

A man and a woman are standing in a server room, looking at a device held by the man. The man is wearing a grey sweater over a white shirt and a blue lanyard. The woman is wearing a white shirt and a blue lanyard. The background shows server racks and a blue-toned environment.

The Future of Internal Audit

A webinar series

IIA Norway in collaboration with EY
April 23rd, 2021 | Oslo



**The Institute of
Internal Auditors**



EY

**Building a better
working world**

Welcome to the second of four IIA
Webinars hosted by EY

Webinar #1 The Case for Change

Webinar #2 Technology

Webinar #3 People

Webinar #4 Organizing the Future IA





Today's agenda

1. Introduction
2. How is technology shaping the future of internal audit?
3. Demo: Virtual Internal Auditor (VIA)
4. Experiences with using data analytics
5. Wrap-up and next steps

Today's speakers



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How is technology shaping
the future of internal
audit?



The better the question. The better the answer. The better the world works.

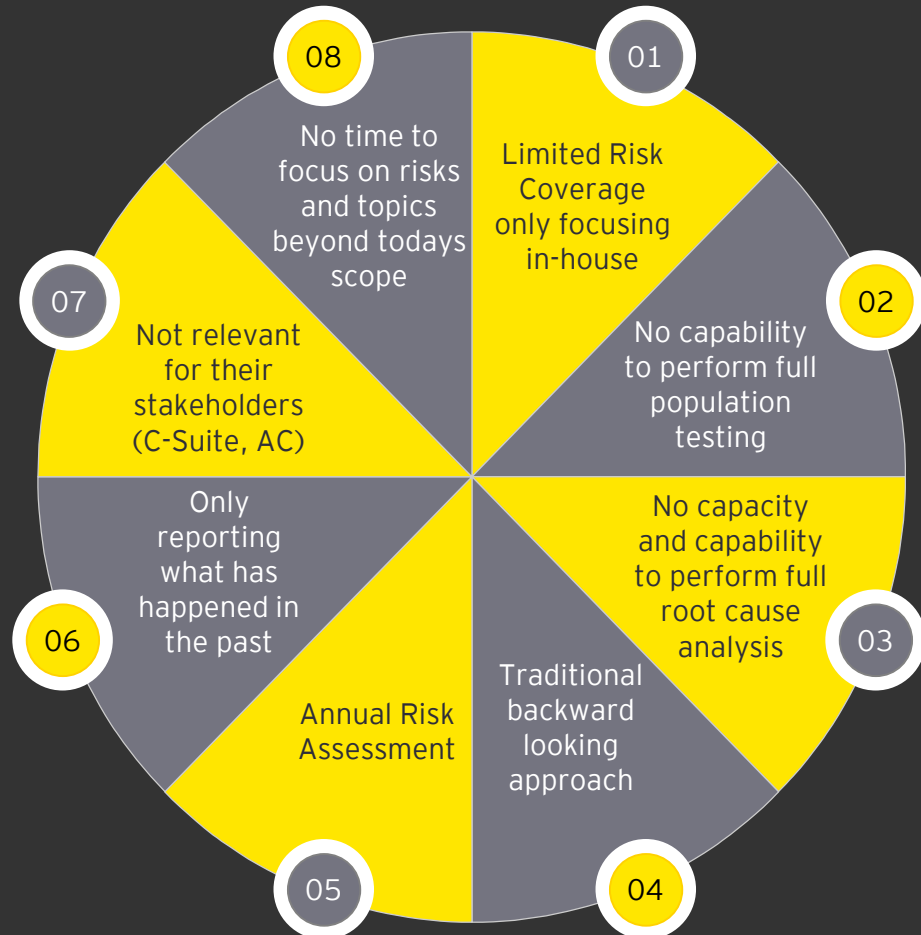


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Challenges faced by Chief Audit Executives (CAEs) today

Society is becoming increasingly digitalized and it's happening at a rapid pace. Because of this every industry is changing and the cycles of change are moving ever faster. Operating models are shifting and competitive advantage is only achieved through disruption and innovation.



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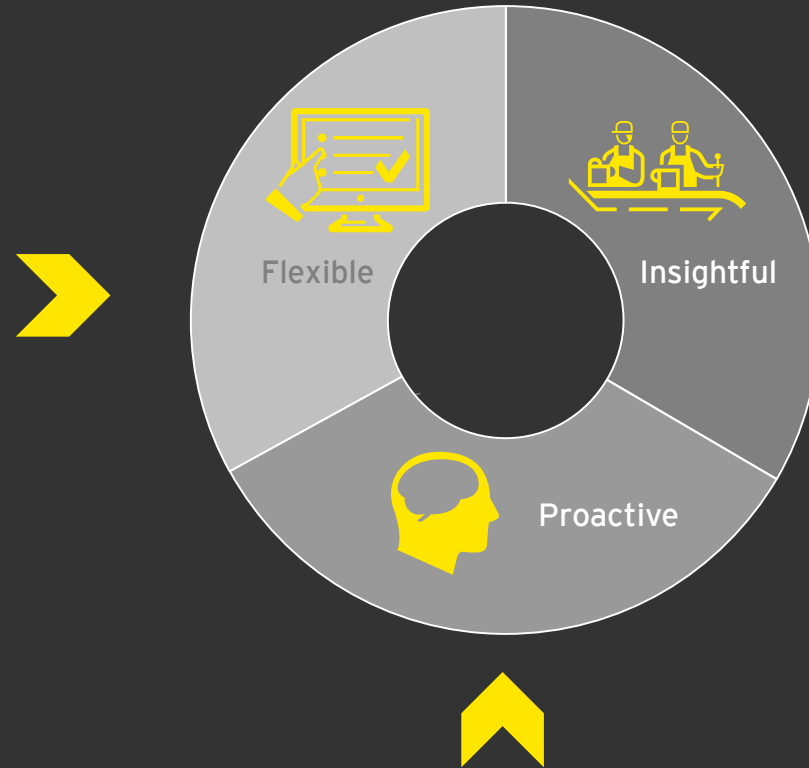
Chief audit executives (CAEs) are increasingly concerned about how to govern, protect and best utilize data. Despite its strategic importance, organizations have been slow to adopt data governance frameworks, putting them at risk of large fines, poor strategic decision making and misallocation of critical resources.

Malcolm J. Murray
VP, Gartner

How will IA work in the future?

Operating model

An agile and flexible approach that is in tune with the organization's strategic direction and priorities and addresses the changing business landscape.



IA will employ a variety of dynamic outputs, on a more real-time basis, and go beyond root cause analysis to provide best practices, sector trends and relevant benchmarks to meet the needs of stakeholders.

No longer focused on look-back activities; IA professionals will apply more judgment in their work and focus their attention on emerging risks and outcomes, not the existence of processes and controls.

How will IA work in the future?

Use of technology

IA functions will digitally augment their capabilities with advanced data analytics, bots and machine learning to handle the volume, speed and complexity of data.



The adoption of continuous monitoring and validation by the first and second lines will shift the focus from detecting to predicting control failures and risk triggers.

IA functions will digitally report their results (e.g., dashboards, text alerts) in real time, providing business insights and strategic advice.



Demo:
EY Virtual Internal Auditor (EY VIA)

How did we define our approach?

Key issues CAEs are facing

Challenges:

- » Limited Risk Coverage only focusing in-house
- » No capability to perform full population testing
- » No capacity and capability to perform full root cause analysis
- » Traditional backward looking approach
- » Annual Risk Assessment
- » Only reporting what has happened in the past
- » Not relevant for their stakeholders (C-Suite, AC)
- » No time to focus on risks and topics beyond today's scope

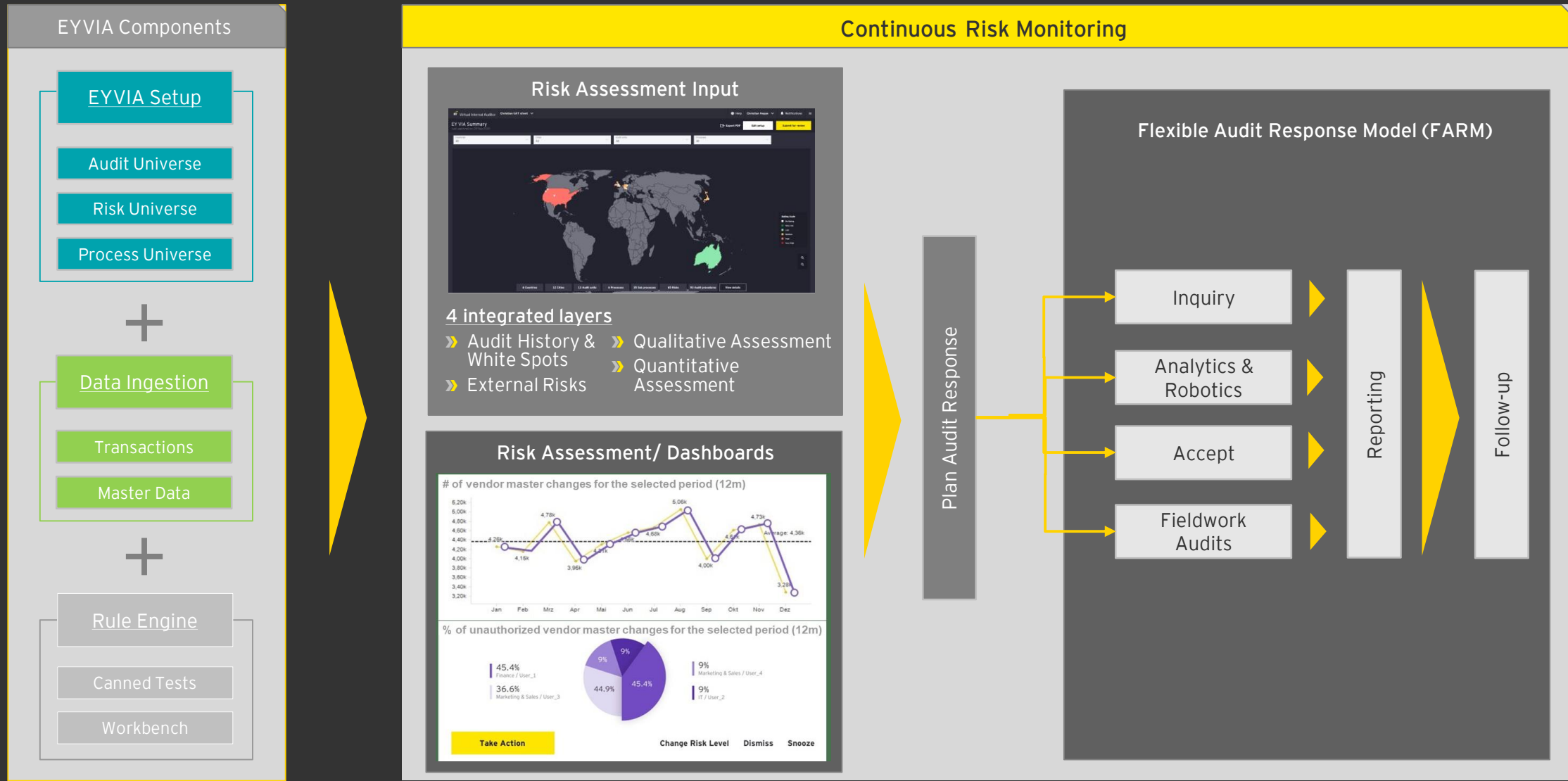
As of today:

- » All tools are providing a process flow or are scattered to address some of the challenges isolated only

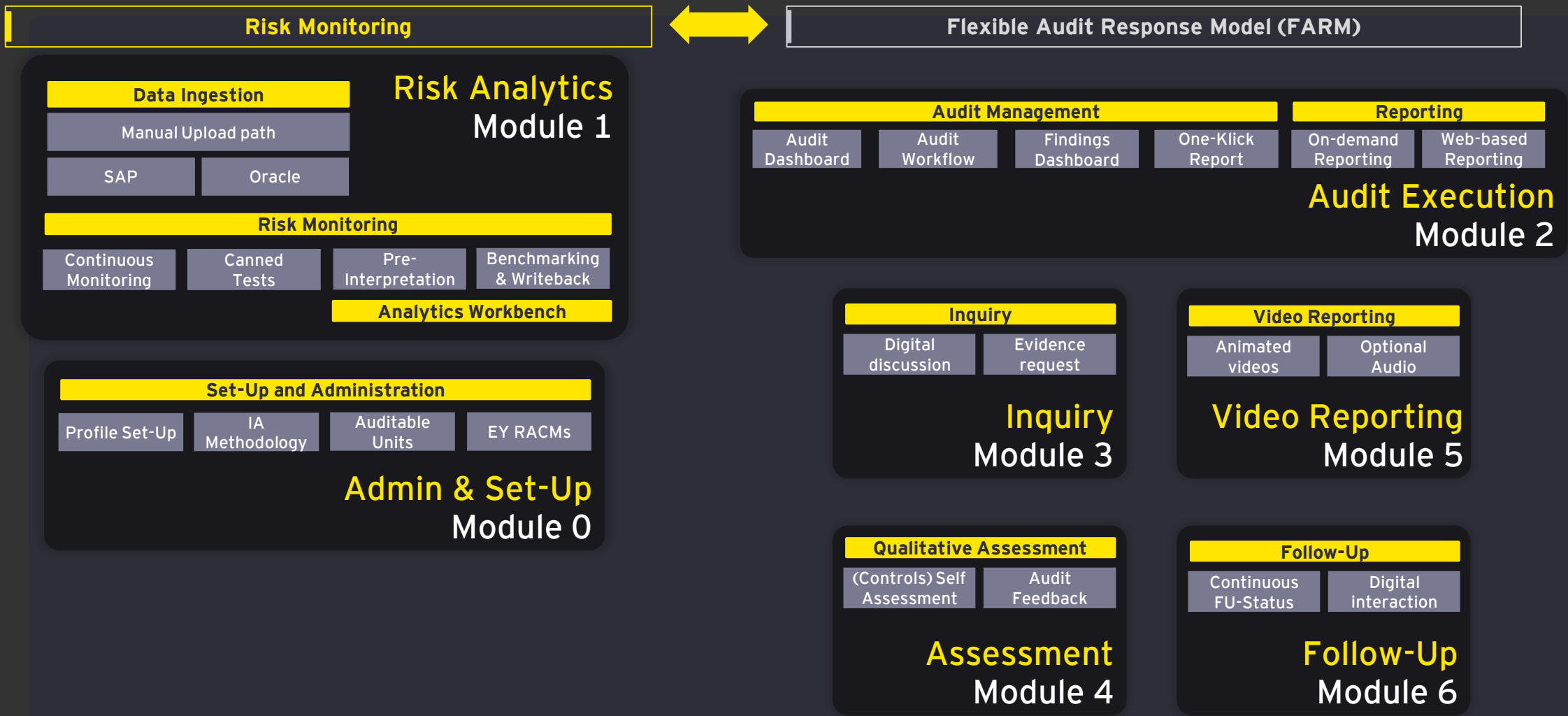
They are looking for:

- » Full Risk Coverage of the defined audit universe (breadth and depth)
- » Full population testing
- » Full root cause analysis
- » Mix of continuous Risk Monitoring and periodical Risk Assessment
- » Combination of (traditional) backward looking approach, real-time and predictive analysis
- » Mix of reactive and proactive audit response
- » Become more relevant through deeper insights
- » More time to focus on risks and topics beyond today's scope
- » Flexible, differentiating and industrialized reporting capabilities

Functional flow of EY VIA



Our modules as of today



Demo: EY Virtual Auditor



Experiences with using data analytics

I will share my thoughts on three key success criteria



Change more than the applied technology to get maximum value



Combine domain knowledge with analytical capabilities



Take action to improve data availability and data quality

Change more than the applied technology to get maximum value



Vinmonopolet transformed the way they performed their store audits



The store audits one year ago...



...audited one store at a time



...involved physical store visits



...reviewed transactions two months back in time



...picked transactions for investigation at random

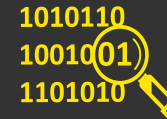
The store audits today...



...covers all stores, every four months



...is performed from the head quarters

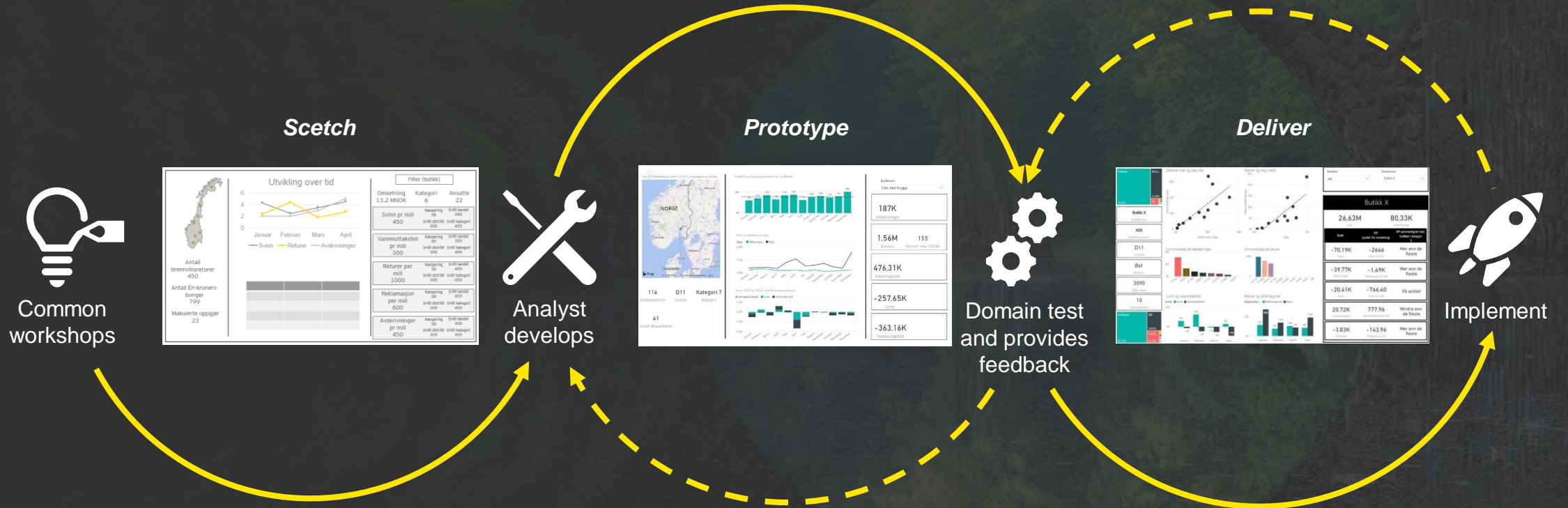


...reviews all transactions in every store throughout the year

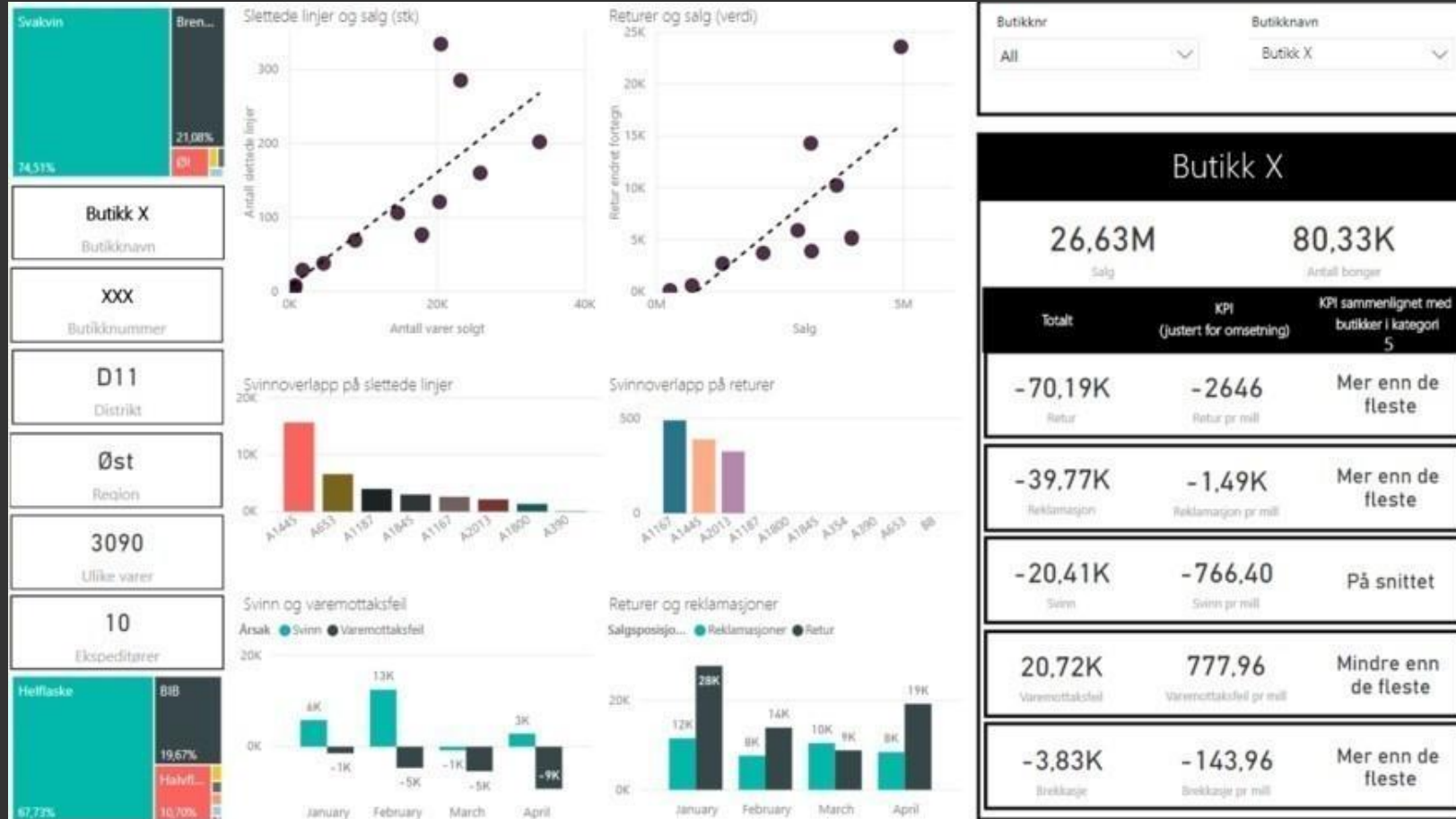


...uses customized risk indicators with high precision to sample for investigation

Combine domain knowledge with analytical capabilities



Result of close cooperation



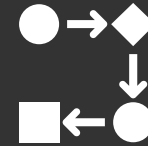
Take action to improve data availability and data quality



Measure data quality



Showcase examples of good data quality and build internal success stories



Recommend adjustments to processes or controls that will improve quality or generate new data



Give credit for improvements

Key takeaways

How is technology shaping the future of internal audit?

Society is becoming increasingly digitalized and it's happening at a rapid pace

Data and technology offer huge potential and opportunity, but also require internal audits to move away from traditional ways of working

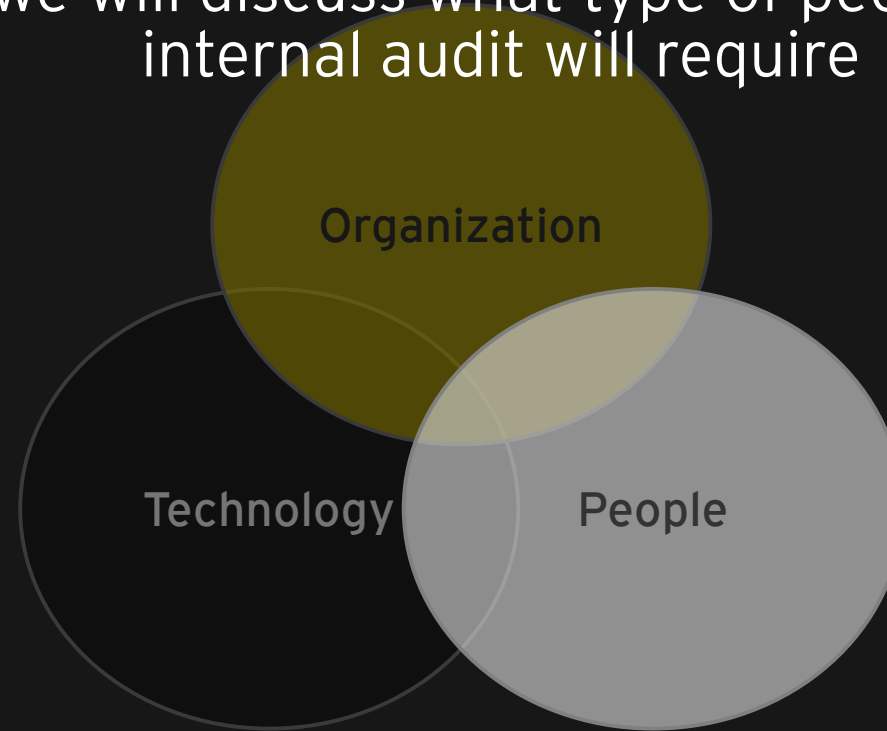
By leveraging technology and analytics internal auditors become more relevant through real-time and deeper insights while allowing for faster risk-response



A woman with dark curly hair, wearing a white button-down shirt and a blue lanyard with an ID badge, is standing in a server room. She is holding a tablet computer and looking towards the left. The server racks are visible in the background, with green and red lights. A large yellow semi-transparent rectangle is overlaid on the right side of the image, containing the text "Wrap-up and next steps".

Wrap-up and next steps

In the next webinar we will discuss what type of people and skills the future internal audit will require



A man and a woman are standing in a server room, looking at a laptop. The man is wearing a grey sweater and a blue lanyard, and the woman is wearing a white shirt and a blue lanyard. They are both looking intently at the laptop screen. The background shows rows of server racks with blue lighting.

See you again in five weeks!

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