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EDITORIAL

With the upcoming ACIIA Chief Audit Executive Leadership Forum being held in Delhi on Nov 9, 2017 this issue of the IIA India Quarterly, is a precursor and the articles are around the forum's theme Navigating through disruptive innovation – an internal audit perspective. At the outset, it is important to understand the term Disruptive innovation coined by Clayton Christensen. He describes it as the process by which a product or service takes root in a simple application at the bottom of the market and then relentlessly moves up eventually displacing established players. There is a general perception that Indian startups are doing great in disruptive innovation. In this context Mr Ratan Tata's interview makes interesting reading. Another area

of interest for Internal Auditors is Risks and Controls relating to Artificial intelligence (AI) based products and services geetika Srivastava who pioneered Navya care the online expert opinion service for cancer shared the overall risks & control environment in such systems in a simple explanatory way, thereby demystifying one area of AI. Navya provides an opinion usually within a day of uploading patients reports online at low fee.

Recently IIA Madras Chapter held a well-attended Financial Services Conclave – Digital disruption & risk management and a summary is enclosed.

For those who still have not reserved their seats at the ACIIA CAE Leadership Forum, please do so soon as only a limited number remain.

*Sincerely,
Editorial Team, IIA India*

NAVIGATING THROUGH DISRUPTIVE BUSINESS INNOVATION- an internal audit perspective

Pullman Hotel New Delhi Aerocity, Asset No 02, GMR Hospitality District, Indra Gandhi International Airport, New Delhi – 110037
Tel No: 011-46080808 | Thursday, Nov 09, 2017 | From 9am-6pm | Online Registration www.iiaindia.org



ACIIA CAE
Leadership Forum

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DISRUPTIVE INNOVATION



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President's Communiqué

Dear Professional Colleagues

I thank the National Council of IIA India for reposing its faith in me & electing me the President of this august body for the term 2017-18.

Internal Audit is an area of great importance to a corporate and Section 138 of the Companies Act, 2013 recognises this importance by making Internal Audit Compulsory for a select category of Companies.

Disseminating knowledge of Internal Audit has been a thrust area for IIA India & we propose to organise seminars, conferences & workshops to discuss various aspects of this important function.

ACIIA CAE Leadership forum On the 8th of November, 2017 we are hosting the Asian Confederation of Institute of Internal Auditors (ACIIA) A.G.M. & Business meeting at Hotel Pullman, New Delhi Aero City. Leaders of the Internal Audit Profession from all over Asia are expected to attend this event. On the 9th of November, 2017 at the same venue we are organising the ACIIA CAE leadership Forum. The Theme for the Conference is 'Navigating through Disruptive Business Innovation'. Some of the most well known professionals of the country are going to address the delegates. This is a not to be missed event. Please visit our website for further details & Registration for the event. National Conference

The National Conference is going to be held at Kolkata on the 12th & 13th January 2018. Mr. J Michael Peppers, Chairman, Institute of Internal Auditors Global has confirmed his presence at the Conference.

Please block the above two days in your diary.

Training

IIA India is in touch with the office of the CGA, India to train its officials on Internal Audit. Other Government Departments have also evinced keen interest in Training. Discussions are on & we expect a satisfactory conclusion at the earliest.

E-Newsletters

All endeavors are being made to ensure publication of the Quarterly E-Newsletter on time. We are sure that you will find the publications informative & interesting.

Website

Continuous efforts are being made to ensure that our website showcases IIA India in a befitting manner.

Membership

As in the past, all efforts will be made to bring more & more Professionals under IIA India Umbrella. Let us join hands to make IIA India a hub for Indian Internal Audit Professionals.

I look forward to working with the Chapter Presidents, BOG Members, IIA Global & my Council Colleagues to keep the flag of IIA India flying very high.

Wishing all you & your families a very Happy Deepawali.

With kind regards,
Yours Sincerely,



Debashis Mitra
President, IIA India
Place: Kolkata
Dated: 17-10-2017

Indian startups are not disruptive enough compared to global companies

-A discussion with Ratan Tata

By Supraja Srinivasan

Et Bureau

Updated: Oct 12, 2017, 08.28 am IST

MUMBAI: India's internet ecosystem may be booming but domestic startups still have some distance to cover as far as disruptive businesses go. That's the word from one of India's most successful corporate leaders and investors Ratan Tata.

"I don't think we have as many really disruptive startups in India as we do overseas," said Tata, speaking at an event organised by venture capital firm IDG Ventures India. The reason, Tata believes, is not so much talent as is the lack of an encouraging ecosystem. "We don't have an environment where somebody says, 'you have a great idea and so you need to be supported.' We have instead an attitude of 'we don't need to have this, we can do well with what we have,'" he rued.

One of India's few corporate magnates to have emerged as a successful startup investor, Tata has made several early-stage bets in consumer internet companies including Paytm, Zivame, and Urban Ladder. Last year, RNT Associates, the privately-held investment firm of Ratan Tata, set up a \$300-million venture capital fund in partnership with the University of California to cut larger cheques for growth stage capital. The fund has so far invested in cab-riding platform Ola and financial-technology startup Mswipe. While several of Tata's personal investments have been in consumer internet companies, he is betting big on the medical research sector to scale up rapidly in India and globally. "In the 10 years that we have ahead of us, we may well see diseases that were terminal being treatable instead, and much of the

work will be done in India," he said.

With entry costs in India being low and talent available in abundance, the country is poised to become, "one of the centres of biological or biosciences in the future," Tata said.

Given India's open economy, the country could well be home to the next Google with support from the government and investors, the former Tata Group chairman said.

"The government should and could play a major role in (developing India's startup ecosystem) provided they can embody the entrepreneurial spirit which would be necessary," he said.

"We must create an environment where (an individual) can be motivated here (in India) and that requires a community of investors, capitalists who take risks... Then you'll get those (globally successful results) here too. It cannot be a typical, bankable project. It has to be risk-bearing and there will be failures. The failures themselves will be lessons leading to successes."

While Tata also has his eye on new technology such as artificial intelligence, he said the onus of balancing rapid automation and creating jobs will have to be done by both - robust infrastructure that enables heavy employment along with high-technology startups and enterprises.

"Young people graduating with heavy technology skills is another bucket that we can grow if we encourage creation of high-technology enterprises. Somewhere (jobs through infrastructure and tech-enabled automation) will come together at a later point in time, complementing each other," Tata said. But for automation and job creation to co-exist, he added, the government must play a more defining role without veering towards interference.

Internal auditing and the fourth industrial revolution

-A point of view

Richard Chambers

July 31, 2017

I was recently quoted in a Forbes magazine article on whether artificial intelligence (AI) could one day replace the internal audit profession. My message was that the growing ability of sophisticated technology to monitor large and complex systems won't replace internal auditors. Instead, it will enable them to become more efficient and effective in helping organizations solve problems and meet goals.

While I remain convinced of this, what wasn't addressed in the article is how AI along with other digital and technological breakthroughs will fundamentally change how business is done and in turn how that will change the demands placed on internal audit.

We are at the forefront of what is being referred to as the fourth industrial revolution. Whereas the three previous industrial revolutions — steam power, electrification, computerization — led to linear improvements in efficiency and productivity, the fourth portends exponential change.

One definition of the fourth industrial revolution, or 4IR, is the fusing of the physical, digital, and biological worlds that can impact all disciplines, economies, and industries. From ending the world's dependence on fossil fuels to the melding of humans and machines, 4IR promises not just inspirational innovation and digital disruption, but a paradigm shift in business, socioeconomic norms, government, and the human experience. This seismic transformation will rewrite the unspoken contract between business and customers.

What is troubling is that most organizations aren't ready for it. Take for instance digital disruption. Nearly three in four (72 percent) executives responding to an IBM and Harvard Business Review (HBR) survey said they are susceptible to digital disruption by competitors in the next three years. What is more disturbing is that a third of the 600 business executives responding to the survey rated their organization as ineffective when it comes to adopting new technologies.

The survey report, *From Data to Disruption: Innovation Through Digital Intelligence*, describes digital disruption as competition led by organizations that “leverage digital technologies to understand the customer, sense market shifts, and innovate faster than the competition.”

The IBM/HBR report identifies three steps to becoming a digital innovator:

- Create a strategy that embraces risk taking.
- Adopt an agile, iterative approach to innovation.
- Promote a data-driven culture throughout the organization.

Chief audit executives should consider incorporating these steps within their own functions and whether they would recommend them to management and the board for adoption throughout their organization. The first recommendation — create a strategy that embraces risk taking — is likely the most difficult for practitioners of a profession built on the art of managing and mitigating risk.

But risk taking is fundamental to business. Every business created, every new product launched, every entrepreneurial innovation that puts you one step ahead of the competition is built on taking a risk.

Imagine where the profession would be had it not embraced operational auditing in the 1960s and 1970s. The profession had been around for decades, but was widely seen as an extension of the finance function. We were firmly focused on the effectiveness of financial controls in the past. In many companies, we were seen

as a necessary burden — hardly the basis for generating real value. Then risk takers and pioneers in our profession took risks, took off the “green eyeshades,” and started providing assurance on controls other than those strictly financial.

Imagine, too, where the profession would be if early adopters had not embraced the new technology that computing offered. As recent as the early 1980s, the most sophisticated tool we had in my internal audit department was a calculator. The computer age has reshaped the way we performed internal audits, drastically reducing the use of sampling, improving our ability to monitor organizational interactions and transactions, and greatly enhancing efficiency. Today, organizations routinely deploy sophisticated software running continuous auditing methodologies focused on key controls. It is hard to overstate the importance of technological advancement to the profession.

These are but two examples of how our profession has been reshaped, yet they may be dwarfed by changes that lie on the horizon. Digital disruption only begins

to scratch the surface. Combined with AI, robotics, the Internet of Things, autonomous vehicles, 3D printing, quantum computing, nanotechnology, and other emergent technologies, 4IR will forever change the world we know.

My views on the potential disruption AI presents for internal auditing are evolving as rapidly the potential for AI itself. As I tweeted recently, “Heads up internal auditors: Artificial Intelligence presents a huge opportunity for hindsight, some for insight, and little for foresight.” I am sure many experts would argue that “foresight” is a prime candidate for AI, too. IIA leaders also recognize the potential disruption that AI presents for the profession, and providing research and advice on the future of AI and internal auditing will become an important priority in the year ahead. In the meantime, watch for more commentary on AI and internal audit in my blogs in the coming weeks.

As always, I look forward to your comments.

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About the author



Richard Chambers

Richard F. Chambers CIA, QIAL, CGAP, CCSA, CRMA, is president and CEO of The IIA. In Chambers on the Profession, he shares his personal reflections and insights based on his 40 years of experience in the internal audit profession.

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The role of controls in cognitive applications (AI)

-Navya an indian case study

Deepak Wadhawan

Cognitive applications that mimic human thinking are the future. Take the case of Navya expert system that works in giving an opinion on a set of diagnostic reports and patient history, based on knowledge acquired through the collective experience of doctors, inferences derived from old patient files, pulling out relevant extracts online from current cancer research, etc. This along with various treatment options are forwarded to experts for a consensus opinion and an exhaustively written expert opinion report is normally available to the patient within 24 hours.

A decade back the above would be science fiction. Not many would then have foreseen the possibility of getting an opinion on cancer based on the latest research and that too from leading experts based in different geographies, at a nominal cost and all this without going anywhere and viewing the report probably on a smart phone. How does this happen? Till now software allowed applications to be developed using a set of rules on data in a structured format of a database to give results. Today these applications leverage the advancements in informatics and big data management to give a magical touch. Software allows data to be pulled out of unstructured formats, whether multimedia, text, video, graphics, voice, etc. from a wide range of repositories and allows rules to work on them. Also, the set of rules in the application can be expanded dynamically and modifies itself based on experiences, a phenomenon commonly known as machine learning. So, the computer starts delivering results based on experience.

Cognitive Computing

The word cognitive is derived from human cognition i.e. how humans think to arrive at conclusions. Our mental action or process of acquiring knowledge and

understanding through thought, experience, and the senses. Cognitive processes use existing knowledge and generate new knowledge. Hence cognitive computing is that which generates new knowledge

It's helpful to have a better understanding of how computer applications will move from current to cognitive computing, viz

APPLICATION TYPE	RULES	DATA TYPE/ DATABASE	REMARKS
Normal type of Decision support/expert systems	Rules set by the programmer in lines of code	Predefined data type/ structured format	
Cognitive computing Level -1	-do-	Can accept information from different types of data formats as multimedia, text, graphics, voice, etc.	Ability to pull out relevant portions of data from different data formats and unstructured databases
Cognitive computing Level -2	Rules modified through machine learning	-do-	Software that can change the rules & line of code in the program

At Navya Network machine learning is used to determine patient-specific treatment decisions. Navya calls its applications names such as Experience Engine, Evidence Engine, etc. Machine learning is an important part of the Experience Engine – to learn from past expert decisions, and the Evidence Engine, which draws on randomized clinical trials and predicts which is the most applicable treatment option for a patient. Most experts practice evidence-based medicine, however, no two cancer patients are the same. There are differences in the nuances of a cancer type or patient's medical history, and data studied in clinical trial (usually of otherwise healthy patients with the exact condition that is being studied and not many other abnormalities or differences) may not cover or be sufficient to determine a treatment . Together

with evidence, experience treating large numbers of complex cases is valuable in determining treatment opinions. The Experience Engine has learnt from the outcome of multidisciplinary tumor board decisions after the patient has undergone those treatments. Since patients are from 20 countries, the Experience Engine is rich, and draws on the opinions of tumor board experts at tertiary care expert centers. The Experience Engine is able to predict with reasonable accuracy what experts would recommend for a given patient case. This helps in determining treatment options for a patient based on the expertise of those experienced in treating similar patients, which is a rare source of knowledge. Medical experts have opined that a machine being able to learn from doctors' expertise, and being able to unlock their experience, was an achievement by Navya.

The Online Expert Service

The first step is registering online, filling out the form and uploading the reports. Following this, a patient advocate from Navya reaches out to the user to understand the case in detail including what preferences, if any, exist. Once this is done, trained clinical analysts go through all the reports (a typical case has 25-30 reports but some cases can exceed a 100) and extract the pertinent information from it. This information is fed into Navya's Evidence Engine and Experience Engine and relevant treatment plans emerge. A summary of the case along with Navya's recommendation are presented to the relevant experts to opine. The experts choose either one of the recommended treatment plans or provide their own based on their experience. This process ensures that the expert's time is optimally used. Using the expert's response, a patient report is created that answers all the questions asked by the user in a manner that is simple to understand and actionable.

Value Proposition

A discussion with Gitika Srivastava, the founder of Navya helped in understanding

the criticality of issues and the next generation service.

Small towns don't have expert oncologists. Gaining access to even one expert oncologist can be challenging. Consulting more than one is often not possible, and even when it is, it takes up significant time. Given the criticality of timely treatment, the process of consulting several oncologists can be physically and emotionally draining and can lead to contradictory opinions which lead to confusion. Even where an expert oncologist is available, many cancer decisions are complex as they require multidisciplinary opinions. Treatment plans need to be decided by a group of doctors who discuss and weigh the pros and cons of the various treatment paths. In a tertiary care center like Tata Memorial Center or Stanford Medical Center, a complex case would involve a decision being made by a tumor board. A tumor board typically consists of a diagnostic radiologist, pathologist, surgeon, medical oncologist and a radiation oncologist getting together in the same room to discuss the case. A decision is first taken on the diagnosis and staging of the disease where the pathologist and diagnostic radiologist weigh in. Once this is completed, the surgeon, medical oncologist and radiation oncologist decide on the treatment path. The intent is to recommend a path that will provide a complete cure or extend years of cancer free survival or improve quality of life. This can be possible through surgery if the disease is localized and operable. Sometimes the surgeon will suggest that the tumor be shrunk through chemotherapy or radiation and then the patient get operated. Having all relevant specialists weigh in and review the case is the ideal scenario but this is unfortunately not the modus operandi in most hospitals.

Navya is partnered with Tata Memorial Centre(TMC) and India's National Cancer Grid (NCG) of expert cancer hospitals to provide expert opinions from experts at TMC and NCG to patients/caregivers worldwide. Navya has solutions for patients, physician, hospitals & the unserved population.

Patients upload their medical reports per Navya's list of requirements. Navya translates the patient's medical reports and questions into a structured case summary and decision question for experts at TMC and NCG. Using Navya's Expert, experts respond and provide an expert opinion on the patient's case. Navya combines the opinion of multiple experts from different Disease Management Groups at Tata Memorial Centre and National Cancer Grid and prepares a final report for the patient. Navya's reports are easy to understand and in patient-speak.

Significant Risks

If you consider the universe of risks associated with a knowledge based online expert system as Navya - the significant risks would be:

STRATEGIC RISKS	OPERATIONAL RISKS	SUPPORT PROCESS RISKS
Knowledge obsolescence	Diagnostic & treatment risk	IT risk
Product development	Risks associated with expert panel	Infrastructure risk
Legal & regulatory risk	Patient risk	
Reputational risk	Compliance risk	
Low patient population coverage risk		
Cyber risk		

On cancer, there are probably a half million research papers and which are increasing exponentially every year. Hence a critical aspect is their tagging, cataloguing, etc. as this determines the ability to keep track of current and emerging knowledge on conditions, symptoms, bio markers, etc. Also issues relating to working across geographies/ jurisdictions with different compliance requirements. Managing patient complaints that could adversely impact reputation overnight, reaching the patient community & continuous visibility to socio-economic groups, non-availability of experts on time, risks in the IT platform including the current cyber risk, etc. are some of the usual hot spots.

Pervasive Approach To Controls

Management controls:

Activities in the medical environment normally have safeguards in place in the form of regulatory protocols and procedures. These act as controls for discovering & managing risks during treatment & other medical activities. Here regulatory compliance is mandatory. Both hard & soft controls are exercised as part

of management controls and some of the more common ones are as under:

- *Ethics Board:* Every entity has an Ethics Board with a mandate to keep constant watch especially on research & discovery.
- *Clinical Trails:* are proper scientific studies that are usually undertaken to validate treatment by studying outcomes. Cohort studies are common which require studying outcomes of treatment overtime to both treated & untreated segment of a population. Clinical trials are both retrospective & prospective. Navya and Tata Memorial Centre have successfully completed a retrospective trial of Navya's Evidence Engine and Guidelines Engine and validated that Navya Expert System decisions are 98.6%-100% concordant with tumor board decisions and decisions of expert oncologists at TMC. Prospective trials are being undertaken to validate Navya's Patient Preference Tools, which is a self-administered decision aid that helps patient assess their risk/benefit tradeoffs across their available treatment options by using survey techniques as conjoint analysis
- *Peer forums:* Evidence based on clinical trials are presented to peer group over the years, which itself can be considered as a control activity. For e.g. Navya has repeatedly shared clinical trials and clinical informatics and machine learning based predictive analytics in international reputed conferences.

Constant presentations in Peer forums

- ✓ San Antonio Breast Cancer Symposium (2014, 2016, 2017)
- ✓ American Society of Clinical Oncology (2 abstracts 2016, oral presentation 2017)
- ✓ Big Data to Knowledge/National Cancer Institute (2 abstracts, 2015)

- *Ranking experts:* Navya follows a process of ranking experts. This is part of an overall system of classifying experts who are essentially very busy people. The system even takes into consideration accessibility index, down to the time-of-day availability.

Internal control system:

The confidentiality, availability & integrity of information is critical at online expert systems as Navya. Apart from controls in medical/clinical areas there is usually low risk appetite in other areas as cyber risk, legal & regulatory compliance, IT security, infrastructure downtime,

transaction processing hangs, etc. and the full internal control system applicable here are usually in place and tested regularly for adequacy & efficacy.

Culture of Assurance:

For online expert systems the IIA 3-lines of defense operating real time and as an integrated control system is a prerequisite. Creating a culture of assurance is essential for the long-term sustainability of these applications.

About the author



Deepak Wadhawan FCA, CPA, CIA
is CEO, The Institute of Internal Auditors-
India (IIA India)

Deepak Wadhawan

Financial services conclave digital disruption & risk management

-Giridhar Janardana

Date of the event:
6th October 2017.

Venue: Hotel Raintree, Anna Salai, Chennai

BFSI sector in India is valued at Rs. 81 trillion and is likely to become fifth largest in the world by year 2020 and third largest by year 2025. This sector is on a fast track mode in terms of digital innovation, disruption and transformation. This sector is also governed by a multiple regulatory framework which includes RBI, IRDA, SEBI Banking Companies Regulation, Ministry of Finance.

The one-day conclave was organized by IIA Madras Chapter has been designed to discuss some of the emerging governance, risk management and compliance issues arising out of the digital disruption and digital transformation process.

The conclave was inaugurated by Mr. S Bhaskar, Chief internal auditor, Tata Capital and key note address was delivered by Mr. N.S. Venkatesh (who has now assumed office as CEO of AMFI).

The conclave was attended by delegates from various cities and corporate. There were several eminent speakers from industry including Mr. Vikas Jajo, Head Internal Audit, Hinduja Leyland Finance, Mr. Arghya Ganguli, Partner, Grant Thornton, Mr. Sathyananda Prabhu, Lakshmi Vilas Bank Ltd, Dr. Rama Subramaniam, CEO, Valient Technologies Pvt Ltd, N Muralidharan, Co-founder, Hathi Business Services Pvt Ltd.

The speakers touched upon the theme and

provided their insights on how banking and financial sector is embracing technology from a business perspective and how the governance and risk owners need to gear up to embrace technology. Partner from GT Mr. Arshia shared his experience on using open source tools for data analytics. Since large terra bytes of information is being collected, processed, and stored by the corporate it is imperative for the internal auditors and risk professionals to use open source tools for performing data analytics.



Speaker Dr Rama spoke of cyber-crime and how an organization should prepare themselves in combating the crime. The speaker reiterated that there are various vulnerabilities on the technology side in BFSI sector and hackers are always one step ahead.

Speaker Mr. Prabhu shared his view points on regulatory compliance in digital banking. He stressed upon the point that regulators must keep pace with the digital transformation and bring out necessary laws and regulations to be able to punish the white collared crime perpetrators



Speaker Mr. Muralitharan spoke of how cryptocurrency, bitcoin and blockchain is taking shape at a fast pace in the banking industry worldwide. Digital currency is being traded on exchanges. Bitcoin and its derivatives use decentralized control as opposed to centralized electronic money /centralized banking systems. The decentralized control is related to the use of bitcoin's blockchain transaction database in the role of a distributed ledger.

The panel discussion was based on the theme “Technology trends in financial sector and digital governance” which was moderated by the Conference Chairman Giridhar Janardana, Partner, BlueRidge Consulting Services. Panellist Mr Ravi Veeraraghavan, Deloitte, Mr. Vikas Jajoo, Head Internal audit, Hinduja Leyland Finance Ltd, Mr. Durga Prasad Swaminathan, CIO, Cholamandalam Investment and finance ltd shared their views on technology trends in financial sector and answered the queries raised by moderator and audience. It was apparent that internal auditors, Governance and risk management professionals are lagging in responding to the risk emanating from rapid technology trend. The panellist stressed on all risk professionals to continuously keep themselves abreast with changes and be a trusted advisor to management and stakeholders in setting up a robust digital governance and risk management framework that can stand the test of time and rapid technological change.

About the author



Giridhar Janardana
Partner
BlueRidge Consulting Services. He is
Immediate Past President, Madras
Chapter, IIA India

Giridhar Janardana



Point of view



GENERATING **GOVERNANCE** IMPACT

Anti-corruption isn't Legal's job. It's yours



Ignorance of anti-corruption laws in developing markets can badly damage a company's brand and put its executives in jail. Yet the key to prevention is not to hire more lawyers but to put the focus where it should be—on everyday process operations.

As globalization brings businesses into new geographies in developing countries, many companies are encountering entrenched corruption for the first time. Countries with a high Corruption Perception Index (the perceived levels of public sector corruption worldwide as measured by Transparency International) present unique problems, especially since regulators are now expanding the definition of bribery and taking aggressive action against companies with inadequate compliance mechanisms. Stiff fines and even jail time await executives found guilty of non-compliance with legislation such as the Foreign Corrupt Practices Act (FCPA), UK Bribery Act (UK BA), Sapin II, Brazilian Criminal Code, PRC Criminal Code etc. With 100+ FCPA and 15+ UK BA enforcement actions and \$9 billion in penalties to date, CXOs are realizing that the legal department can defend the enterprise only after the damage is done. Day-to-day anticorruption efforts across finance fall directly upon the CFO's shoulders.

CXOs are realizing that the legal department can defend the enterprise only after the damage is done. Day-to-day anticorruption efforts across finance fall directly upon the CFO's shoulders

The key to anti-corruption lies in better processes and operations

Enterprises across industries must be able to demonstrate a strong compliance program on demand, which has made anti-corruption a high spend area, with over half directed at developing countries. Regulators now insist that any form of corruption leading to third-party involvement or benefit is covered under the law, which means that poorly vetted suppliers and uninformed or rogue employees can drag the enterprise into trouble. Further, most companies lack robust digital technologies that can improve the ABAC approach in business processes and help prevent violations.

CFOs often assume that the legal department owns the compliance program. In reality, the Controller owns the processes that expose the organization to risk: Sourcing, procurement,

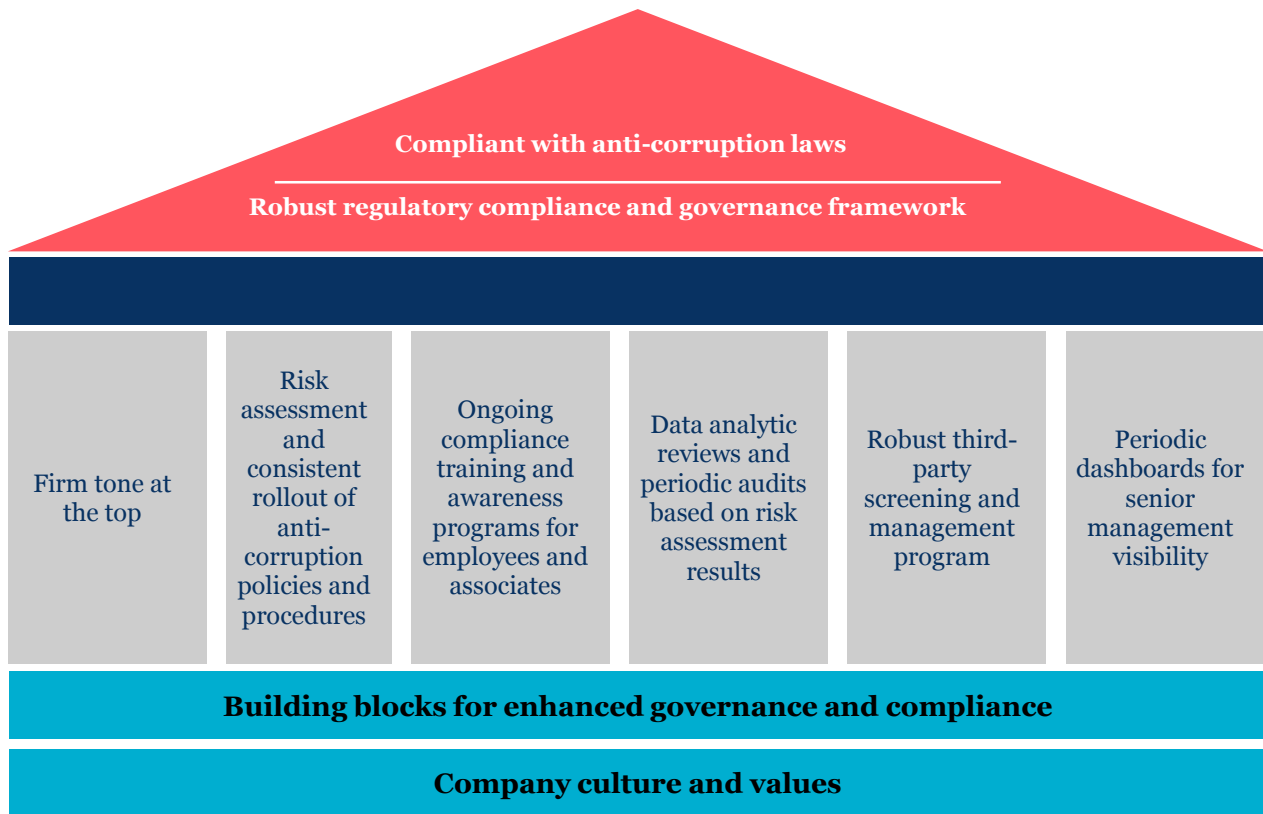
order creation, and billing, for example. Legal must approve contracts, but it has no role in screening vendors or monitoring accounts payable processes. An effective finance operating model therefore becomes critical to anti-corruption efforts. Why? Because day-to-day compliance efforts must be managed at the business-process level.

A coordinated operational approach for the whole enterprise

Operating models that take a holistic approach to anti-corruption efforts perform the best. Executive attention and enforcement of global policies, especially in high-risk countries, while critical, can be enhanced by an operating model that leverages local legal process, technology, domain expertise, and analytics. Key elements include:

Training - A formal, ongoing training program should be established to raise awareness of regulatory requirements and anti-corruption efforts among all staff, especially those who interact directly with vendors and customers, or those who are dealing with new geographies. E-Learning training modules in multiple languages with classroom training should be designed across functions, such as finance, sourcing, and HR in high-risk sites. These modules include real life practical insights and highlight day-to-day compliance issues. As regulations change, periodic refresher training informed by close co-operation between the legal and operations teams can keep all stakeholders up to date.

Ongoing monitoring - Continuous assessment of high, medium, and low risks requires good processes and supporting technologies. Tighter processes and analytics will help to screen out high risk vendors and track behavior to spot potential problems. One global footwear and sports apparel retailer leveraged a partner's global reach and analytics capabilities to assess vendors in seven high-risk countries. This resulted in more effective FCPA compliance and a governance framework designed to actively manage its 120,000 vendors and mitigate corruption risk across all of the 150 countries in which it operates.



Legal’s knowledge of local laws, coupled with finance’s experience with the vendor landscape and process requirements, should inform all anticorruption policies and procedures. Document creation and storage, exceptions handling, and other elements of anti-corruption legal requirements can be directly supported at the process level by dashboards, automated workflows, and governance mechanisms that include analytics to provide built-in alerts and timely escalation of issues to the appropriate authorities.

Technology - Today’s powerful digital technology tools provide excellent means for spotting and eliminating potential risks. Companies can have access to workflow-based technology to conduct FCPA risk assessments. Such tools send risk assessment surveys in real time, and facilitate the analysis, scoring and aggregation of results over geographical and business areas. Advanced visualization techniques help decision-makers to focus on potential high-risk processes with greater precision.

The combination of robotics automation, language neutrality tools, and high-end collaborative reasoning analytics can also vastly reduce the manual effort in substantive testing

in audits. Collaborative reasoning tools can scan records and spot exceptions to established business rules. As the software learns what an acceptable deviation is, it can proactively eliminate false positives without human intervention. Robotic automation relieves human operators of repetitive tasks to

enable wider coverage and fewer errors. For example, a typical automated process might receive vendor records in Chinese for an FCPA audit. The robot can engage the language neutrality tool to translate and format the file according to the company norm, then scan selected fields for red flags, such as bad publicity, legal investigations, overpricing, or lawsuits. The robot alerts exceptions to business rules and, once scanned, sends a report to the user for substantive testing to validate whether the sample is a true hit or a false positive.

Combination of robotics, language neutrality tools, and high-end collaborative reasoning analytics can vastly reduce manual effort

This comprehensive approach to driving greater awareness of and compliance with policies could vastly reduce the chances of an enterprise being

charged with severe monetary penalties and its CXOs being terminated or prosecuted by anticorruption regulator.

Prevention takes a cooperative effort

Legalities are only half of the anti-corruption equation; it falls to CFOs to craft a delivery model that supports end-to-end processes in which anticorruption policies have been ingrained. Such models are proven to reduce risk, lower the overall cost of compliance, and spare leadership many precious hours spent trying to win approval from suspicious regulators or prevent operations shutdowns after the company has been deemed non-compliant.

Companies that want to get up and running quickly in new and developing markets need to ensure from the start that they understand the local environment. Unprepared businesses can find themselves locked out, their market penetration stalled by accusations of corruption that damage the brand and the bottom line. One increasingly common option is to partner with a provider that possesses deep local knowledge and domain expertise. This operating-model approach can decrease time-to-market and lower the risk that the new program will have blind spots and process gaps that could lead to non-compliance.

When it comes to anti-corruption efforts, an ounce of operational prevention truly is worth a pound of cure.

This paper was authored by Subhashis Nath, Global Senior Partner for Enterprise Risk and Compliance practice, Genpact.

About Genpact

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Remembrances

Mohan Ramakrishna

The affable human being, hard to forget in a lifetime!



The Madras Chapter of IIA and the National Council of IIA India convey with profound regret the sad and sudden demise of Mr. Mohan Ramakrishna, Treasurer, National Council, IIA India and Past President of the Madras Chapter of IIA. At the time his demise Mohan, as he is fondly called by most of his friends and near & dear, was Partner in Walker Chandiok & Co, Chennai.

To me Mohan is a special person when I entered the BOG of IIA Madras Chapter. Mohan was the first person who received me at the Pink Room of The Presidency Club on June 12, 2014, when I landed for my first BOG Meeting. I introduced myself as I did not have formal introduction with him earlier. But with his characteristic smile, he warmly held my hand and said that he knew me well before joining IIA Madras. Seeing me surprised, he said "World is small Sir. We have been tracking you for long at Ashok Leyland, and we were glad that you have agreed to join the BOG". He continued that he had known me during his days at PWC and recollected certain events of mine involving Mr. Sankar Datta (ex-Partner, PWC), and made me look easy for the meeting. By then many other BOGs had joined in and I was formally inducted at the BOG, with Mohan proposing my name. Thus, began our deep friendship.

Mohan was always soft-spoken, and he was friendly and courteous in his exchanges during meetings. His firm views on Chapter events and administration helped us overcome possible gaps that could have emerged. His sharp wits and humour were a treat for all of us at BOG meetings. We had opposite views on national leadership, yet he never failed to point out the good he felt in the leadership. On 26th Oct, which day he sent his last message in our Whatsapp group, he provided us with a small presentation titled: "The India Story: Speeding up for take-off". But he has speedily taken off from us without a whimper. Even his end has been smooth that he left without others noticing him taking off for the eternity. It will be difficult for us to forget this great soul and personally I have lost a very entertaining person, whose vacuum is hard to fill up!

May his soul rest in peace.

PK Ranganathan

Madras Chapter (IPP)

H.C. Aneja Served Profession with Distinction



It is with sadness that The IIA notes the passing of a member of our global family.

Hari Chand Aneja, a distinguished leader serving the internal audit profession for nearly 40 years, died recently at the age of 95.

Mr. Aneja was instrumental in the formation of IIA-India. As a founding member of the IIA Bombay Chapter, he eventually rose to become IIA-India President in 1981. In 2000, Mr. Aneja was presented with the “Life Time Service Award” by IIA-India in recognition of his commitment to the profession. He received his CIA certification in 1973.

At the time of his retirement in 1991, Mr. Aneja was head of Internal Audit of the Bajaj Group, one of the largest industrial groups in India.

Born in rural Pakistan in 1921, Mr. Aneja arrived in India after the partition in 1947. In addition to his internal audit career, Mr. Aneja became a regular contributor to the opinion pages of The National, a media outlet in the Middle East. In an article about Mr. Aneja’ passing, The National noted that his columns were “full of recollections from the pre-war and pre-Partition era, making him a unique and engaging voice” who was known to readers as a “perceptive commentator on south Asian history and current affairs.”

Mr. Aneja ‘s son Naren and granddaughter Aanchal are also Certified Internal Auditors.

Naren Aneja, who is Chief Executive of Aneja Associates and serves on The IIA’s Global Board of Directors and Advocacy and Finance committees, said of his father, “He has mentored over a thousand professionals in the field of internal audit. He leaves behind a profound legacy of professionalism, integrity and compassion. Throughout his career, he kept a quote on his table, which read, “There can be no truth where there is no courage.”

Source: <https://global.theiia.org/news/Pages/h-c-aneja-served-profession-with-distinction.aspx>

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