

ASSURANCE OVER ORGANIZATIONAL USE OF DATA

FINANCIAL SERVICES FOCUS

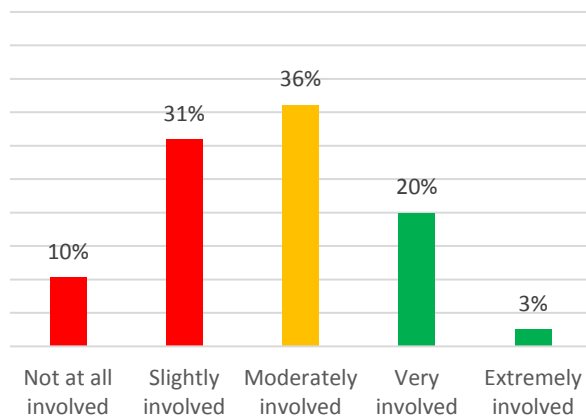
Data analytics can turn a mountain of data into a good business decision — or it can lead to a strategic disaster. Internal audit is a key element in assuring the data processes that increasingly drive business decisions and shape consumers' lives. However, survey results from financial services auditors indicate that internal audit's involvement in data assurance is somewhat limited.

According to The IIA's 2016 North American Pulse of Internal Audit survey, 41 percent of financial services audit executives say they are minimally involved in evaluating the quality of data used in their organizations (see Exhibit 1).

At the same time, about 2 out of 3 say their confidence in the strategic decision based on the data is moderate or worse (see Exhibit 2). These findings make a strong case for financial services auditors to look closer at data in their companies.

Although intuition and experience will always have a place in guiding business decisions and serving customers, they

Exhibit 1: To what degree is internal audit involved in evaluating the quality of data used in your organization?



Source: North American Pulse of Internal Audit Survey (2015), Q14. Financial services respondents only. $n = 155$.

SUMMARY

Michael Sekoni, a vice president and general auditor for AF Group and Blue Cross Blue Shield of Michigan Emerging Markets, draws on his IT background to describe his strategies for data assurance in the insurance industry. A list of key considerations for data assurance is included at the end of the article.

ABOUT AF GROUP

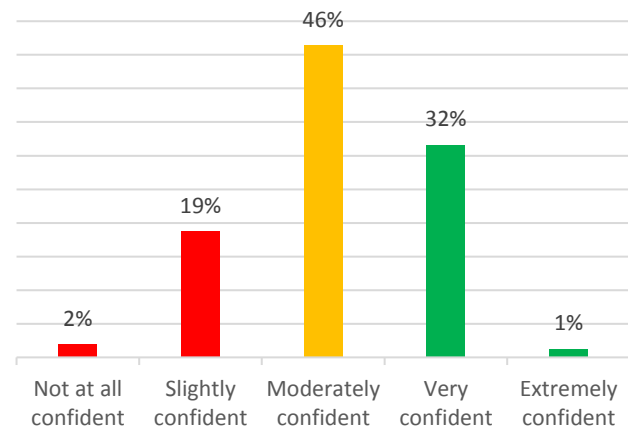
Headquarters: Lansing, Mich.

Founded: 1912

2015 Revenue: US\$1.14 billion



Exhibit 2: What is your level of confidence in the strategic decisions your organization makes based on data it collects and analyzes?



Source: North American Pulse of Internal Audit Survey (2015), Q15. Financial services respondents only. $n = 155$.

are likely to be relegated to secondary positions behind data. Despite expert warnings of the folly of relying exclusively on data due to its inherent biases, the possibility for data inaccuracy, and the human tendency to mistake correlation for causation, the lure of Big Data appears unstoppable.

Lessons Learned in the Insurance Industry

Data analytics is a top priority for Michael Sekoni, vice president and general auditor of Corporate Audit and Advisory Services for AF Group. Headquartered in Lansing, Mich., AF Group provides workers' compensation products and has a revenue of more than US\$1 billion per year.

Drawing on his previous experience as an information systems auditor, Sekoni makes sure his team not only incorporates data analytics into audits, but also regularly audits the use of data analytics in the organization. "We don't tell the business how to design its models, but we do assure the quality of the data, who has access to it, and whether there are opportunities for tampering or data leakage. The knowledge that is created from that data — the predictive models — that's our intellectual property. We have to protect it."

Using Data to Run the Business

Why the focus on data and data analytics? Sekoni notes data's importance as an asset of the company. "As we amass all this data, it becomes a critical tool to run the business, support and inform decisions, analyze what has happened, and ultimately predict the future."

Although he believes strongly in data analytics, Sekoni also recognizes that it cannot replace human judgment and perspective. "Data analytics is just another tool set to do a job," he explains. "It doesn't take the place of human experience. It should not be the sole decision-maker."

Protecting Customer Privacy

The data's value to the company is not the only reason Sekoni feels driven to protect it. The customer values it highly as well. "Our customers must have complete confidence that their data is being protected and we won't misuse, misapply, or sell it. Part of internal audit's responsibility is to provide that assurance."

ABOUT THE EXPERT

Michael Sekoni, CIA, CFSA, CFE, CGMA, CISA, CPA, AIS, AINS, serves as vice president, general auditor and compliance, Corporate and IT Audit, Compliance and Advisory Services for AF Group and BCBSM Emerging Markets. Sekoni directs internal audits and advisory services, and he is responsible for developing and executing a comprehensive audit program. Sekoni joined AF Group in 1998 as a senior information systems auditor.

Data Assurance Strategies

In Sekoni's organization, internal audit addresses those responsibilities in several ways:

- **Taking an inventory.** Sekoni's team focuses on understanding what data elements the organization has, where they come from, and how they plug into their system. This requires a data inventory audit, which Sekoni's team has recently completed. "If we don't understand what we have, it will be difficult for us to protect it," he explains.
- **Checking on policy.** Policy compliance begins with a review of all appropriate policies to ensure they address data handling. Sekoni notes, "We want to know if there are any gaps or any best practices we should be bringing into our environment. And, of course, we want to know if the policies are being followed."
- **Providing training.** At AF Group, internal audit works with IT and HR to ensure that appropriate training on data protection is incorporated in the employee onboarding program. And Sekoni's team audits to ensure the training is effective, appropriately influences behavior, and occurs frequently enough. If the answer to any of those questions is no, internal audit makes recommendations to enhance the training program.
- **Collaborating.** Sekoni emphasizes the importance of internal audit fostering good relationships with areas that deal with data, such as IT. "IT provides the technical infrastructure for data — its storage, access,

and security. Because of the credibility we have built with IT, they regularly reach out to us for input when they are putting together new plans or processes and when they are considering outsourcing to a third party. We do appropriate reviews to identify problems before a relationship is created with a third party, not after.”

- **Building a business case.** A few years ago, Sekoni worked on a business case to support the company’s investment in data analytics. As a result, in the internal audit area, hiring practices now favor people who have an affinity and passion for data and data analytics. At the company level, funding was approved to hire data scientists, support their pursuit of advanced degrees in data analytics, and provide the tools they need to excel.

Getting Technical Resources

When asked for his recommendations on building an effective data analytics function within internal audit, Sekoni stresses the importance of securing the support of senior management. “You need their support because it will require significant resources: people, tools, and time.”

He also recommends that a dedicated champion for data analytics be established within the internal audit department. “Data analytics cannot be done haphazardly. You need someone who focuses on it full-time, to interact with IT and database administrators, understand how data elements are changing, keep up with what other companies are doing, and provide training for newer auditors.”

“There is too much data out there,” says Sekoni. “You can’t deal with it the old way. You have to have tools and people to work on it. Every single day.”

Notes

This article is adapted from Pulse Solutions: Perspectives on Assurance Over Organizational Use of Data (2016), produced by The IIA’s Audit Executive Center.

KEY CONSIDERATIONS FOR ASSURANCE OVER ORGANIZATIONAL USE OF DATA

Data Flow Within the Organization

- What is the source of the data?
- Where is data stored?
- Who collects data?
- Why is the data being collected?
- How is data used within the business?

Quality of Data and Suitability of Use

- Is the data complete?
- Is the data suitable for the purpose for which it is used?
- Is the data current enough for the purpose for which it is used?
- Is data used in a comprehensive way, or selectively?
- Has the data been protected from manipulation?
- How has human subjectivity affected the data?

Audit Planning

- Address data risks in each audit engagement.
- Review data usage for each business process.
- Consider data risks at an enterprise level.
- Work with management to assess data risks.
- Tell the audit committee/board how the audit plan addresses data risks.

Technical Skills

- Train all staff to apply logic to conclusions reached from data.
- Become experts in the way data is used in your organization.
- Provide extra technical training to staff who have an affinity for data analytics.
- Recruit new staff with data analysis skills.

ABOUT THE FINANCIAL SERVICES AUDIT CENTER

Established in 2015, the Financial Services Audit Center (the Center) is a specialty offering of The IIA for financial services auditors. The Center was established to provide financial services auditors with low-cost, high-quality professional development; networking opportunities for knowledge sharing among financial services stakeholders; and ongoing, timely, and relevant reporting on trends, benchmarking, and thought leadership in the audit profession.

ABOUT THE IIA

Established in 1941, The IIA is an international professional association with global headquarters in Altamonte Springs, Fla., USA. The IIA is the internal audit profession's international standard-setter, sole provider of globally accepted certifications, and principal researcher and educator.

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