

Internal Audit

Mission and Purpose of Internal Audit

The Internal Audit Division, from an independent and objective position, performs assurance activities (objective verification of obtained materials, etc.) with the mission of enhancing and safeguarding the value of the organization through the improvement of operations. It also aims to evaluate the effectiveness of risk management, operational management and governance processes and support the achievement of organizational goals through systematic and disciplined approaches targeting improvement.

Independence of Internal Audit

Securing independence by reporting directly to the Audit Committee

The Company has established the Internal Audit Division that is independent of business execution and reports directly to the Audit Committee. The formulation of the annual internal audit plan and budget requires the approval of the Audit Committee or their selected member, and the appointment or dismissal of the Internal Audit Division Head requires the consent of the Audit Committee or their selected member, thereby ensuring its independence and objectivity from business execution.

Operational Structure of Internal Audit

Consistent structure across the Group and close coordination with the Audit Committee

In addition to the Group Internal Audit Department within the Company, it has also set up dedicated internal audit units (and personnel) in major subsidiaries in Japan and overseas. This allows it to audit business and corporate functions across Nomura Group using globally unified methodologies. Specifically, the Internal Audit Division operates under a global matrix structure based on functions and regions. Highly-skilled and experienced personnel in internal auditing and related areas have been appointed as Global Portfolio Directors for each business and corporate function to be audited, thereby enhancing overall consistency and evaluating the internal controls of the entire group globally with coherency.

In addition, the Senior Managing Director in charge of the Internal Audit Division reports directly to the Audit Committee on the development/operation of the internal audit organization and the progress of internal audits, and also incorporates in the annual internal audit plan the points the Audit Committee deems necessary for review, ensuring the effectiveness of internal audits through coordination between the Internal Audit Division and the Audit Committee.

Initiatives to Enhance the Sophistication of Internal Auditing

Introduction of consistent audit methodologies across the Group and promotion of the use of data analytics to enhance the sophistication of the auditing approach

The Internal Audit Division of Nomura Group takes a risk-based approach in principle to effectively and efficiently utilize audit resources and allocates audit resources according to the type and degree of inherent risks. The Internal Audit Division has adopted globally unified internal audit methodologies (which adhere to the International Professional Practices Framework (IPPF) established by the Institute of Internal Auditors (IIA)) to support group-wide internal auditing activities. In addition, in order to promote the use of technology in internal audit activities throughout the Group, a dedicated data analytics team has been formed, and personnel with expertise in data analytics and management have been assigned in each region to advance the use of data analytics in each internal audit activity. Efforts are also being made to implement continuous monitoring and other initiatives using data analytics. Furthermore, the Internal Audit Division undergoes a quality assessment of internal audits on a group-wide basis by external experts approximately every five years, in accordance with internal regulations and the IPPF Standards. The results of these assessments are also utilized to enhance the quality and sophistication of internal audits.

● Internal Controls System Framework

