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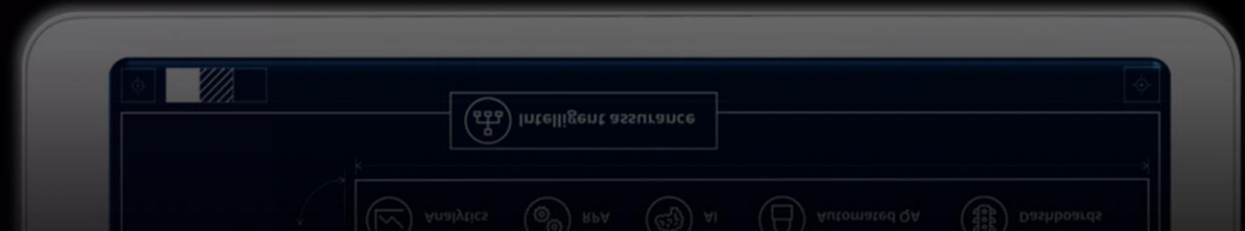
Internal Audit 4.0

Purpose driven, digitally powered



Back to the future... A recap of IA 3.0

IA 3.0 - Stretching functions to meet the breadth of stakeholder demands, become more forward looking, and innovate their ways of working through a remit of **Assure. Advice. Anticipate**



Lessons learned

We have moved beyond “change is the only constant” to “an environment of ongoing disruption”.

For business...

Purpose has become increasingly important

Learning at speed is essential

Stakeholders need more insight to navigate complexity

For Internal Audit...

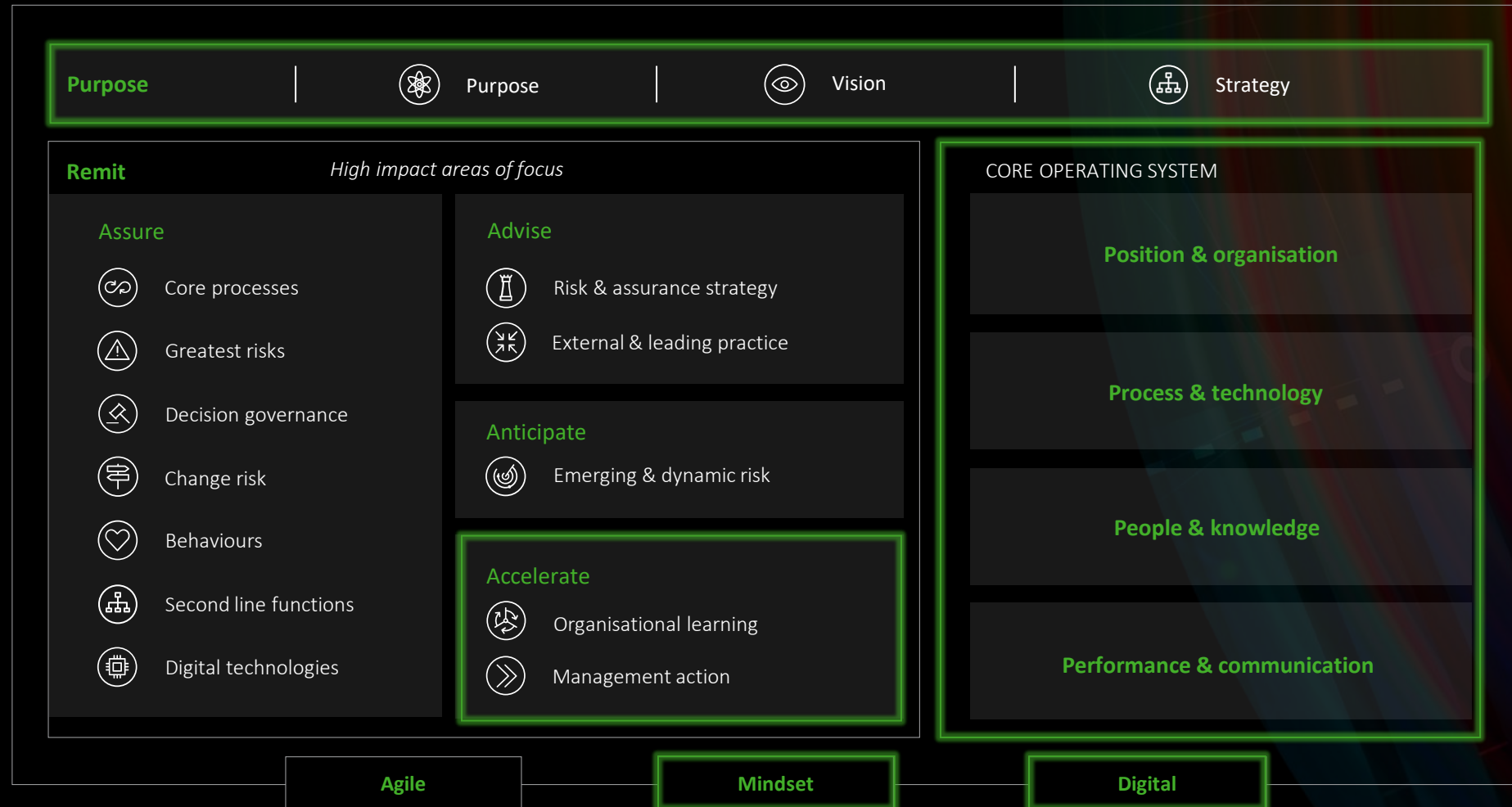
Traditional ways of working lack relevance in today's world

Big bang transformations tend to not work

Haphazard analytics efforts undermine overall progress

IA 4.0 - Purpose driven, digitally powered

Our updated IA 4.0 framework brings three new features to the forefront. By aligning Internal Audit's outcomes with the organisation's **PURPOSE**, helping **ACCELERATE** organisational change and learning, and further embracing **DIGITAL**, we believe Internal Audit can upgrade and maximise its impact and the value it delivers.



What's new?

Starts with purpose aligning Internal Audit's role and remit with the organisation's purpose, a new orientation for many functions

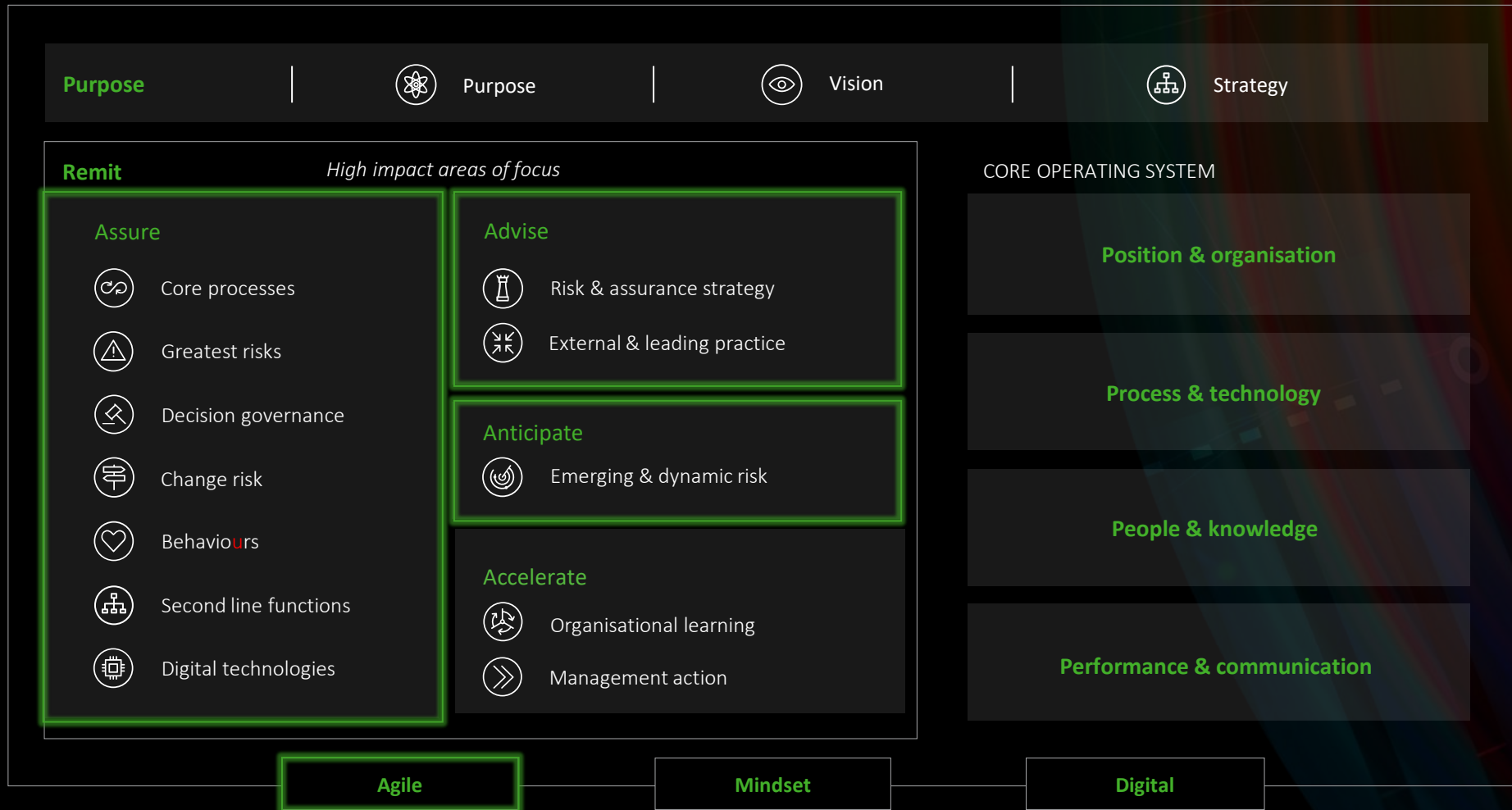
Challenges Internal Audit functions to add Accelerate (a fourth "A") to the remit to support organisational learning and management action in ways that match today's pace of change

Fully embraces the use of digital technologies across the lifecycle to help drive insights, collaboration, quality, and productivity

Promotes a continuous improvement mindset that enables agility and digitalisation through encouraging purposeful and structured focus on incremental improvement

Outlines the key principles and building blocks that functions need to consider as they design, build, and evolve their operating models

IA 4.0 - Purpose driven, digitally powered



What stays the same?

Assurance at the core of Internal Audit's role, remit and value; providing organisations the confidence to grow responsibly

Advice timely and provide helpful advice to help management through challenge, insight, external perspectives, and an objective point of view

Anticipation
Forward looking, driving sustainable and future focused improvements in risk, governance, and control

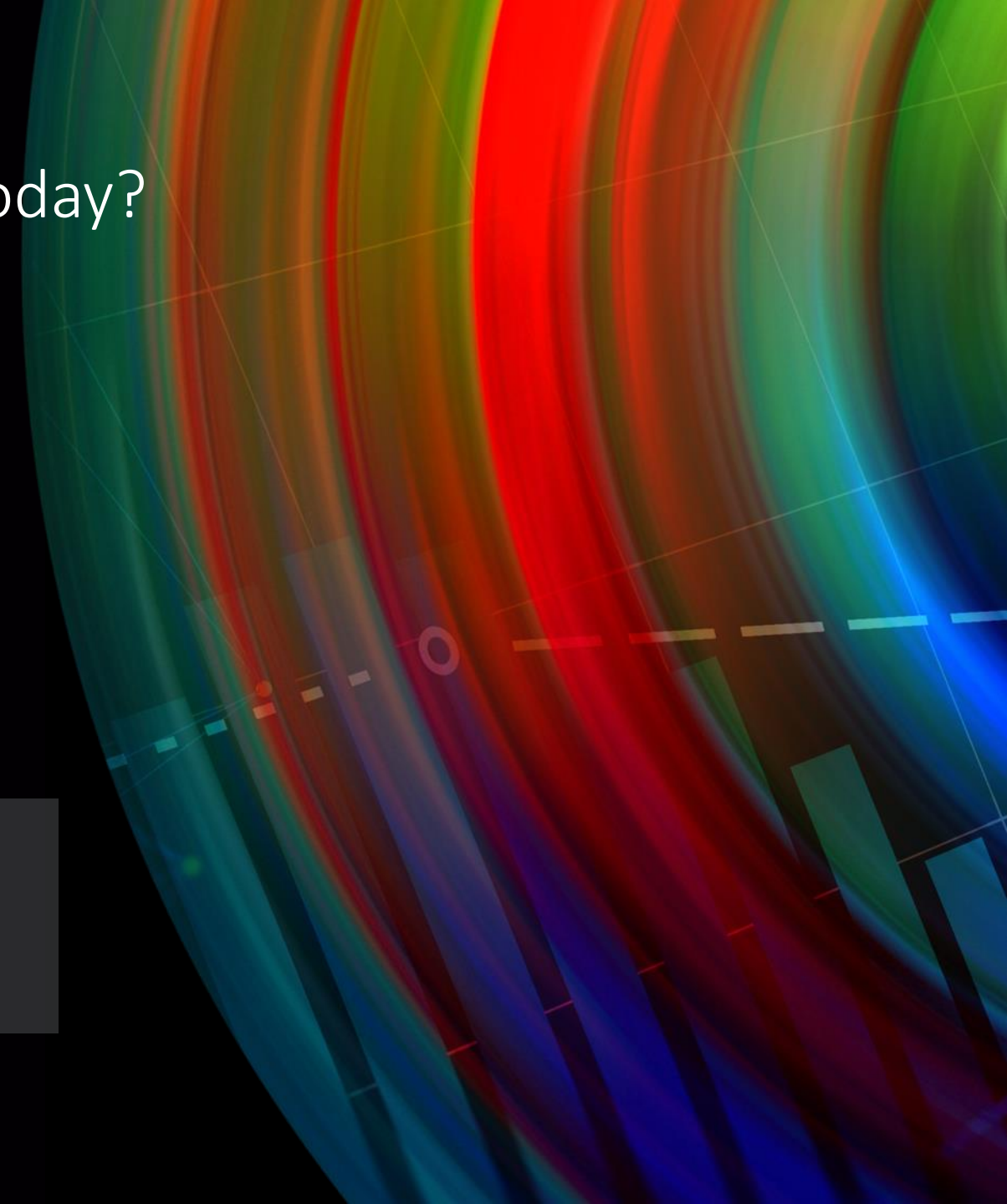
Agility
Embracing agile principles, values, and mindsets to drive high performance, continuous improvement, innovation, and stakeholder engagement

Key considerations for IA functions today?

How clearly defined is your function's purpose?
...and can your team and stakeholders articulate this?

What should Internal Audit's remit be in helping to accelerate organisational learning and action?

What more can and should Internal Audit functions do to digitalise?

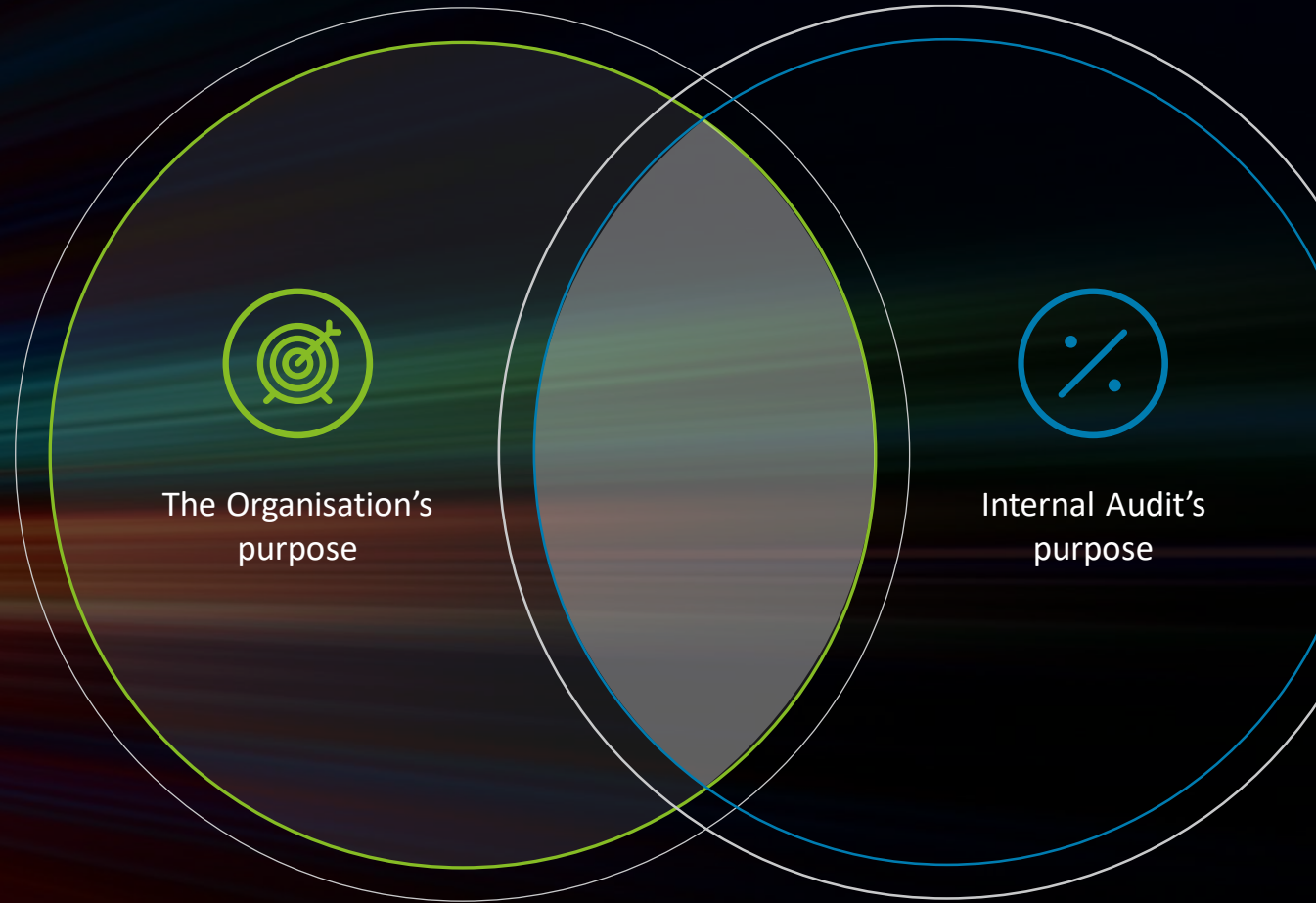


Purpose

Purpose has become increasingly important for organisations and their stakeholders, with evidence showing purpose driven organisations can...

- Strengthen brand recognition and protection;
- Generate new revenue streams and achieve premium pricing;
- Generate faster growth and return on equity;
- Reduce safety incidents and increase employee engagement; and
- Attract top talent;
- Adapting to emerging risk and new regulations

...yet aligning Internal Audit's role and remit with the organisation's purpose is a new orientation for many functions.



Purpose

*Why should
Internal Audit
care about
purpose?*



**Maximise value through
more intentional and
specific outcomes**



**Create stronger engagement
and advocacy for Internal
Audit's role**



**Attract top talent; who
want to work for purpose
driven organizations**



**Make smarter, purpose
driven, investments in IA's
functional development**

Purpose

Considerations for internal audit



How does Internal Audit play its part helping the organisation achieve its purpose?



How does the organisation's purpose shape and influence Internal Audit's role and remit?



Does Internal Audit comment on whether the organisation is achieving its purpose?

Accelerate

The speed at which organisations can learn and act is critical. Yet in order to learn, organisations need to have trust, transparency, and psychological safety.



70%

of CXOs do not have complete confidence in their organisations' ability to pivot and adapt to disruptive events

1/3

CXOs are not confident that their organisations have maintained trust between leaders and employees

Building the resilient organization: 2021 Deloitte Global resilience report , Deloitte Insights, January 25, 2021

Accelerate

Organisations who have thrived in uncertain times were the ones who could learn to adapt and act quickly. And it's here where we think Internal Audit can stretch its remit further— by helping to accelerate organisational learning and management action.

Many internal audit functions already work to accelerate organisational learning and management action through root cause analysis, thematic observations, insight reports, issue validation, challenging assumptions, and follow up on remediation. Yet most can do more, while preserving their independence and objectivity. Example strategies for Internal Audit include:

ACT WITH SPEED

- Dial up Agile
- Stable teams
- Visualise work
- Incremental reporting
- Continuous improvement

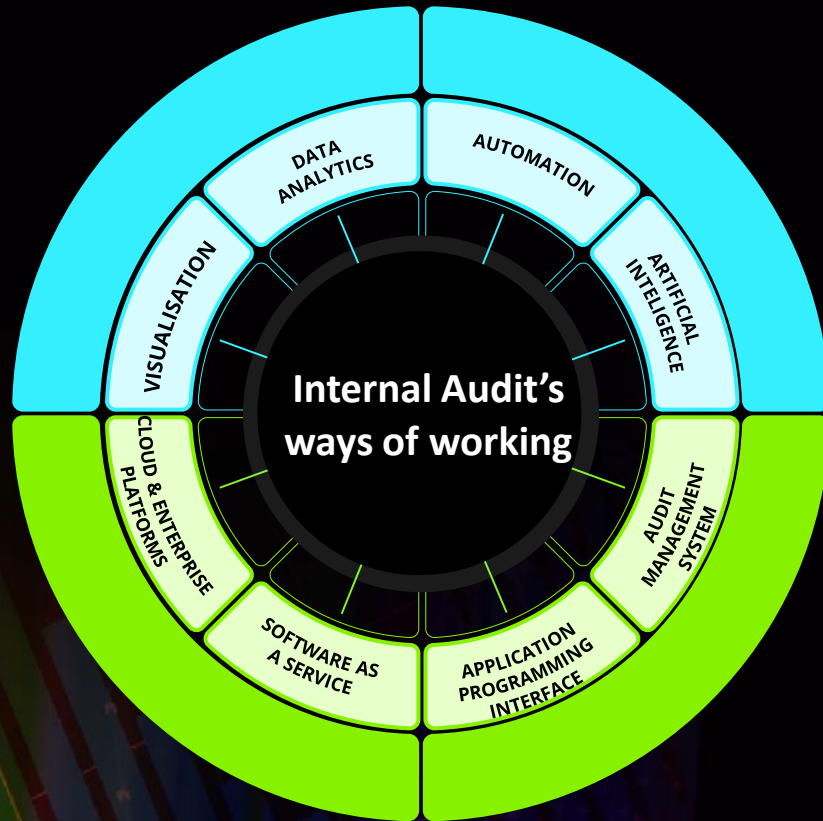
GO BEYOND THE AUDIT

- Post audit workshops
- External & leading practice perspectives
- Assurance by design
- Education and awareness
- Insight reporting
- Knowledge sharing

CHANGE THE CULTURE

- Help create psychological safety
- Words and actions matter; adjust your language and approach
- Dual rated reports
- Influence the right response to IA's messages

Digitalising Internal Audit



Digital is not the goal...

...it's what it can help you do in pursuit of your purpose

Internal Audit's digital landscape

Artificial Intelligence



The simulation of human intelligence in machines programmed to think, reason, learn, and problem-solve

Automation



Automation of routine and labour intensive tasks to help drive productivity, efficiencies and improved quality

Cloud & platforms



The technology ecosystem, applications and cloud based tools such as Audit Management Systems, SaaS solutions, and integrations to enterprise systems

Visualisation



Creating insight and impact through engaging visualization of data to inform, support and report Internal Audit's activity

Analytics



The analysis and use of data to help provide assurance, advice and insight across risk domains and Internal Audit data

Process mining



Visualising representations of business processes and workflows to drive insights into governance, risk and control design and effectiveness

Digital is not the goal... it's what it can help you achieve

Insight

Quality

Collaboration

Efficiency

Impact

Digital techniques

Digital is much broader than just a function's use of analytics to support audit delivery. Digital is how an internal audit function leverages and applies the capabilities which technology can unlock across the function's ways of working. Examples and common capabilities of internal audit include:

VISUALISATION

Insight generation

High impact reporting

Risk and Audit Universe

Operational performance monitoring

Follow-up reporting

...

DATA ANALYTICS

Key risk indicator analysis

Audit planning

Hypothesis/outcome testing

Process mining

Specific risk test scripts

Controls testing

...

AUTOMATION

Data gathering

Continuous KRI monitoring

Continuous auditing of controls

Scheduled analytics

Automatic workpaper production

Automated quality assurance

Workflow management

Automated skills assessment

Automatic report preparation

...

ARTIFICIAL INTELLIGENCE

Predictive / emerging risk analysis

Pre-population of audit work programmes based on risk selection

In-audit suggestions on audit file completion, use of analytics etc.

Resource modelling

Outlier detection

Natural language processing to drive insights for audit planning

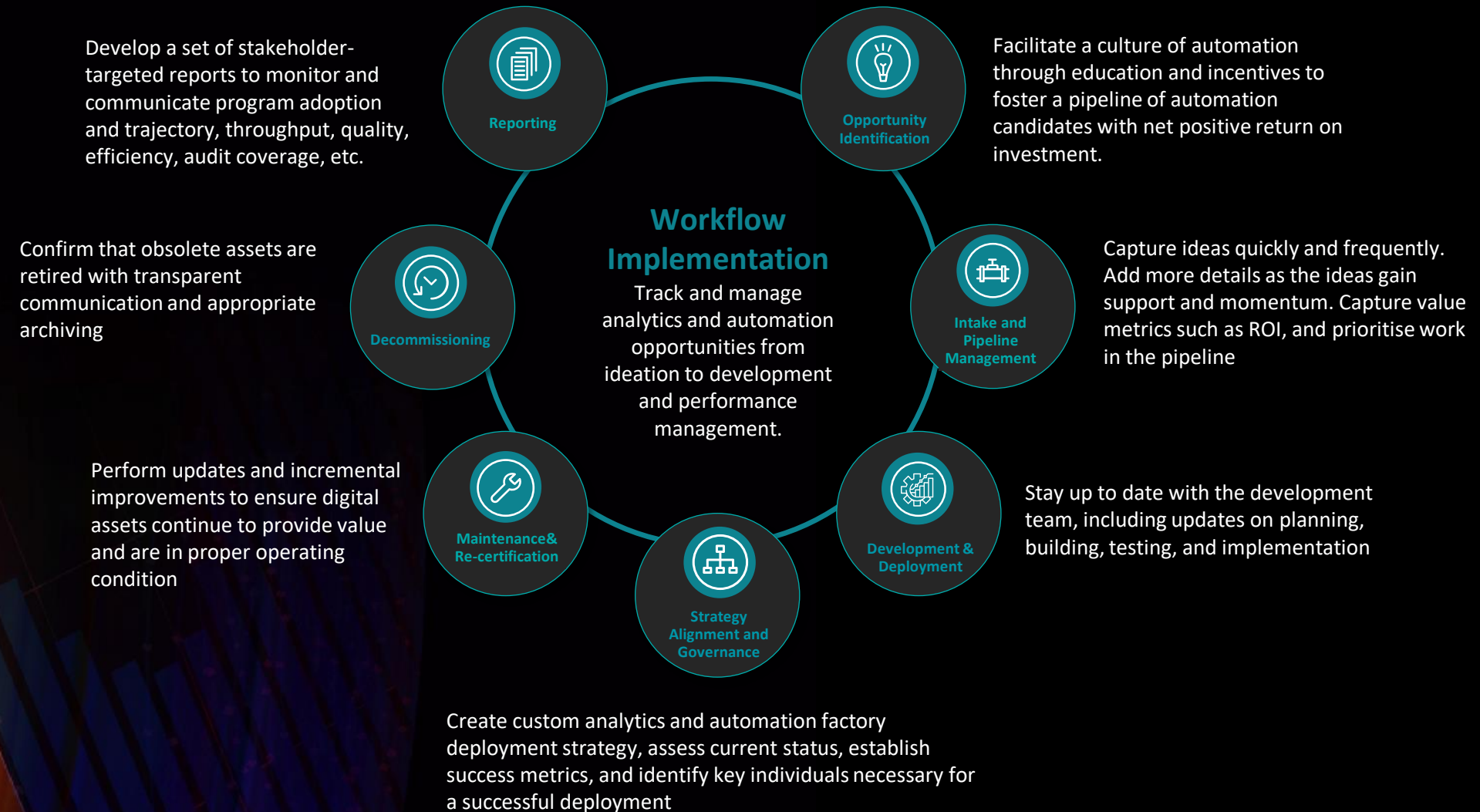
Sentiment analysis on report tone

Intelligent quantity assurance and re-time intervention

Chatbots e.g. methodology advice

...

Take a systematic approach to digitalisation



Where to start?

Mindset is half the battle!



Promote a culture of innovation
Make it safe to experiment



Get tech savvy
Dial up your education and awareness of digital technologies



Keep everything on the table
Don't limit your digital vision to just analytics



Celebrate desired behaviours
Encourage your teams to bring ideas

Let's Talk

How we can help

Internal Audit 4.0 informs our differentiated approach to providing outsource and co-source Internal Audit support.

For in-house functions looking to set their future vision, elevate their impact, and enhance their performance, Deloitte offers a comprehensive suite of Internal Audit Advisory services for functions to draw upon regardless of where they are on their journey to internal audit excellence.

These services enable adoption of IA 4.0 by supporting internal audit functions from initial design, build of functional processes, assessment of performance and improvement through strategies such as digital, agile, and learning and development.

- Purpose, vision and strategy labs
- Digitalisation
- Function set-up
- Learning and development
- Methodology design and build
- Benchmarking
- Agile Internal Audit
- External quality assessment

Individually or collectively, these services enable functions to take coherent steps to enhancing their performance, relevance, and impact, designing their own version of a purpose driven and digitally powered function.



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