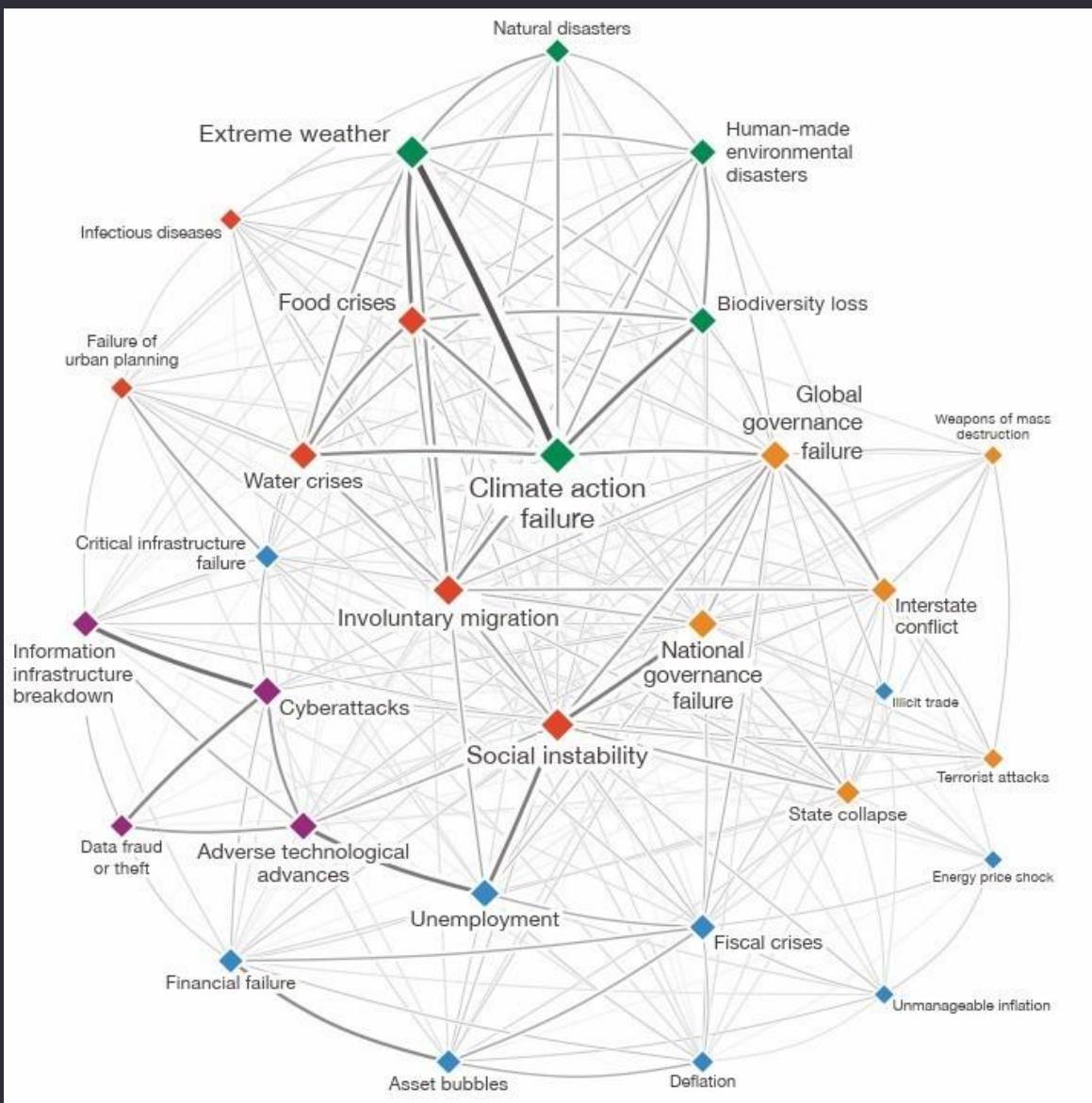


Cybersecurity and privacy



Regulation

Global Risks Interconnections Map, 2020

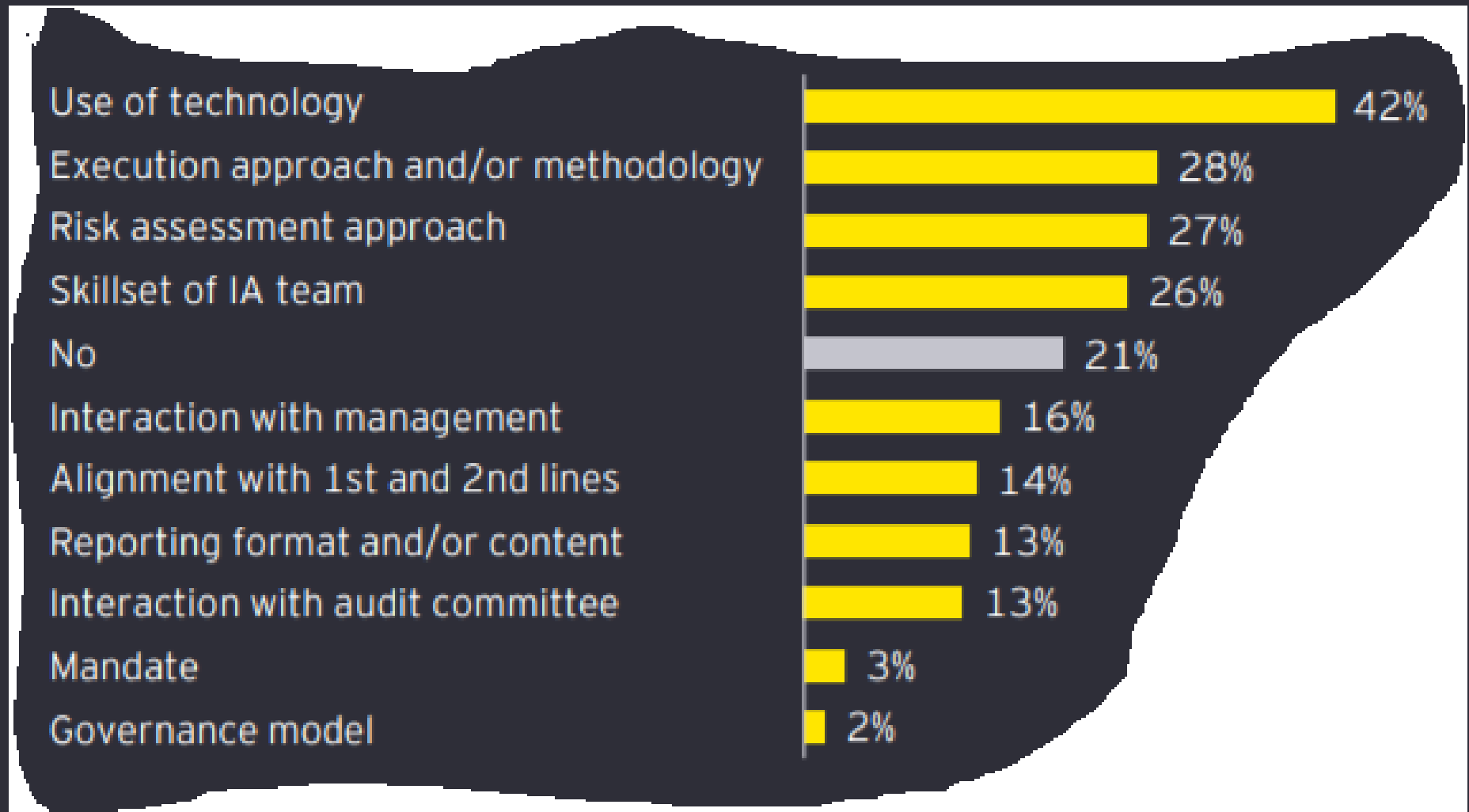


Source: World Economic Forum - Global Risks Report, 2020

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...



Agenda



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2. How to Transform

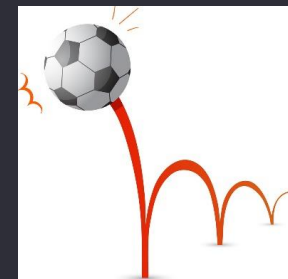
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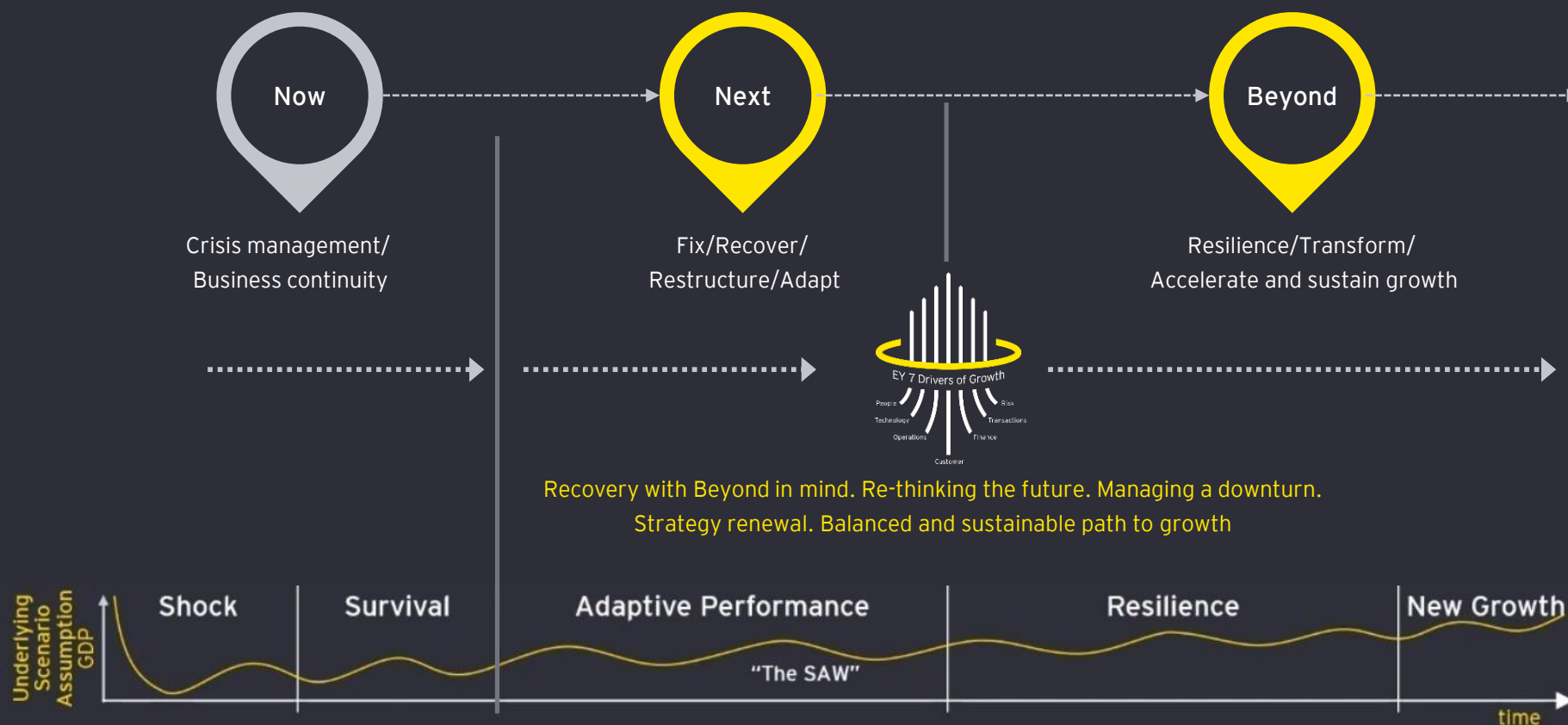
Anticipate the second bounce of the ball

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

Alex Gorsky
CEO, Johnson & Johnson

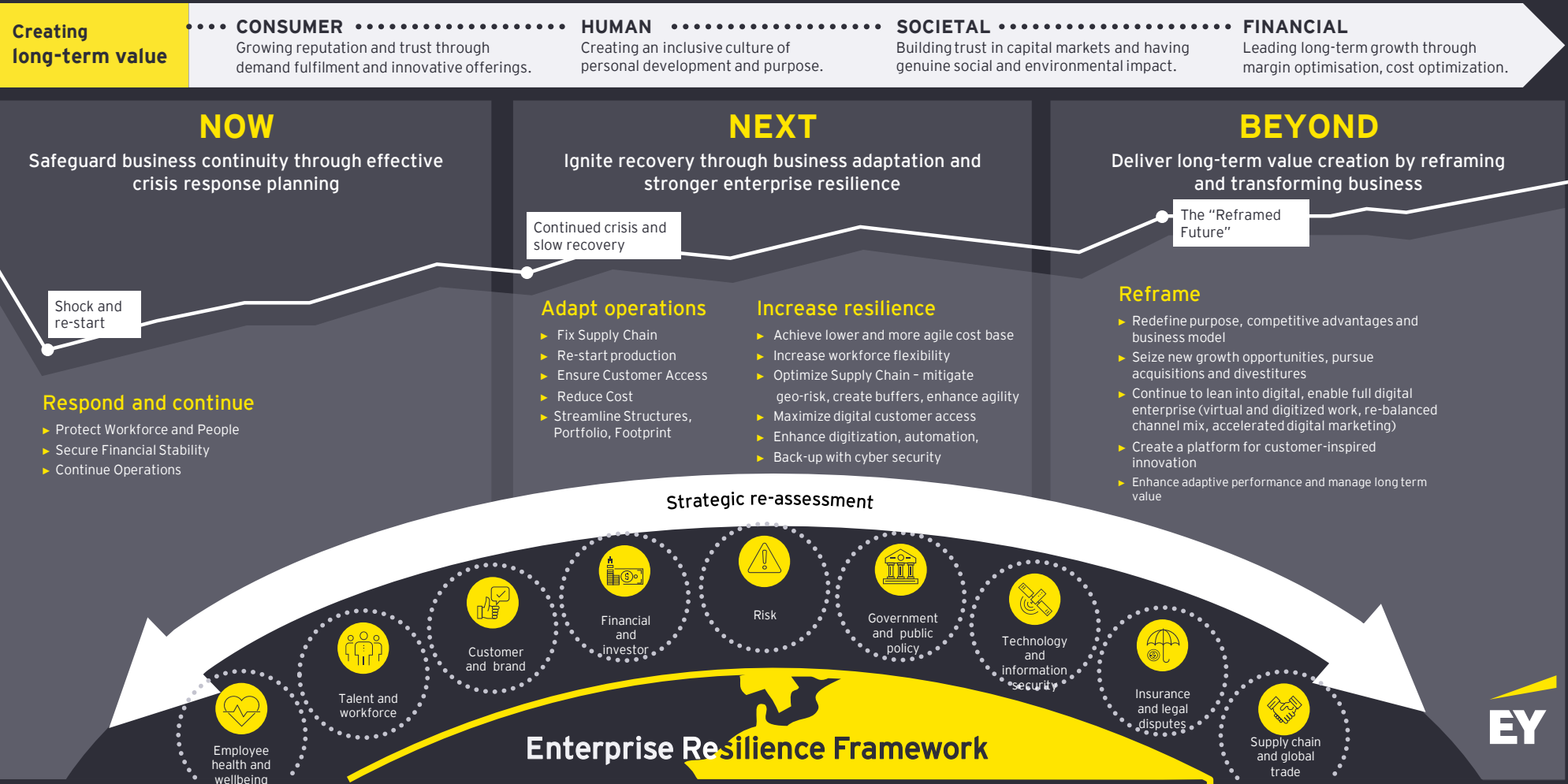


IA & Risk functions need to reposition strategic advice to align **NOW, NEXT & BEYOND**



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.



Transformed IA & Risk functions



Proactive risk focus



Audit spectrum, not audit plan



Flexible operating model



Behavioral science

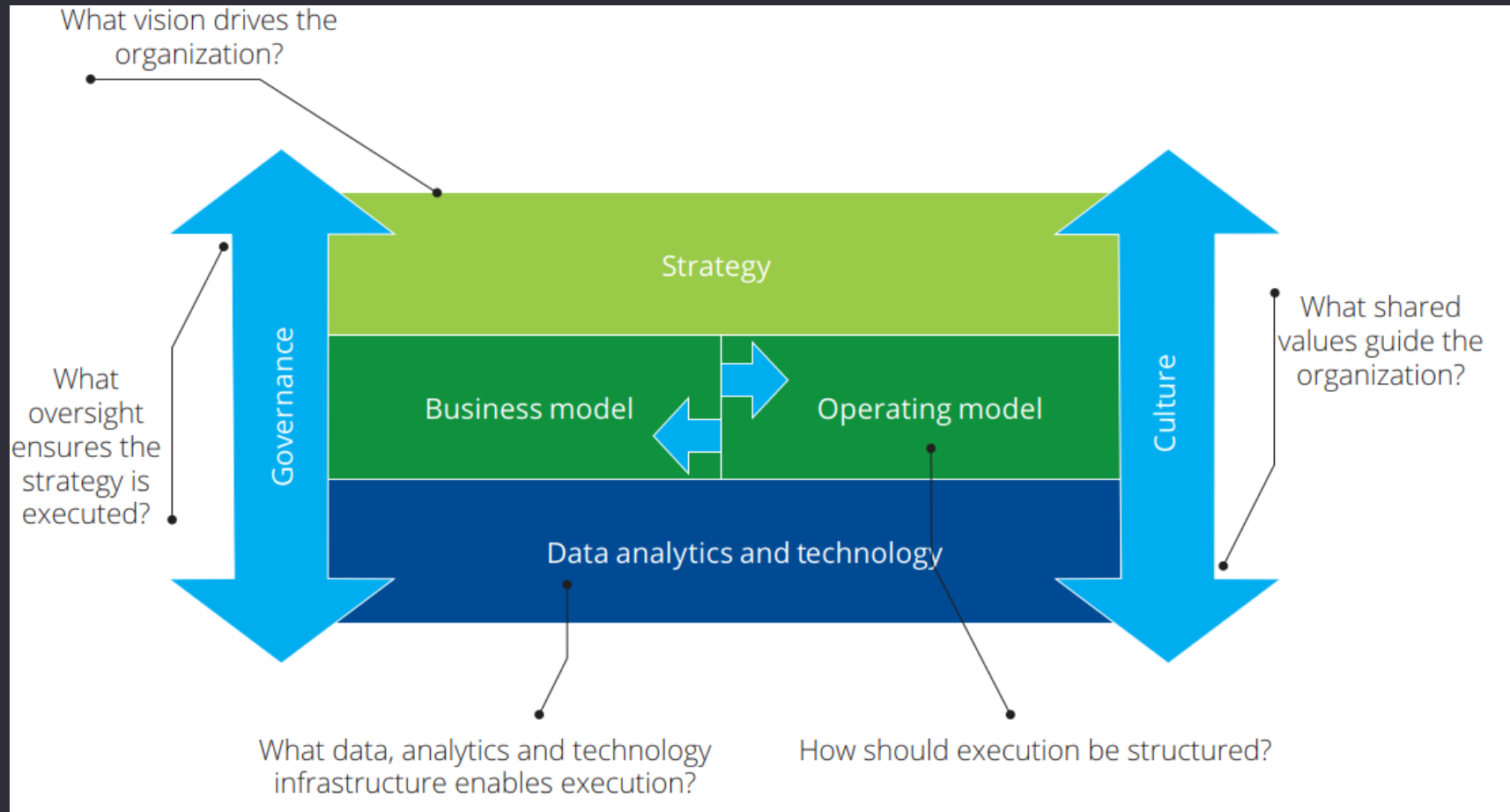


Embracing new emerging technologies



Higher precision audit activities

Cornerstone of risk transformation



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.

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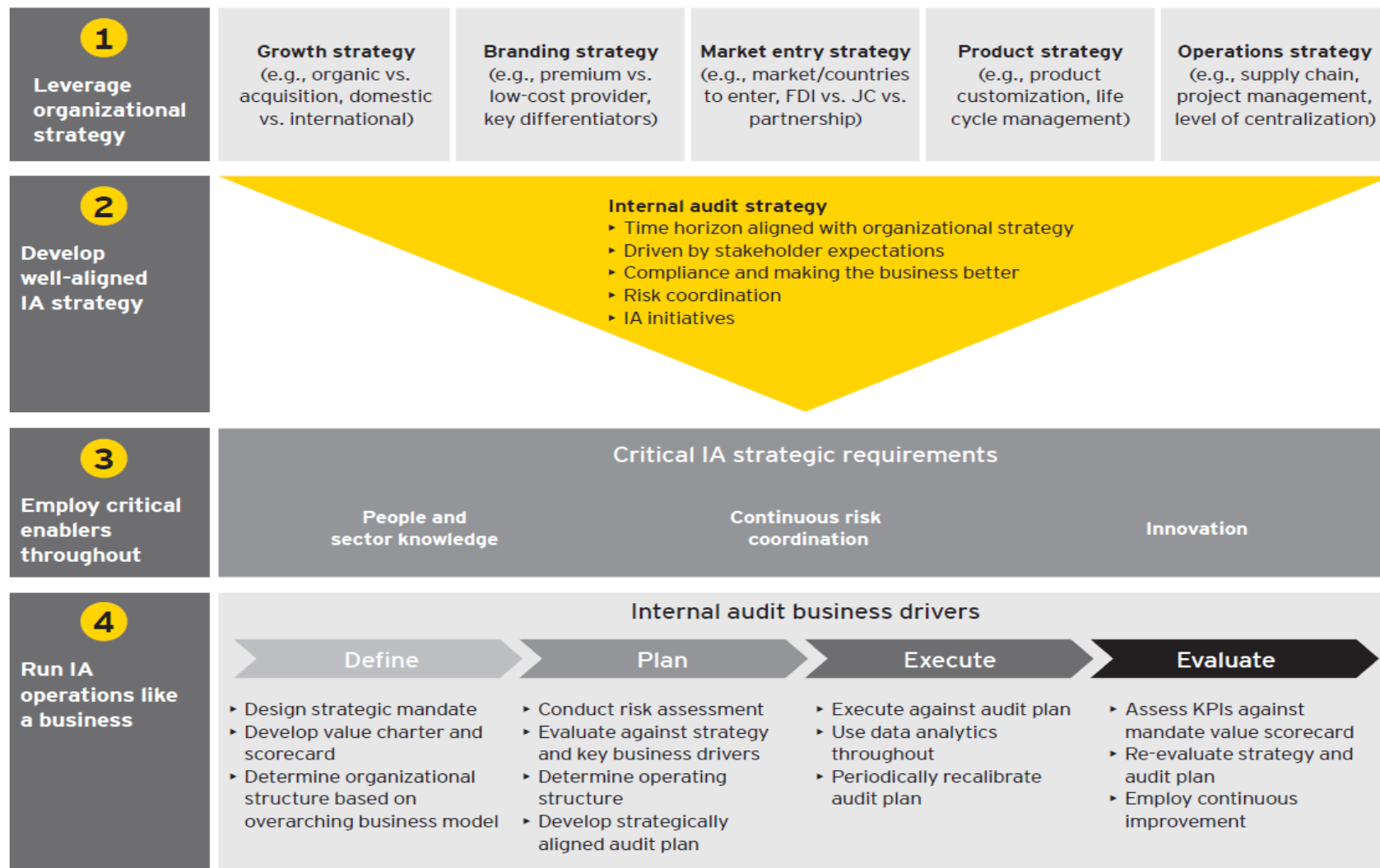
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Transformed IA & Risk strategies allow you to evolve and to meet the needs of the business – both today and tomorrow.

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

The proven 3 step transformation approach

1. Develop clear business case for your transformation journey
2. Accelerate your transformation
3. Sustain your transformation progress

The proven 3 step transformation approach

1. 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

The proven 3 step transformation approach

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

The proven 3 step transformation approach

3. Sustain your transformation progress:

- a) Provide access to relevant tools and platforms
- b) Source support, on-shore, off-shore and Subject Matter Resources

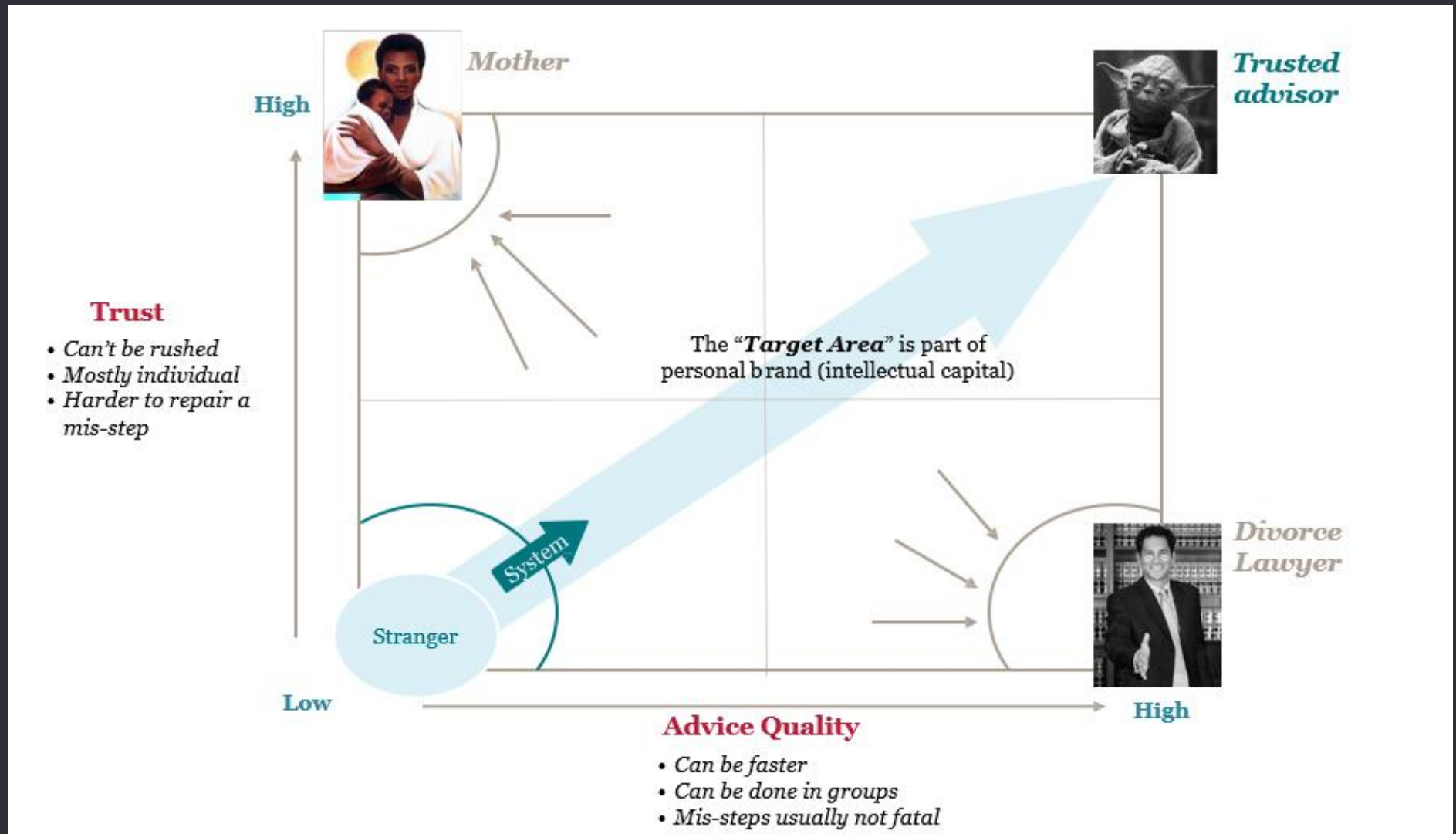
Transformation across Governance, Methodology and Enabling Technology



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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