

Increasing internal audit value

How technology makes audit more valuable
to the C-suite

Table of contents

Increasing internal audit value	1
Internal audit must embrace technology	3
Internal audit's role has changed	4
Technology adoption is a big problem	5
What are you working with?	6
Using purpose-built software to improve internal audit value	8
01 Obtain buy-in from leadership & align strategies	9
02 Set goals & measure progress	10
03 Align technology with strategic objectives	11
04 Map your IA processes to find where technology fits	12
05 Get rid of operational silos	14
06 Embrace data analytics	15
07 Drive your new technology-centric vision	17
What did we learn?	18

Internal audit must embrace technology

*Internal audit has evolved—and so has audit technology. Now, **business leaders have much higher expectations** of the value internal auditors should deliver to their organizations.*

We know that technology plays an important role in helping auditors do their jobs and deliver more value to the C-suite. However, there is a serious technology performance gap. Many audit teams are still relying on outdated technology and processes, and this limits their ability to deliver meaningful insights that really add value.

To transform its effectiveness through technology, internal audit needs to:

- + Make technology a strategic imperative
- + Align audit's technology use with risk and compliance
- + Effectively manage technology implementation
- + Design audit processes that maximize current technologies
- + Integrate automation and data analysis
- + Move beyond organizational silos.

At Galvanize, we create purpose-built technology to help internal auditors deliver the strategic insights that boards and executives are seeking, and become valued business partners.

Internal audit's role has **changed**

In the early 2000s, internal audit was very different. The typical focus for audit teams was to complete the traditional cyclical audit of specific financial and operational areas.

The approach was predictable, and procedures barely ever changed between cycles. You could simply look at a prior audit workpaper file, and do what was always done. Auditors dutifully followed a well-established audit program, with heavy reliance on internal control process walk-throughs and sampling.

Internal auditors were seen by senior management as something of a “necessary evil”: diligent, detail-oriented, and responsible professionals, with an obsession about matters that weren’t expected to contribute much to greater organizational objectives.

Fast-forward to today and the internal audit function has undergone a complete transformation. Now, internal audit is expected to be heavily involved in the assessment of the risk management function. Auditors are expected to act as value-adding advisors in many aspects of an organization’s operations.

We often hear that progressive internal audit departments want “a seat at the table.” They want to be taken seriously by the C-suite and highly regarded for the value they can contribute.

But to achieve this, internal audit teams need to free up their time and resources to focus on higher-level strategy development and critical thinking. This is where technology helps.

Technology adoption is a big problem

Technology is a key factor that drives how the internal audit profession is evolving.

Unfortunately, few internal audit departments are really able to act as major contributors, and more often than not, it's because of weak technology adoption.

PwC surveyed internal audit leaders and found that more than half of the respondents were concerned that weak technology adoption would diminish the value they add to their organizations.¹ The study also confirmed that three-fourths of those using advanced technologies contribute significant value.

These studies tell us that internal audit is currently playing catch-up on technology adoption. Look at any functional business area and it's a good bet that in the past five years there's been huge investment in resources and systems. How many businesses have been transformed, in terms of competitiveness and efficiency, through the use of technology?

Technologies like machine learning, automation, data analysis, and advanced visualization tools can help you solve resourcing issues and improve processes.

If you're lagging in technology adoption, it's time to find a way to move forward.

Protiviti² found the technology adoption rates of many internal audit departments were below 50%. And nearly 40% haven't implemented any data analytics.

¹ PwC, 2018, *State of the internal audit profession study*

² Protiviti, 2017, *Internal audit capabilities and needs survey: Embracing analytics in auditing*

What are you working with?

First, realistically evaluate if your existing technology can do the job. Start by considering the following questions.

Can your current audit management system handle process changes?

- + Can you update and share information from anywhere, any time?
- + Can you get an immediate view of the status and progress of every audit project if you access it on a mobile device?
- + Are you confident about sharing a dashboard of current quantified findings and risk trends with senior management?

Is your current audit software truly intuitive and easy to use?

- + How much time and money is spent on software training?
- + Do you ever find that users forget what they learned within weeks because of unnecessary complexity?

If your technology is based on Microsoft Office, how much time is spent updating, organizing, managing, and sharing spreadsheets and Word documents?

- + Are your review and sign-off procedures efficient and secure?
- + Do you have a well-managed, centralized repository of findings and reports?
- + Do you know how much time is spent on tedious low-value tasks and high-risk gaps?

Are you managing your data analysis?

- + Do you know whether the data being analyzed is complete and validated?
- + Can you rely on the integrity of analytic tests?
- + Is the underlying data as secure and well-controlled as core business process data?

Does your use of technology demonstrate to the Audit Committee and C-suite that you must have a “seat at the table”?

- + Internal audit has a unique role and perspective within the organization. But how do you demonstrate it within the governance structure and to key decision makers?
- + Are your slide decks and manually generated reports really going to impress business leaders and prove that technology is being used effectively? Do they look professional? Do they contain key insights that business leaders care about?



Using purpose-built software to improve internal audit value

*Are you ready to **introduce dedicated software to your audit team?***

Here are a few steps to get you started. And while these steps aren't particularly complex or hard to take—they do require a shift in thinking. They also present a very real opportunity for audit leaders to raise their profiles in the organization.

01

Obtain **buy-in** from leadership & align strategies

According to PwC,³ Evolvers (groups who are at the forefront of technology adoption) are most valuable to the organization. These Evolvers provide more value, bring on better talent, and train and enable their teams through increased use of technology. However, achieving this is only possible with buy-in from senior leadership and business leaders.

Unfortunately, in many internal audit departments, technology usage issues are delegated to someone with good technical aptitude. But that person can often lack the strategic vision, authority, and decision-making ability to really lead a technology transformation.

Ideally, the direction of the audit leader should be aligned with the directives of those responsible for risk management, internal control, compliance, and fraud detection. This one, cohesive strategy—across teams and functions—puts everyone on the same page.

There's plenty of evidence that this is a major distinguishing feature of those internal audit departments that are rated highly on effective technology use.

³ PwC, 2018, *State of the internal audit profession study*



02

Set goals & measure progress

Technology adoption doesn't just happen. It needs to be managed, just like you manage other core business areas. It must be properly funded, resourced, and measured.

You need to define and develop objectives, plans, schedules, resources, and critical milestones. Then, get the right people in place, and hold them accountable for progress and meeting those goals.

Most successful internal audit technology initiatives are also led by a change agent. Change agents are "champions" appointed by CAEs. These agents have the authority, knowledge, and strategic understanding to drive effective technology transformation.

Audit leadership is key to communicating the technology strategy and objectives to key stakeholders in the C-suite and audit committee.

03

Align technology with strategic objectives

Technology growth in areas like artificial intelligence (AI)/ machine learning, robotic process automation (RPA), cloud/software-as-a-service (SaaS), and big data are having huge effects on how organizations operate. Internal audit, perhaps more than any other functional area, has a massive opportunity to benefit from these shifts.

There's a number of dedicated audit management systems and advanced data analytics on the market, but not all are created equal.

When choosing your technology solution, consider what's important for your own internal audit team. How

do you operate now and what challenges are you looking to solve? Most importantly, look ahead to the future.

Think how you'll be expected to work in three to five years from now. Also think about your organization's strategic objectives and how the technology you choose will help meet those.

RPA is one of the most transformational technologies that organizations are adopting. With the internal audit areas of many organizations expected to do more with less, RPA is an obvious choice for freeing up resources for more valuable activities and strategic priorities.

04

Map your IA processes to find where technology fits

Look at all the key components of the internal audit process. Now think about how they should ideally fit together.

The process map on the next page illustrates a logical cycle of interrelated activities. This map is ideal for seeing all your process steps and functions, and helping you spot where technology can improve workflows. Software should support your processes in a seamless, consistent, and intuitive way. And ideally, you'd have

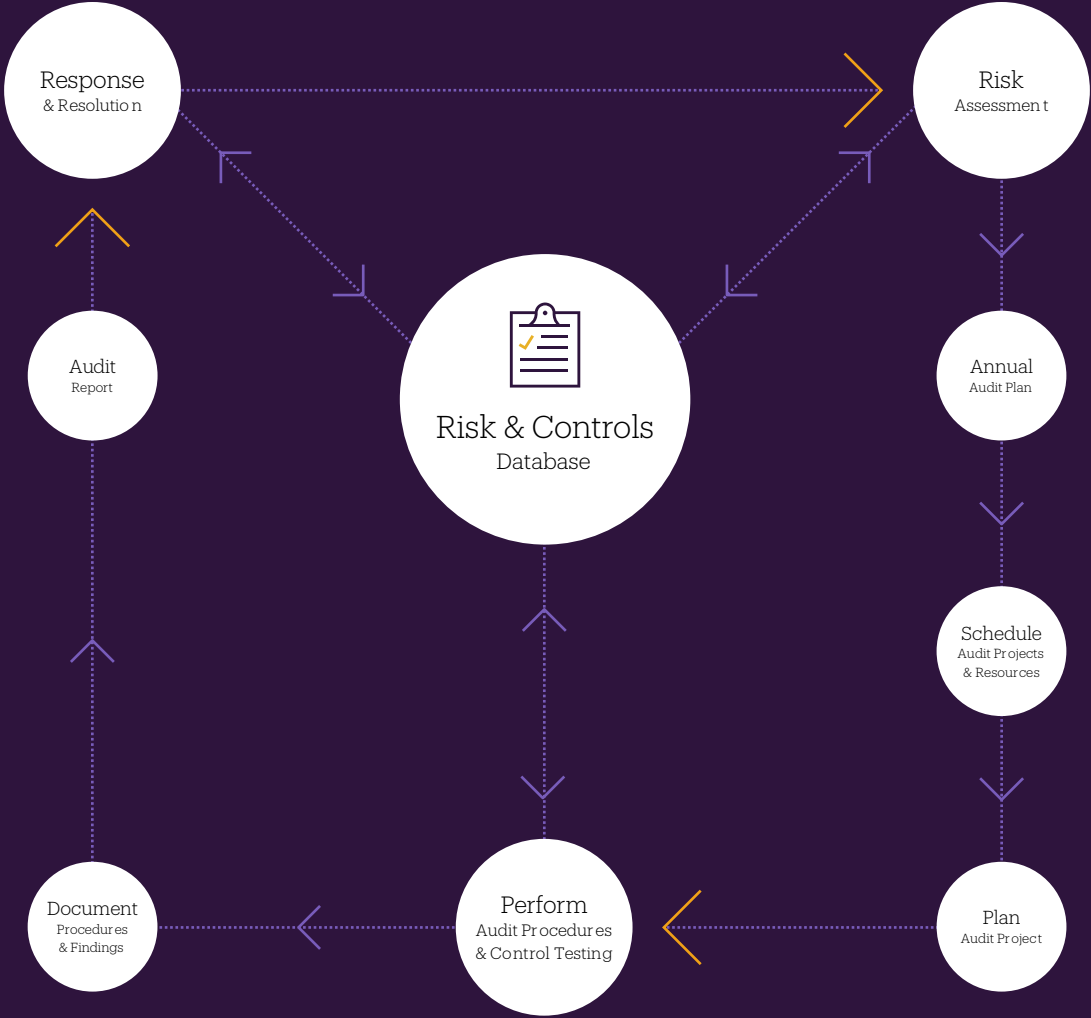
one single solution to bring all of these processes and functional areas together.

It's just not realistic to expect a breakthrough in internal audit performance by continuing to rely on a variety of different generic software tools, however convenient this may be.

“That’s the way we’ve always done it” is the obstacle to achieving better audit processes and adding more value.



Audit process map



05

Get rid of operational silos

To do its job effectively, internal audit must remain an objective and independent function. But this doesn't mean it has to operate in a technology silo.

Internal audit processes connect to many other functional areas, particularly governance, risk, and compliance (GRC).

Consider how audit and other functions all need to be involved in:

- + Identifying and assessing risks
- + Testing controls and adhering to regulations
- + Monitoring transactions
- + Flagging and investigating exceptions
- + Sharing and responding to findings and reports
- + Reviewing, monitoring, and using dashboards.

If everyone has their own technology and systems, it limits how much they collaborate. It also breeds more silos in other functional areas that use separate systems, and it's inefficient and costly.

Internal audit needs to advocate for the benefits of integrated technology systems that:

- + Support multiple areas
- + Reduce costs
- + Bring a common and aligned perspective to GRC processes.

06

Embrace data analytics

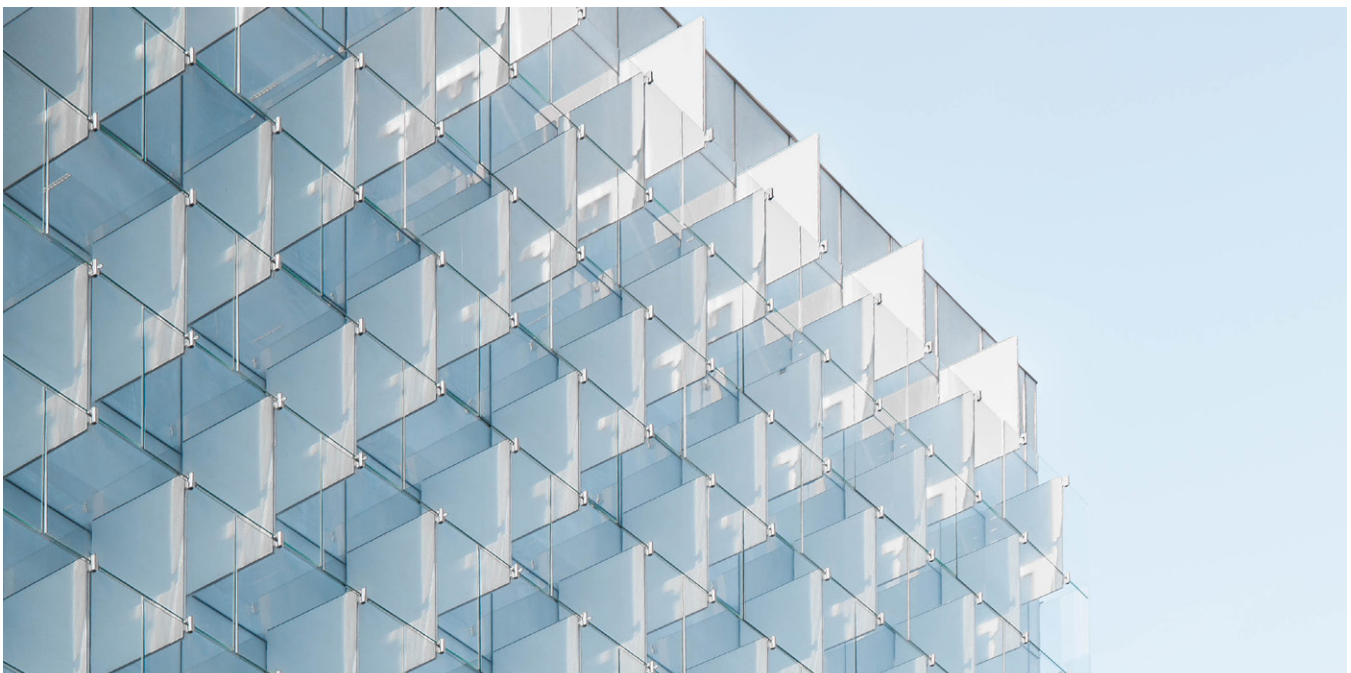
Data analysis is surprisingly under-used, even though it's a critical component of high-functioning audit departments. According to PwC⁴, internal audit must make analytics an integrated and supported part of the entire audit program.

Too often data analytics is treated as something of an “add-on” to the audit process—used sporadically and inconsistently—instead of a core strategic component.

Purpose-built audit management software is driven by data analysis, from initial risk assessment and audit planning, through detailed control testing and continuous auditing, to exception management and quantified findings and reports.

Data analysis has a huge impact as part of a transformed audit process and it can play a very effective role in quantified risk assessment and continuous monitoring.

⁴ PwC, 2018, *State of the internal audit profession study*



Data analysis & the audit process



07

Drive your new technology-centric vision

Adopting new technology is essential when it comes to transformation, competitiveness, and success in virtually every business area.

But many internal audit departments fail to really embrace technology and take advantage of its benefits.

Internal audit must become the driver of adopting value-add technology and modeling tech adoption

in other GRC areas. It's also the key to steering a technology-driven GRC strategy throughout the organization.

To make substantial change in internal audit contributions and effectiveness, audit management must seriously consider adopting new technology to transform the audit process.

What did we learn?

We've shared how technology can help build internal audit's value, executive alignment, and relevance to the C-suite. But just in case you missed it, let's recap.

Adopting new technology helps:

- + Integrate disparate audit, risk management, and compliance processes and systems.
- + Improve collaboration between the audit team, business unit contributors, and stakeholders.
- + Directly link transactional data analysis to big-picture risks and objectives.
- + Gain fact-based insights, risk assessments, and performance measurement.
- + Integrate the day-to-day audit workflow by pulling together pieces of the audit process scattered over shared drives, spreadsheets, and email.

Now it's time to go back to step one and get started. But don't worry, you're not doing this alone.

At Galvanize, we're strong believers in the power of technology to help internal auditors realize their full potential. We're on a mission to get internal auditors recognized as highly valuable professionals and become sought after throughout their organizations.

So if you need more help understanding how to integrate technology into your audit processes, we'd be happy to help.



Ready to find out
how **AuditBond** can
help you add value,
better manage your
audit workflow, and
deliver strategic
insights?



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ABOUT THE AUTHOR **John Verver**, CPA CA, CMC, CISA

John Verver is a former vice president of Galvanize. His overall responsibility was for product and services strategy, as well as leadership and growth of professional services.

An expert and thought leader on the use of enterprise governance technology, particularly data analytics and data automation, John speaks regularly at global conferences and is a frequent contributor of articles in professional and business publications.

ABOUT GALVANIZE

Galvanize delivers enterprise governance SaaS solutions that help governments and the world's largest companies quantify risk, stamp out fraud, and optimize performance.

Our integrated family of products—including our cloud-based governance, risk management, and compliance (GRC) solution and flagship data analytics products—are used at all levels of the enterprise to help maximize growth opportunities by identifying and mitigating risk, protecting profits, and accelerating performance.

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