Technology for Business Assurance

Seven Practical Steps for Sustainable Audit Analytics

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- Over 15 years of information technology audit experience in:
  - public accounting (as a former Deloitte manager)
  - private industry (leading a Sarbanes-Oxley initiative), and
  - specialized risk management consulting firms
- Strategy, program development, and design for ACL's learning, support, and consulting solutions

Agenda

- The Foundation for Audit Analytics
- 7 Steps
  - Alignment
  - Program Management
  - Standards
  - Roles and Responsibilities
  - Repository
  - Development
  - Optimization & Evolution
- Next Steps

Business challenges of the typical audit process

- Sample selections may miss problems
- Inconsistent interpretation of audit steps may result in variability between performers
- Correlating data between disparate sources can be manually-intensive, if not impossible
- Risk is ambiguous, subjective, and sometimes arbitrary
- Problems may accumulate and snowball until detected

Benefits of Audit Analytics

- Test 100% of relevant transactions
- Automate testing to allow more time for analyzing findings
- Ensure data from disparate sources supports the conclusion
- Ask better audit questions and provide more insightful recommendations
- Reduce potential for manual audit errors

How Solid is Your Analytics Foundation?

- How dependent are you on a limited group of people for success?
- How many of your analytics have remained substantially unchanged since their development?
- At what rate are you integrating analytics into new process areas?
- What percentage of your auditors are effective at brainstorming where analytics can fit into their audits?
- What percentage of your senior management team would describe your audit analytics program as invaluable?

Question:

Thinking back to your vision for where you'd like to be with audit analytics, which of the following best describe where you are today compared to that vision?

1. No defined vision/still stuck on where to start
2. Have made progress, but are quite a ways from achieving vision
3. Well on track and our desired end-state is in reach
4. We are exactly where we want to be

Foundation for Sustainable Audit Analytics

- Plan early and set the stage for long-term success
- Benefits:
  - Quicker success (and ROI)
  - Enhanced sustainability
  - Longer-term self-sufficiency
  - Predictable Quality
  - Greater value

Step 1: Alignment

Align your overall audit analytics strategy with your risk assessment process, current audit plans, longer-term audit goals and objectives

What defines success?

- Increased *efficiencies* within audit? By when?
  - To increase the number of audits within a year?
  - To do more comprehensive testing within the same population of audits?
  - To reduce audit costs? To eliminate staff?

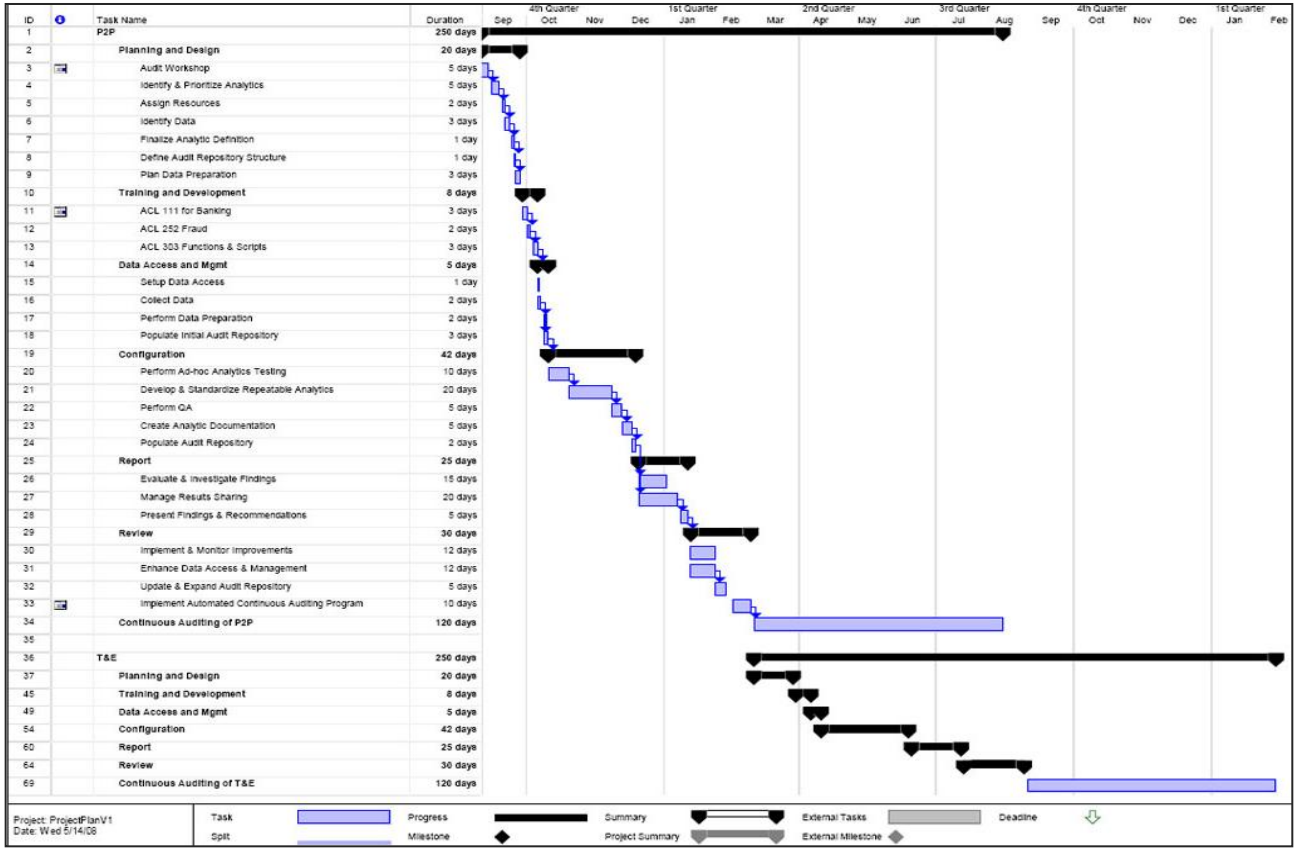
- *Offload manual testing* and re-focus audit staff on more strategic audit tasks and analysis?
  - Most time-consuming manual processes?
  - Testing disliked by auditors?

What defines success? cont...

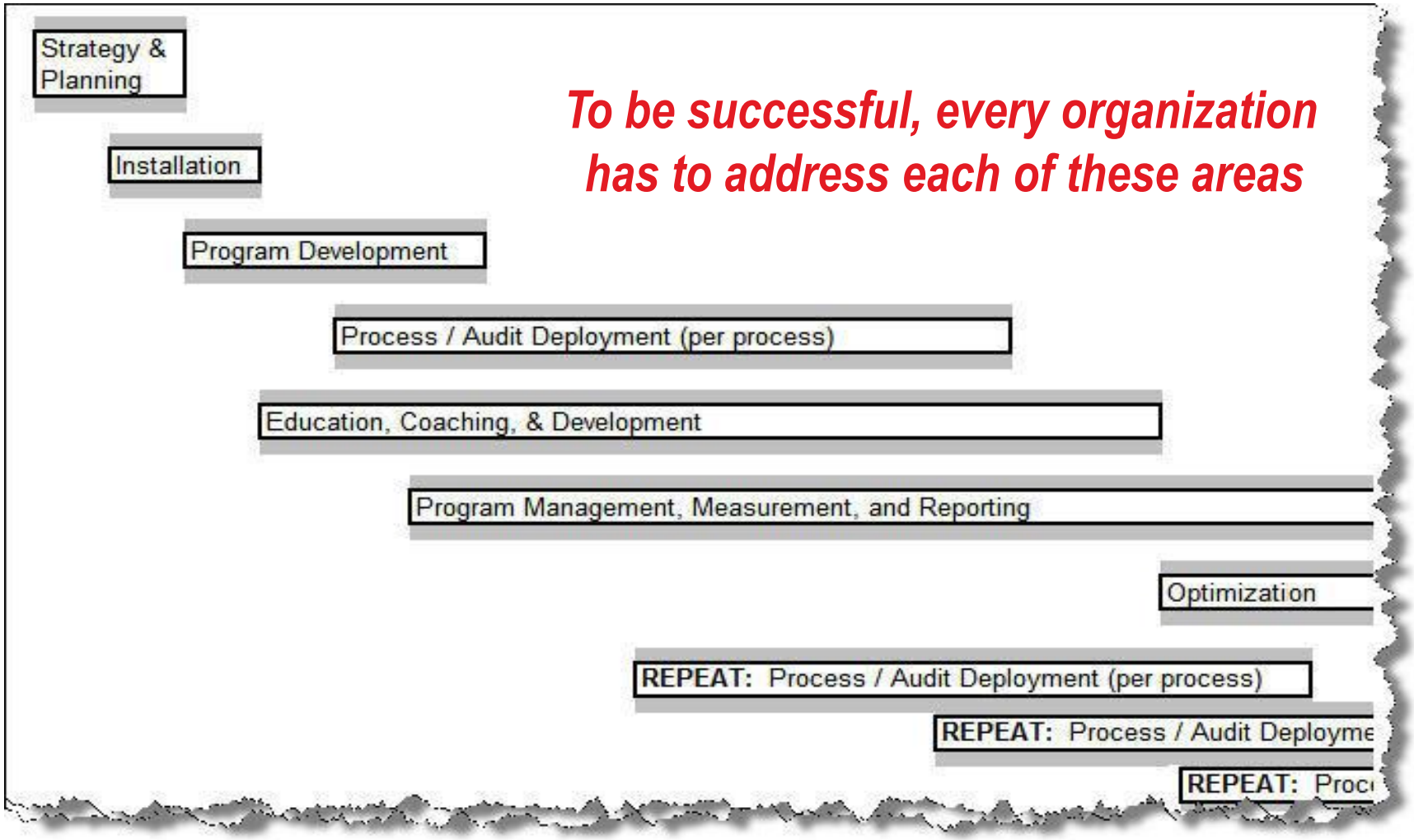
- Increase the *value* and *quality* of audit findings? Where?
  - Finding money for bottom-line impact?
  - Identifying operational inefficiencies?
- Reduce the risk of *knowledge loss*? Improve consistency?
- Implement *continuous auditing*? What scope? How soon?
- *Assurance: Sleep* better at night?

Step 2: Program Management

Manage your AA initiative like a program, focused on your desired end-state of maturity



First 3-4 Months



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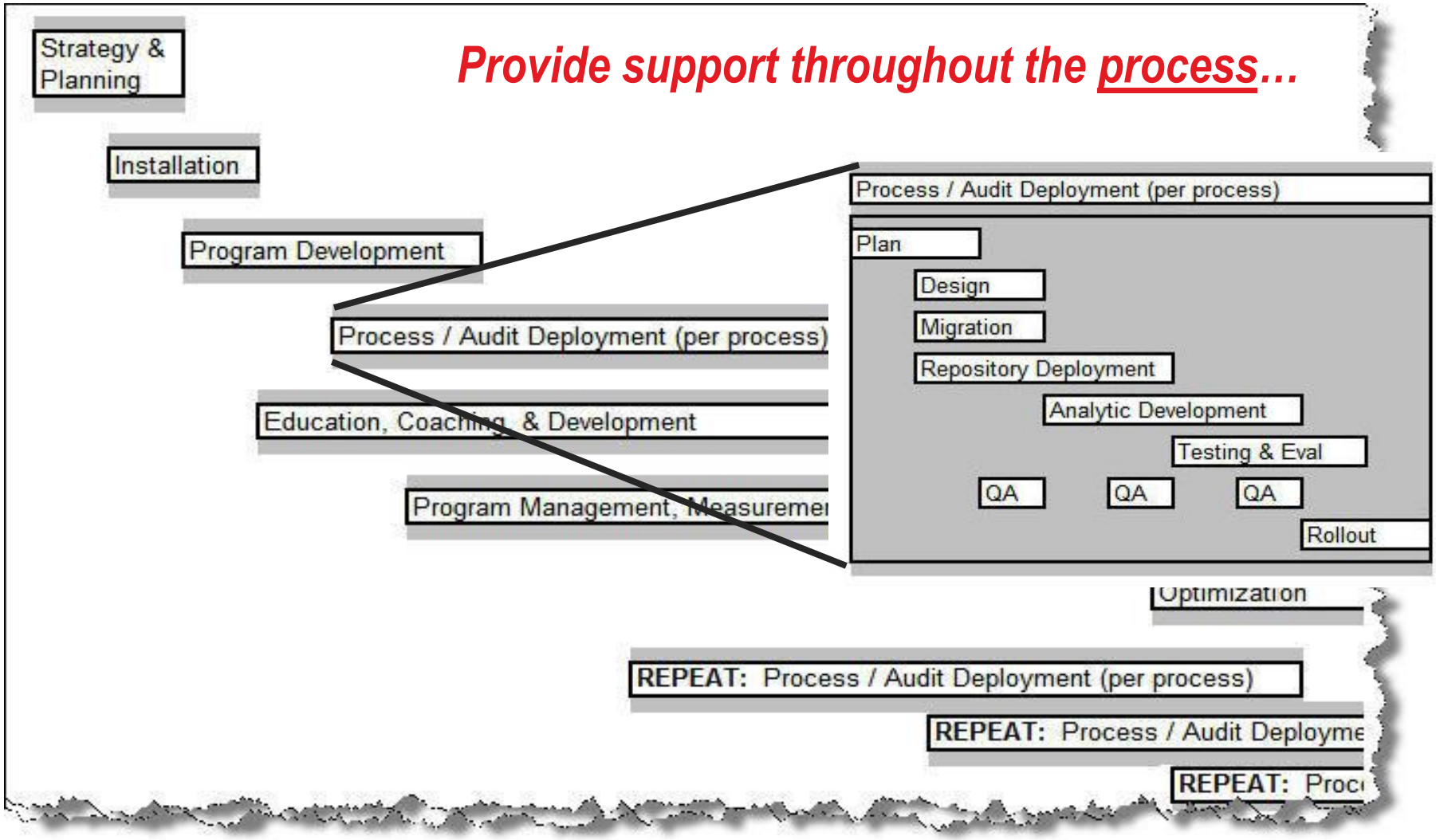
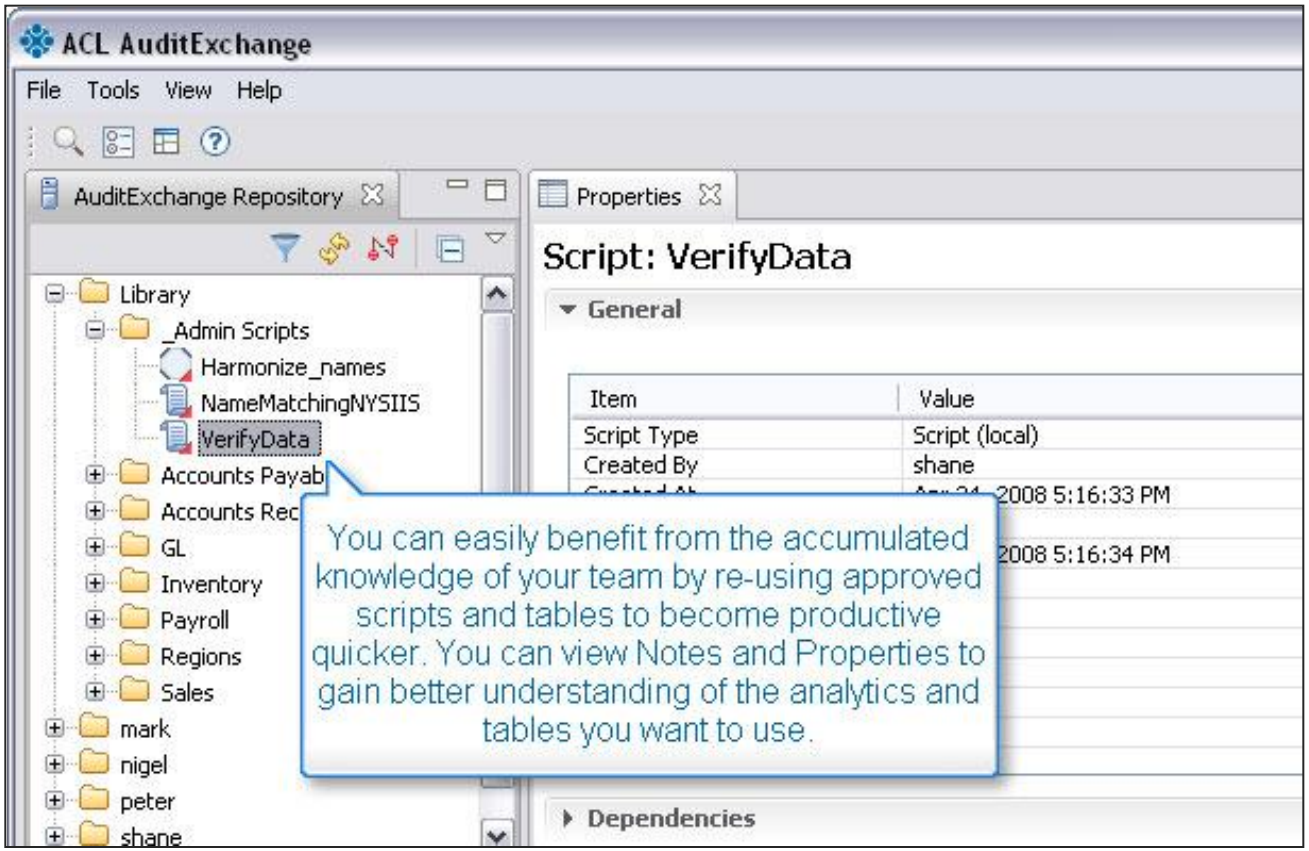


Step 3: Develop Standards



Develop a uniform set of analytic practices and procedures to ensure consistency, quality, and enhanced collaboration

Standards to Consider

- Data Access
  - When should live production data be used?
  - What standards should be used to reconcile mirrored or extracted data sources?
  - How frequently should audit-relevant data be updated?
- Data Security
  - What level of segregation should exist within audit?
  - What measures should be considered if data is moving outside of the secure data center?
  - What procedures govern the removal or archiving of data upon completion of the audit?

Standards to Consider, cont...

- Naming and Storage Conventions
  - What should go into an audit data dictionary?
  - What folder structures and naming conventions should be used to maximize searchability and minimize duplication?
  - How will notes and comment fields be used?
- Coding and Scripting Standards
  - When to automate vs. develop single-use procedures?
  - What guidelines should govern parameter usage?
  - Where should reusable coding techniques be applied?
  - How should code be documented?

Standards to Consider, cont...

- Quality Assurance
  - How should initial data be validated?
  - What testing, validation, and approval should govern re-usable scripts?
  - How will analytics and results be assessed for quality?
  - What signoffs must be obtained?
- Ongoing maintenance and optimization
  - How will versions be controlled?
  - What characteristics might indicate the need to revisit existing automated procedures?

Step 4: Assign Roles and Responsibilities

Assign responsibility for data management, quality assurance, and other key roles

Defined involvement for:

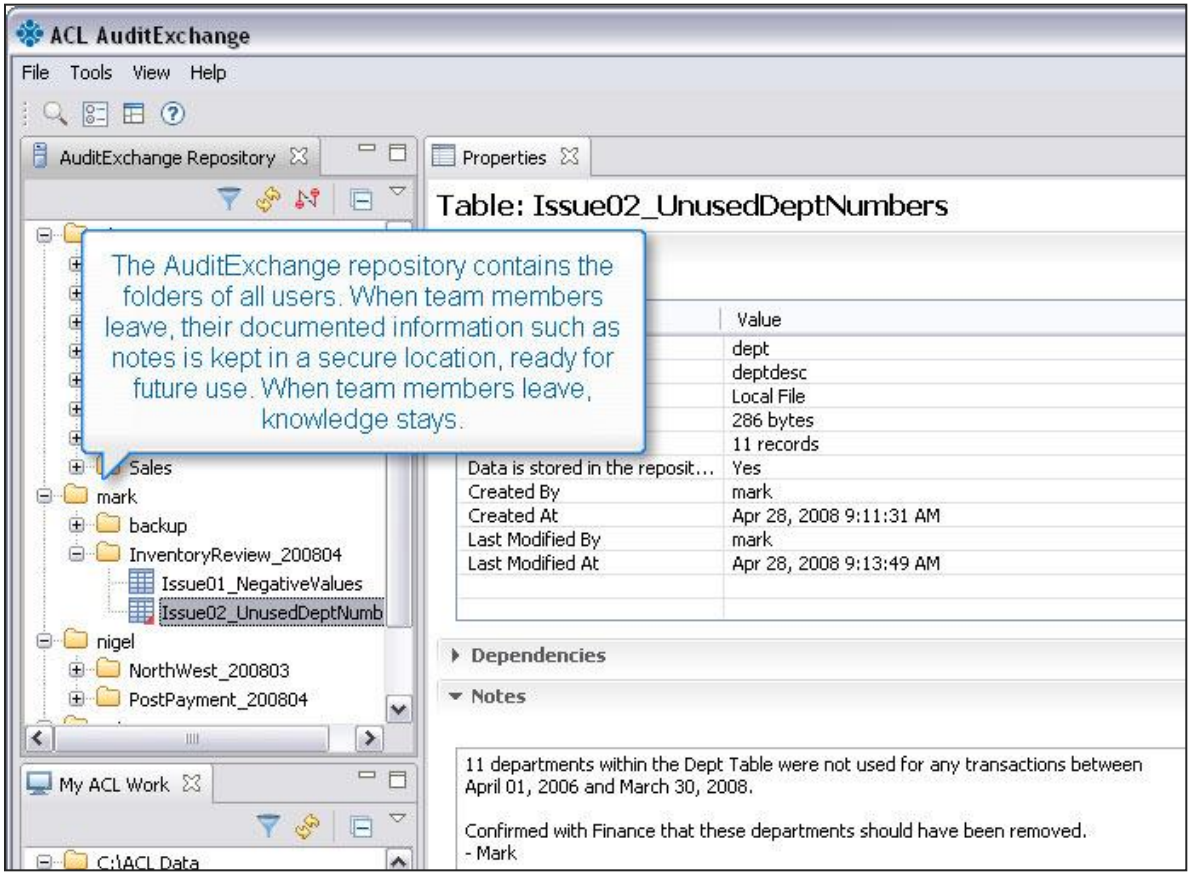
- Applying analytics to validate/monitor risk assessment
- Brainstorming analytics for individual audits
- Developing analytics
- Assessing the quality of analytics and results
- Managing analytic and audit data library
- Administering analytic tools

Staffing & Recruiting Plan

- Short Term
  - Map required skills to existing competencies
  - Determine approach to addressing current gaps
    - Staffing, recruiting, and interviewing plan
    - Training and development program by role
    - Short-term incentive program
- Long Term
  - Identify desired skills and competencies
  - Develop ongoing staff evaluation criteria and metrics
  - Determine approach to addressing anticipated gaps

Step 5: Audit Repository

Standardize procedures and tests into a central and secure repository to minimize risk of knowledge loss



ACL | AuditExchange™
the business assurance platform

More than an audit data warehouse

Management & Automation

- User access & rights
- Scheduling
- Administration
- Search
- Security

Data

- Data sets for each audit area
- Data dictionaries
- Data management & refresh

Analytics

- Test library
- Test documentation
- "Best Practices" documentation

Findings & Results

- Results management
- Specific findings
- Logs & other documentation

Step 6: Continuing Development

Treat training as a continuous process, measured by ongoing growth and continuous development of capabilities

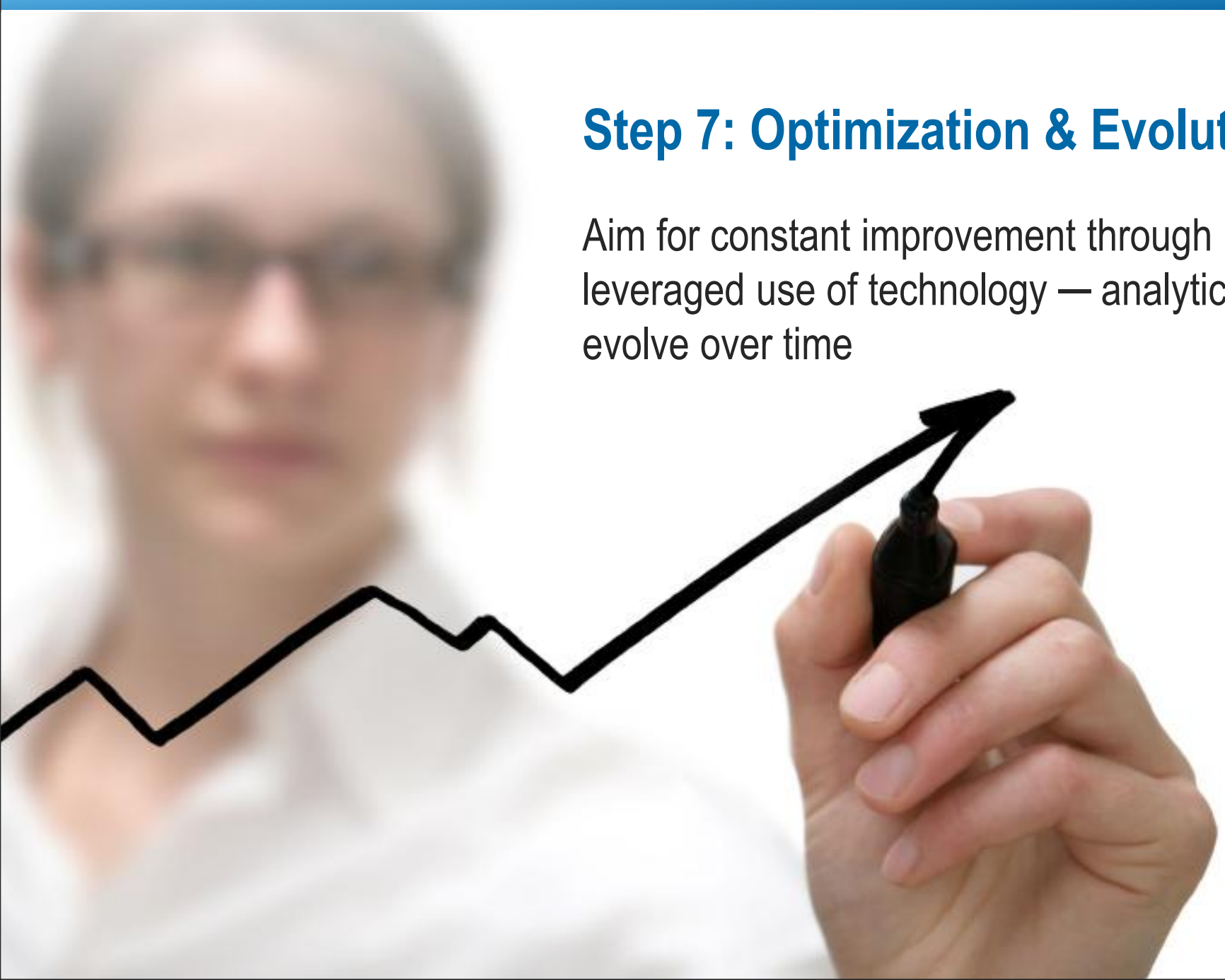
Even the best of the best need a coach.

More than classroom training

- Necessary skills/knowledge understanding
- Goals and metrics
- Relevant assignments and challenges
- Progress review and coaching/mentoring
- Resource availability
  - Reference material
  - Usage examples
  - Guidance and support
- Suitable learning strategies

Step 7: Optimization & Evolution

Aim for constant improvement through leveraged use of technology — analytics evolve over time



Optimization Tips

- Retain brainstorming ideas developed when planning the use of analytics for a given audit
- Document improvement ideas during the audit close-out process
- Include business process specialists
- Learn from others, including other industries
  - Get involved in user groups
  - Become active in online forums
  - Embrace creativity

Summary

- Alignment
- Program Management
- Standards
- Roles and Responsibilities
- Repository
- Development
- Optimization and Evolution

Challenge for This Week: What do I do now?

1. Define your goal
   - Meet with your audit team (and business management if appropriate) and determine your ultimate goal for audit analytics
   - Document this goal. Include it in all future communications related to your program
   - Document these steps in a traditional project plan
   - Assign responsibility and accountability
   - Track progress

Challenge for This Week: What do I do now?

2. Identify barriers to success
   - Document what has prevented you from meeting your goal thus far
   - Develop a strategy to overcome these and other potential barriers

Challenge for This Week: What do I do now?

3. Create a detailed workplan
   - Determine the steps necessary to achieve your goal, overcoming barriers
   - Document these steps in a traditional project plan
   - Assign responsibility and accountability
   - Track progress

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More Information

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