

Transforming your Audit Department through Technology

Marilynn Kessler

Consultant National Accounts- TeamMate



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IIA Survey Focusing on Effective Use of Audit Technology

- Rate the importance of effectively using technology¹:
 - 77.4% of CAEs - "Important," "Very Important," or "Extremely Important"
- Rate your level of performance in effectively using technology¹:
 - 85.7% of CAEs - "Inadequate," "Somewhat Adequate," or "Adequate"

(1) February, 2011 IIA GAIN survey



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Technology Sources

- 2013 IIA Hot Topics
- 2012 and 2013 IIA Top QAR Findings
- Developing and Effective Internal Audit Technology Strategy - IIA Audit Executive Center
- Audit Technology Insights - Conversations with Key Audit Leaders



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Core Technology Processes

- Technology Strategy & Focus
- Risk Assessment & Monitoring
- Audit Planning & Scheduling
- Knowledge Management
- Data Analysis & Mining
- Audit Reporting & Issue Tracking
- Audit Execution & Documentation
- Training
- Human Resources
- Quality Improvement

Source: Developing an Effective Internal Audit
Technology Strategy - IIA Audit Executive Center

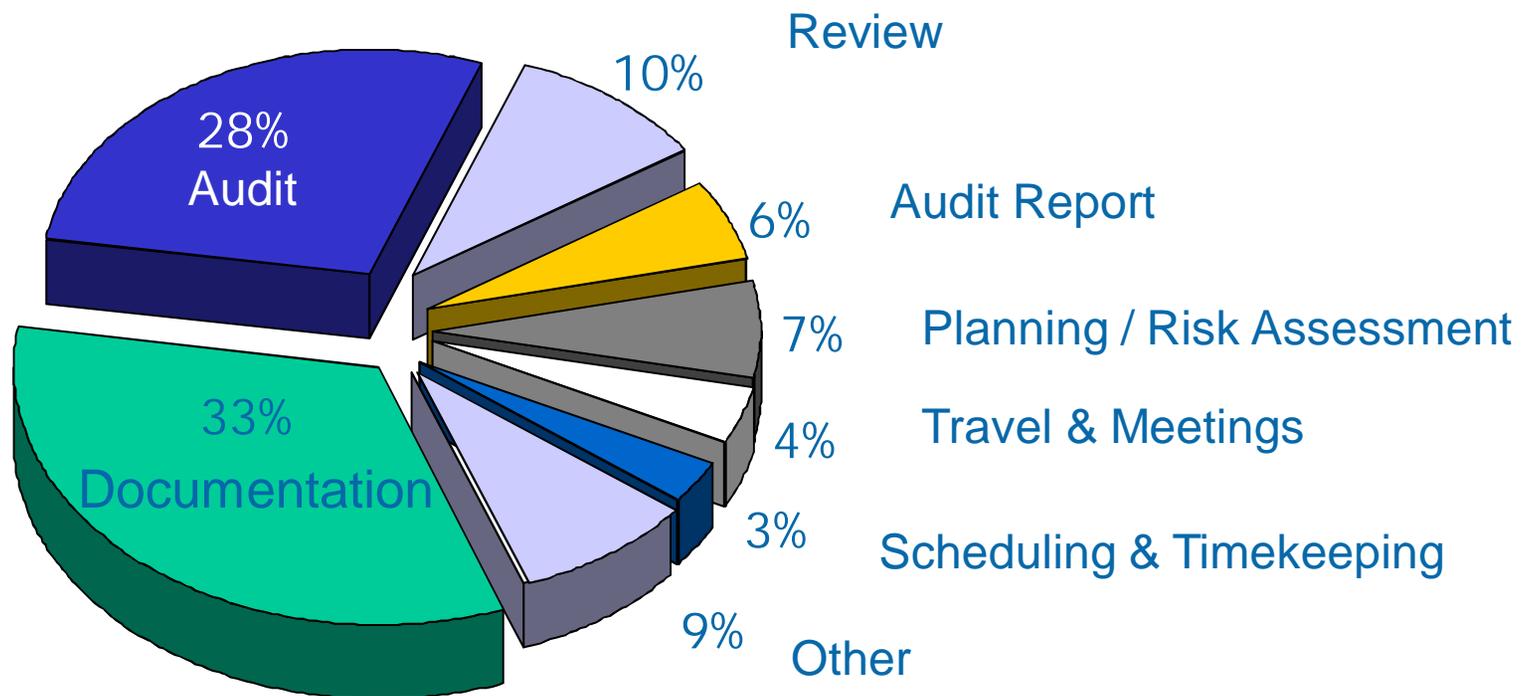


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Time Spent on an Audit



Results of TeamMate Survey



Risk Assessment



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Top IIA QAR Finding - Assessment Risks are not in Projects

Solution using Technology:

- Utilize technology to document a risk assessment at a macro risk level and in time at a specific risk level.
- Automatically create audit projects that incorporate the risks from the assessment and create the audit program.
- As you are identifying your process specific risks as part of the audit, categorize those risks into high-level categories or ERM risk factors.
- Use a risk assessment tool that has a strategic perspective to see how the detailed risk scores “roll up” to a high-level risk category or ERM risk factor.
- Roll forward conclusion of audit risks to the next assessment period.



Other Areas of Efficiency in Risk Assessments

Technology Requirements:

- Clear documentation of risks and controls against an entity
- Ability to perform self assessments - broader reach in the organization regarding risk
- Ability to roll forward a risk assessment from one period to the next period, incorporating audit results and new self assessments
- Leverage the organizational hierarchy (view on risks) from other compliance functions in the organization
- Ensure coverage across other risk management disciplines
- Creation of dashboards and reporting on top risks and audit issues identified
- Creation of heat maps of key risks affecting the overall business or areas of the organization with the highest risk scores



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Audit Plan / Scheduling



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Areas of Efficiency in Audit Planning / Scheduling

- Flow through of the risk assessment to audit plan / schedule
 - Understand project qualifications required
- Alignment of personal skill inventory to project needs/requirements
- Transparent personnel scheduling
- Informed about upcoming schedules and related staffing needs
- Compliance with IIA Standard 2200 - Engagement Planning
 - Staffing & Scheduling of appropriate levels of staff
- Ensures sufficient utilization of staff



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Audit Execution / Documentation



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Leverage Technology - Audit Execution / Documentation

- 2012 and 2013 Top IIA QAR Findings include:
 - Review of audit/ engagement work should be more timely
- 2013 Hot Topics for Internal Audit include:
 - Audit speed - opportunities for enhancement

All topics above can be managed and achieved through the use of technology.

Source: IIA Top QAR Finding and Hot Topics for 2013

Top IIA QAR Finding - Timely Review of Work

Solution using technology:

Using an audit management system with summary viewers can help you quickly find what you are looking for and need to review:

- Filter on items reviewed/reviewed by a certain person
- Filter on items prepared/prepared by a certain person
- Filter on items edited after review
- Filter on high priority/risk issues
- Filter on any user-defined criteria



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IIA Hot Topic -Audit Speed - Other Opportunities

- Electronic workpapers improves productivity and efficiency of the entire workflow process
- Incorporate your audit methodology into a consistent and standard format
- Incorporate standard templates for use in every audit or specific testing steps
- Creates efficiency in the documentation and review of work papers and audit steps - linkage of items
- Less time documenting and more time auditing the key risk areas
- Improves quality of review, audit program, and work papers
- Generate the audit report



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Knowledge Management



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Areas of Efficiency in Knowledge Management

- Leverage existing content to conduct reviews
- Maintain a collective knowledge base for future projects/auditors
- Create relationships between objectives, risks, controls and test steps
 - Assists and simplifies your Risk Assessment process and promotes “smart” auditing
 - Linked Risks/controls automatically flow into the risk assessment
 - Linked risks/controls/test steps automatically flow from risk assessment to audit workpapers
 - “Head Start” in the overall audit planning process
- Knowledge base with content from audit management solutions
 - Evaluate your audit department against IIA standards with IIA QAR audit program
 - Perform a variety of audits with readily available programs - COBIT, HIPAA, Social Media, Business Process, FISCAM, etc.
- Download a “local” copy to use when disconnected
- Boiler plate Issue write ups help develop your audit report
- Easily send new content to the knowledge base
- Capture SME content for future use





Issue Tracking



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Leverage Technology - Issue Tracking

- 2012 and 2013 Top IIA QAR Findings include:
 - Findings from 3rd party reviews/audits should be included in the follow up process

Topic above can be managed and achieved through the use of technology.

Areas of Efficiency in Issue Tracking

- Linkage of workpaper documentation to issue tracking
- Real-time issue tracking
- Ability to categorize issues and then perform trend reporting
- Ability for reviewer to focus on high risk/priority issues through filtering when reviewing
- Integration with management on follow-up and response to issue tracking
- Automated emails to notify management when an issue is coming due or past due
- Drives reporting of outstanding issues and how long the issue has been outstanding
- Ability to capture and track third party findings and report accordingly





Reporting



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Leverage Technology - Reporting

- 2013 Hot Topics for Internal Audit include:
 - Change in reporting needs of audit committees and chief audit executives
 - Key performance indicators that internal audit groups are measured on
 - Status reporting of fraud investigations
 - Effective reporting of risk assessment results

All topics above can be managed and achieved through the use of technology.

Source: IIA Top QAR Finding and Hot Topics for 2013

Areas of Efficiency in Audit Reporting

- Studies show departments typically spend 15-20% of time generating audit reports
 - Technology streamlines the process and provides a better linkage between work completed and the audit report.
 - Provides consistency of issue tracking and decreases time to produce reports
- Integration with management on follow up and response to issue tracking
- Drives audit committee and senior management reporting
 - Identifies high risk areas across the business
 - Identifies controls that may be failing in multiple locations
 - Identifies high risk / high priority issues that are outstanding and/or past due
 - Identifies trends in identified issues
 - Assists in realignment of audit plan and continuous risk monitoring
 - Assists in coverage of business across multiple disciplines



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Data Analysis

Areas of Efficiency in Data Analysis

- Enhance and reengineer the internal audit processes
 - High priority initiative driven by the need to test high volumes of data and transactions
- Requirement of continuous auditing and monitoring
- Moving up the technology maturity curve requires a deep understanding of existing organizational data, including structures and uses
- Replaces random sampling and allows the department a deep look into the data and exceptions to the data
- Teach business owners to run queries on their data to identify discrepancies in the data



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Technology Survey by Wolters Kluwer

Key Success Factors is based upon a 5-Step Strategic Framework

1. Convey the right “Tone at the Top”
2. Make technology use a high priority or even compulsory
3. Selectively hire technology skilled individuals
4. Train, train, train....the train some more
5. Measure what really matters because what gets measured, gets done



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1. Convey Right “Tone at the Top”

Single biggest factor for enhancing technology effectiveness is strong support from the CAE

- ✓ Audit Management Survey respondents cite importance of CAE leadership and support
 - Top-rated factor in using technology more effectively
 - Sets the right tone for the internal audit organization

“ One of my first priorities when joining MGM Resorts in 2003 was to increase technology support for Internal Audit ”

Robert Rudloff,
Vice President
Internal Audit
MGM Resorts

Another Key Factor: Openness to Change



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2. Prioritize Technology Use

Make technology use a high priority or even compulsory

It is imperative that the audit staff both understand and use the technology tools on every audit

Technology use needs to be an expectation as opposed to a "nice to use."

"We strive to use data analytics in every audit"

Tara Rexroth,
Internal Audit
Director
Western Union

"We expect every member of our team to apply technology to every audit. At the end of each audit, staff are required to demonstrate how they leveraged technology, and if they failed to do so, then they need to explain why."

Michael Sekoni
VP & General Auditor
Accident Fund Holdings



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3. Hire Technology Skills Selectively

Inability to dedicate sufficient staff to technology activities and the lack of technology skills the most cited barrier to leveraging technology

To address these obstacles:

- a.) hire outside talent with strong technology skills to jump start major technology initiatives
- b.) establish a technology “champion” within your department
- c.) partner with IT to create value
- d.) tap outside resources to expand expertise

Observation:

The ability to hire people with significant technology skills is challenging in today’s operating environment:

- Technology talent is likely to remain in short supply
- Adequate budgets can be difficult to obtain

“My top goal is to find people with deeper, more intense data analysis experience that we can leverage”

Kimberly Phegley,
Internal Audit Director
Lifeway Christian
Resources

4. Train, train, train ...

Training does more than any other practice to help utilize technology more effectively.

In addition to training conducted within the corporation, I allocate about \$5,000 per staff member for outside technology and business training - and that's over and above the cost of travel and lodging.

I also budget \$7,500 per manager and \$10,000 per director for training.

Kevin McMahon,
Senior Vice President & Chief Compliance Officer
Calpine



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5. Measure what Matters

Measure what really matters because what gets measured gets done

Performance Measures Take on New Importance

Some internal audit groups have implemented performance measures to assess the nature and extent of their technology utilization.

A solid program of performance measures may be the “missing link” to enhance technology effectiveness.

survey responses:

76% rate their own performance measures as “inadequate, marginal or adequate”

80% lack performance measures to know how effectively they are leveraging technology

73% do not track or measure the extent to which they utilize technology to perform audits

Metrics can include:

- Length of Audits - pre and post technology
- Days to issue report
- Timeliness of issue follow-up
- Time to prepare audit committee reports
- Timeliness of audit file review
- QAR results



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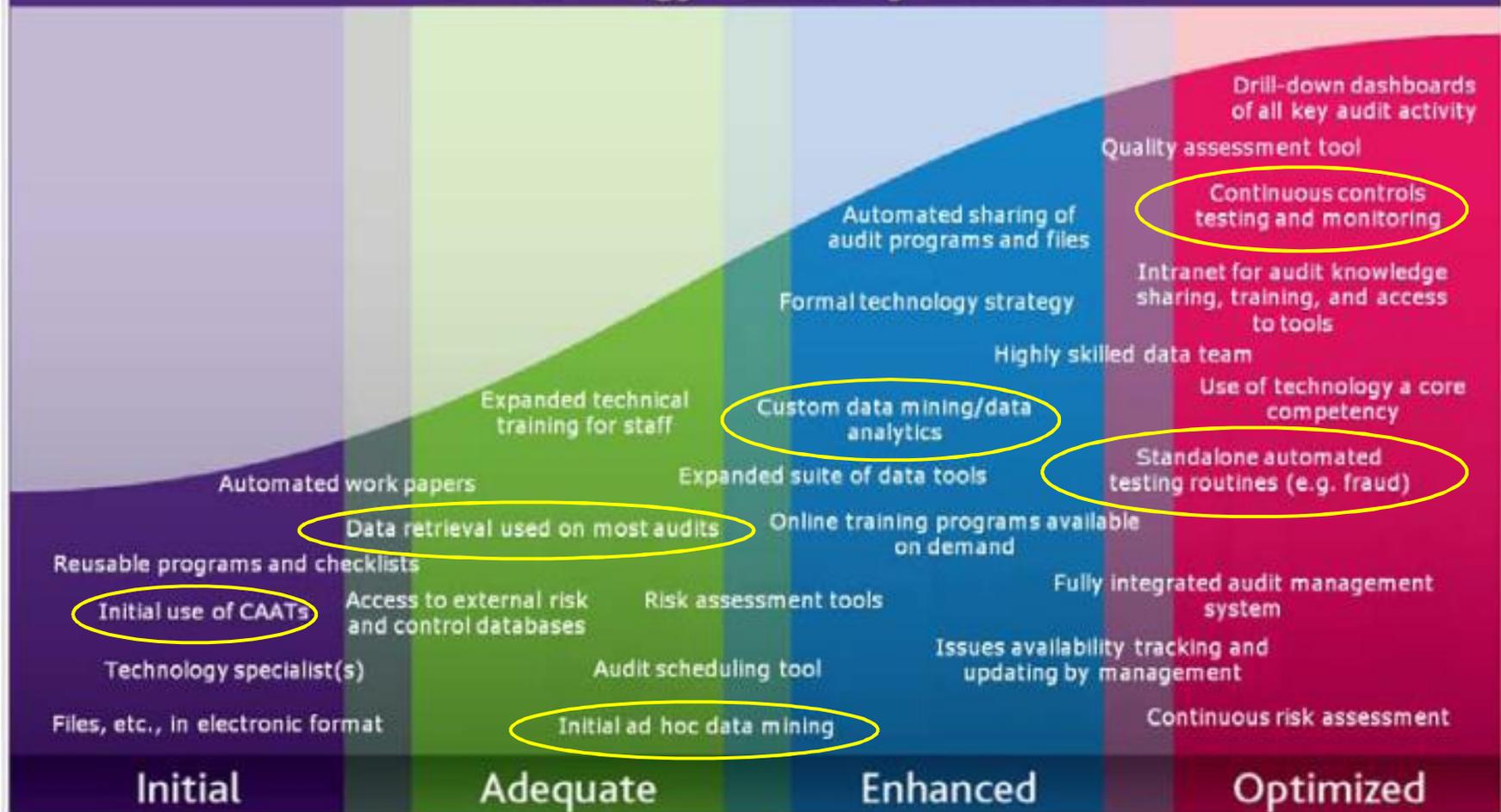
Where is technology usage expected to increase the most in the next two years?

Chart 1:
Future Use of
Technology

Over the next two years, we expect our use of each of the following tools to increase:		Rank
	Data Analytics (e.g., ACL, IDEA)	1
	Risk Assessment	2
	Automated Issues Tracking, Follow-Up & Reporting	3
	Audit & Resource Scheduling / Continuous Controls Monitoring	4 (tie)

“Data mining despite its widespread use, is a relatively new practice for many organizations.”

Technology Maturity Curve



Source: TeamMate Technology Maturity Model®



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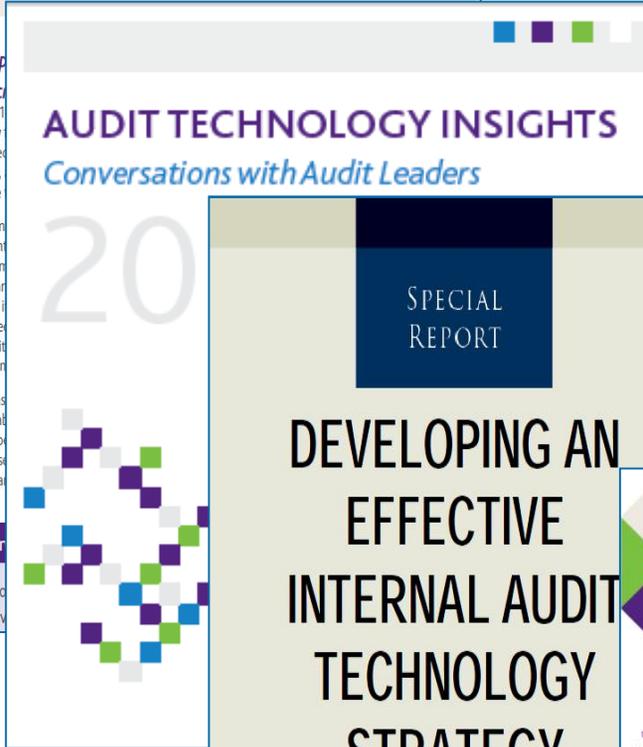
Enhancing Audit Technology Effectiveness
Key Insights from TeamMate's 2011 Global Technology Survey

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AUDIT TECHNOLOGY INSIGHTS
Conversations with Audit Leaders

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SPECIAL REPORT

DEVELOPING AN EFFECTIVE INTERNAL AUDIT TECHNOLOGY STRATEGY

SEPTEMBER 2012

Resources Available
www.teammatesolutions.com



Enhancing Audit Technology Effectiveness
Key Insights from TeamMate's 2012 Global Technology Survey

Survey Data Reflects Broad Global Use of Data Mining, Provides Insights to Move Up Technology Maturity Curve

The 2012 TeamMate Internal Audit Technology Survey (IATS) confirms that data mining and data analytics are top-of-mind considerations for internal auditors around the world. At the same time, however, survey results indicate that data mining, despite its widespread use, is a relatively new practice for many organizations.

"Data mining, despite its widespread use, is a relatively new practice for many organizations."

When asked which technology tools they expect to use to a greater extent over the next two years, the 2012 survey respondents pointed to data analytics as their #1 choice. Risk assessment tools, top-ranked in the 2011 TeamMate global technology survey, moved to second place in 2012, followed by issues-tracking tools, which were ranked #2 in 2011. Although risk assessment tools dropped a notch in the rankings, there is obviously a strong and growing connection between data mining and risk assessment applications.

Over the next two years, we expect our use of each of the following tools to increase:		Rank
Data Analytics (e.g., ACL, IDEA)		1
Risk Assessment		2

Chart 1:
Future Use of Technology