

# Audit Committee Considerations for Cloud Migrations

March 2023



# With you today from PwC



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Kristen is a Director in the PwC Digital Assurance & Transparency team. For over 12 years Kristen has helped Financial Services clients in the Insurance and Banking industry, focusing on risks and controls reporting. She leads multinational teams in performing controls based audits related to SOX, SOC, and regulatory reporting, including first-year audits and those with auditor transitions. She has a track record of leading clients through both IT and business-led transformation initiatives with a focus on impact to internal controls over financial reporting, most recently supporting a large separation and IPO that incorporated a large transition (thousands of assets) from on-prem data centers to the cloud.



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James is a Director in the PwC Digital Assurance & Transparency team. For over 12 years James has worked with Financial Services companies to deliver a wide range of technology risk and internal controls solutions. James focuses on risks and controls associated with cloud adoption. He is a lead Director on the PwC US Cloud Digital Assurance & Transparency team and in that role he advises clients on the design of controls to address cloud-specific risks.





# Cloud adoption in the Insurance industry

Cloud deployments are booming. Technology leaders are embracing environments that are instantly scalable, with modern delivery capabilities automating many of their tasks to help them work faster.

Risk managers, compliance officers, auditors and regulators want to know how, in this new technology landscape, Cloud teams design and apply controls to manage security and resiliency risks.

**Is your organization ready to show them how risks are managed and your Cloud environment is controlled?**



## Regulators focus on cloud governance and controls

Use of cloud computing continues to be a focus area for the regulators, in particular, the [FFIEC Architecture, Infrastructure, and Operations handbook](#) sets out risk considerations for cloud computing. The risks identified in the handbook are a helpful reference point whether or not a company is regulated by the FFIEC.



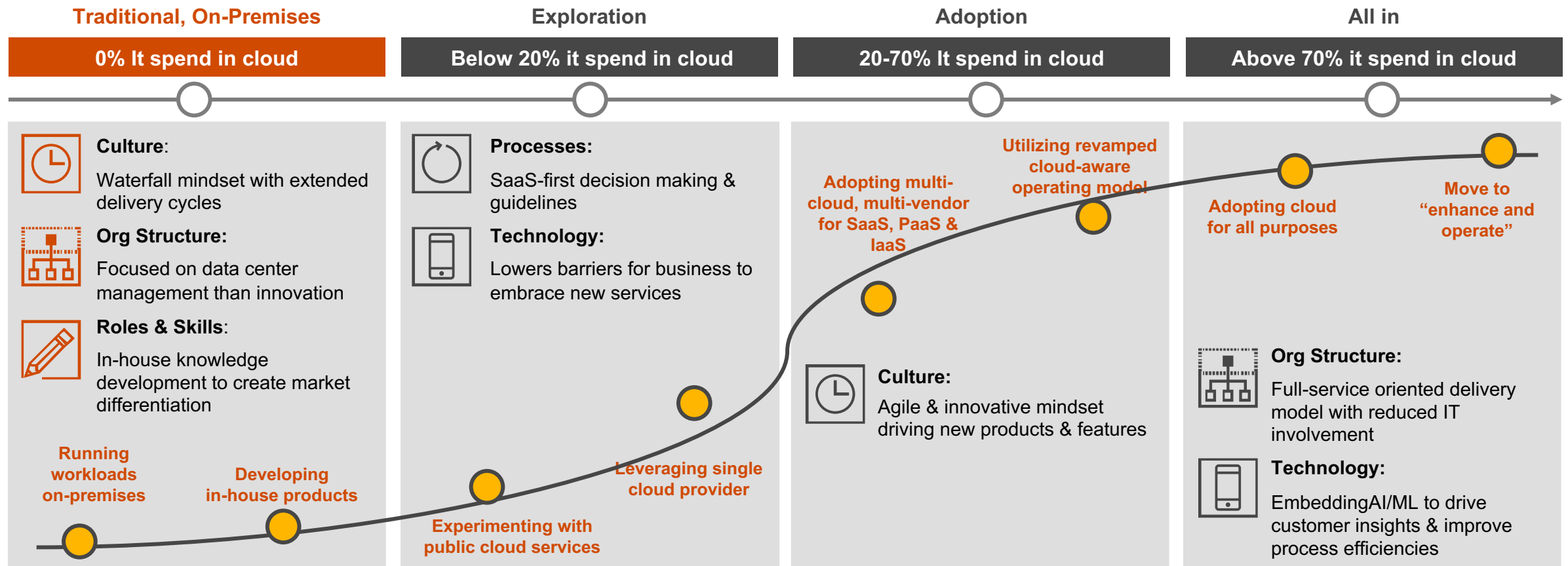
## Significant Challenges facing Insurers

- Talent acquisition and retention preventing insurers from achieving their innovation goals
- Ever increasing technical debt, including monolithic batch job based architecture, and competing priorities make choices challenging and sometimes at odds (large scale migration vs. slow and steady, competing transformation initiatives)
  - “What is your why?”
  - Technical agility and resilience to stay competitive with InsurTechs



# A Cloud Adoption Lifecycle

Gartner estimates that over **85% of organisations will embrace the cloud-first principle by 2025**, with over 95% of new workloads being deployed on cloud-native platforms (up from 30% in 2021).



## Risk & Control Challenges

Lack of strategic planning for the migration of critical business services

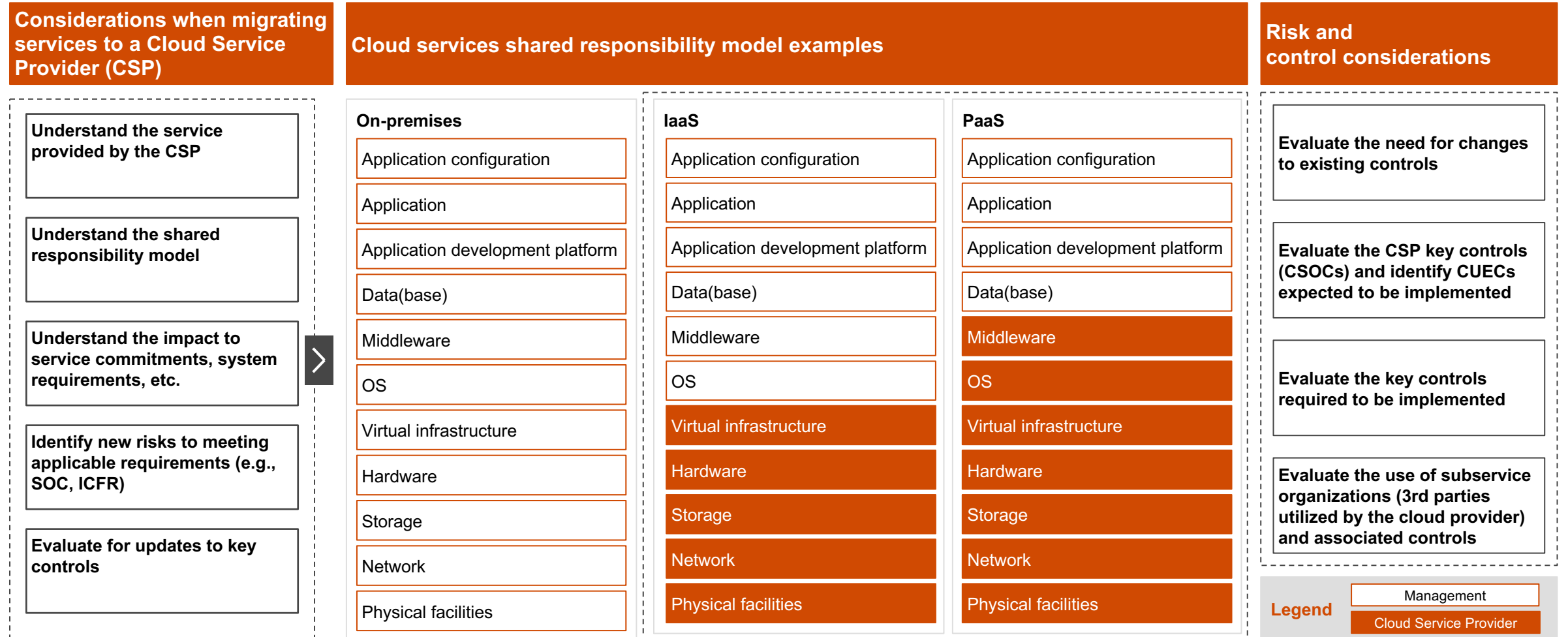
Undefined roles and responsibilities for risk and control governance

Expanded opportunities for risk and control rationalization and automation of control execution

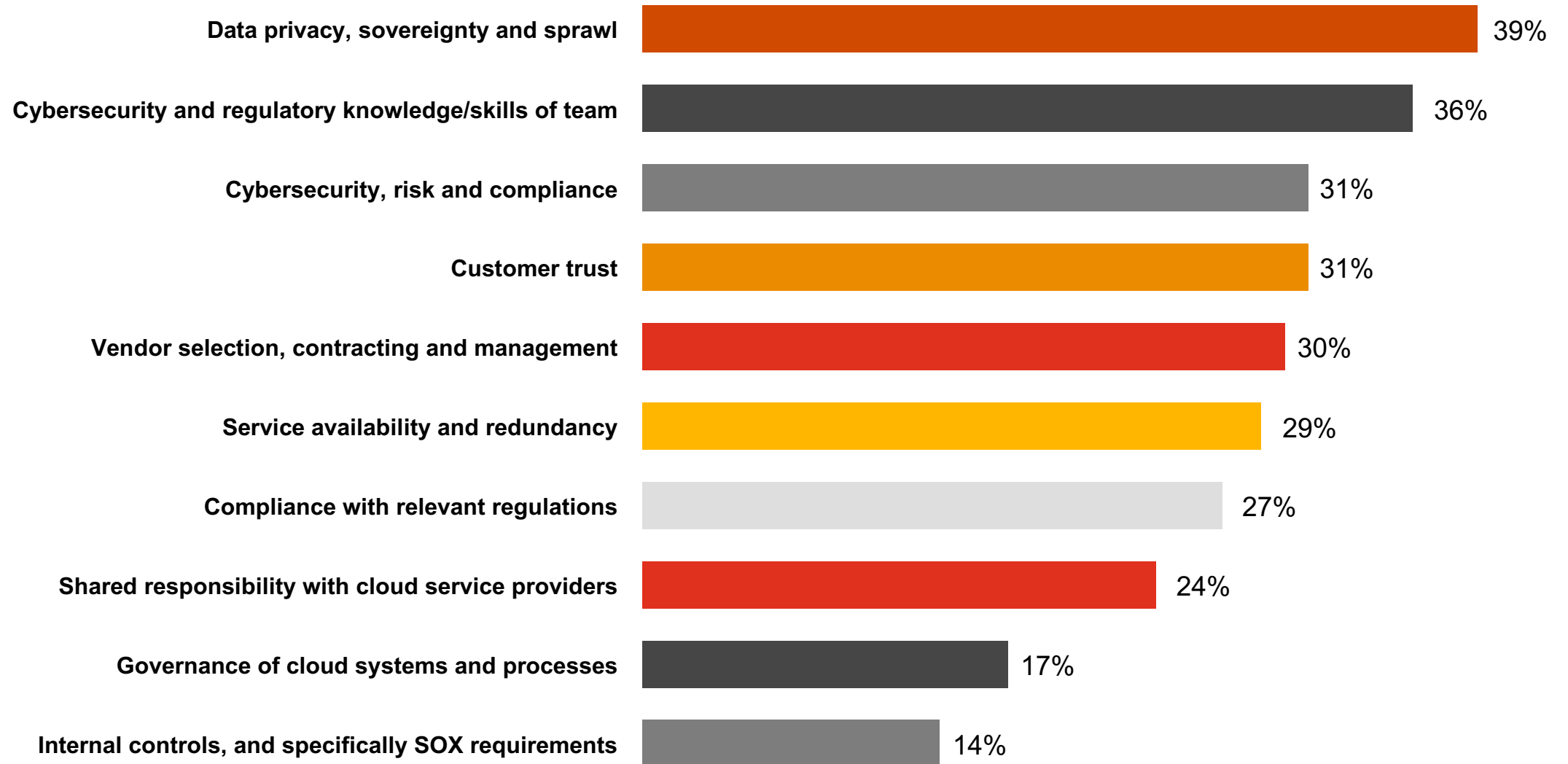
Cloud/third-party service providers concentration presents firm with a significantly changed technology risk environment

# Shared responsibilities with cloud providers

Shared responsibility is a key concept for all types of cloud and managed services. According to Gartner, by 2023, **99% of failures related to Cloud services will be incurred by customers rather than by service providers.** In variety of cases we observe this due to a misunderstanding of roles and responsibilities.




# Cloud trust, risk and compliance – What is typically overlooked?





Source: 1: PwC US Cloud Business Survey (<https://www.pwc.com/us/en/tech-effect/cloud/cloud-business-survey/risk-management-leaders.html>)


# What we have learned


Below are the watch points we have encountered during our engagement with clients


 Ensure the right skills exist for governance and oversight - each line of defense and at the Board level

 Understand strategy for cloud as a key enabler of attracting and retaining technology talent

 Examining Cloud spend can help optimize and reduce expenses

 Importance of prioritizing designs to meet regulatory and business requirements

 Upfront infrastructure and application assessments are critical for determining compatibility

 Support from the Cloud provider can provide additional insight which may have not been otherwise known or available to the public

# Thank you

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