



Internal Audit Insights & Analytics Summit

Feb 8 - 9, 2022

State of Internal Audit: Top Trends and Tech for 2022

Presenters



Greg Enright,
Content Marketing Manager

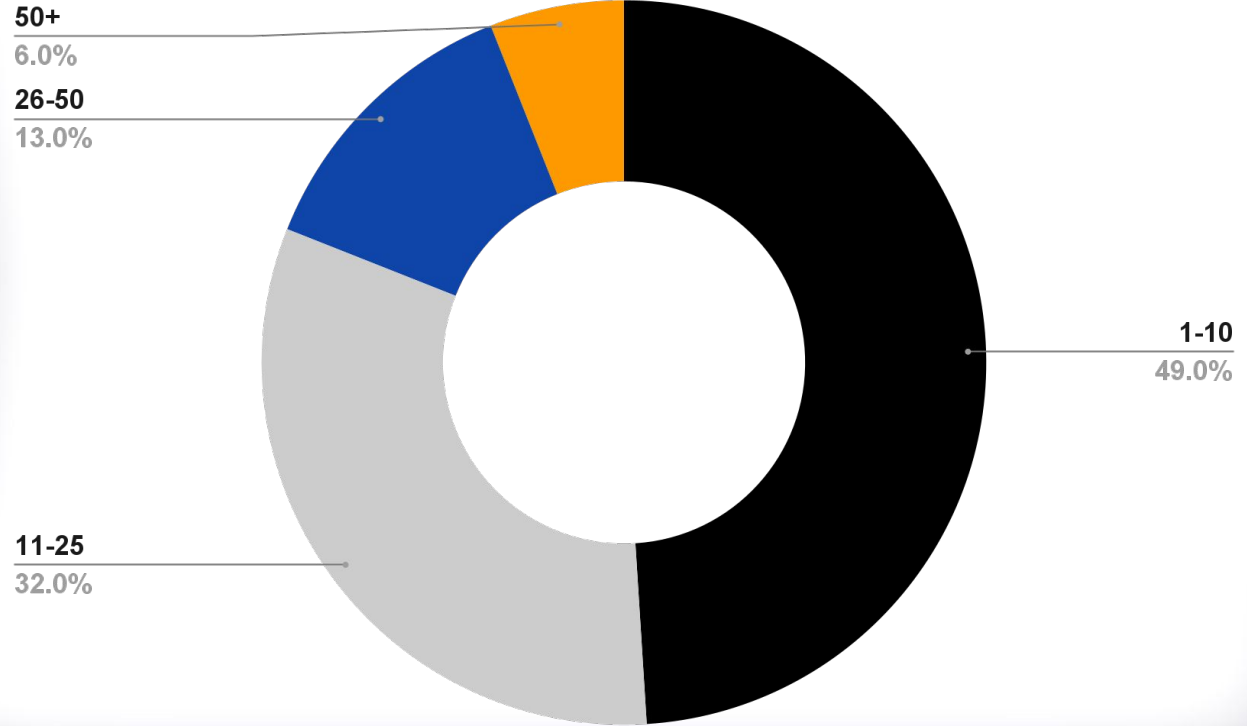


Dr. Deniz Appelbaum, PhD

Insights: 2022 State of Internal Audit Report

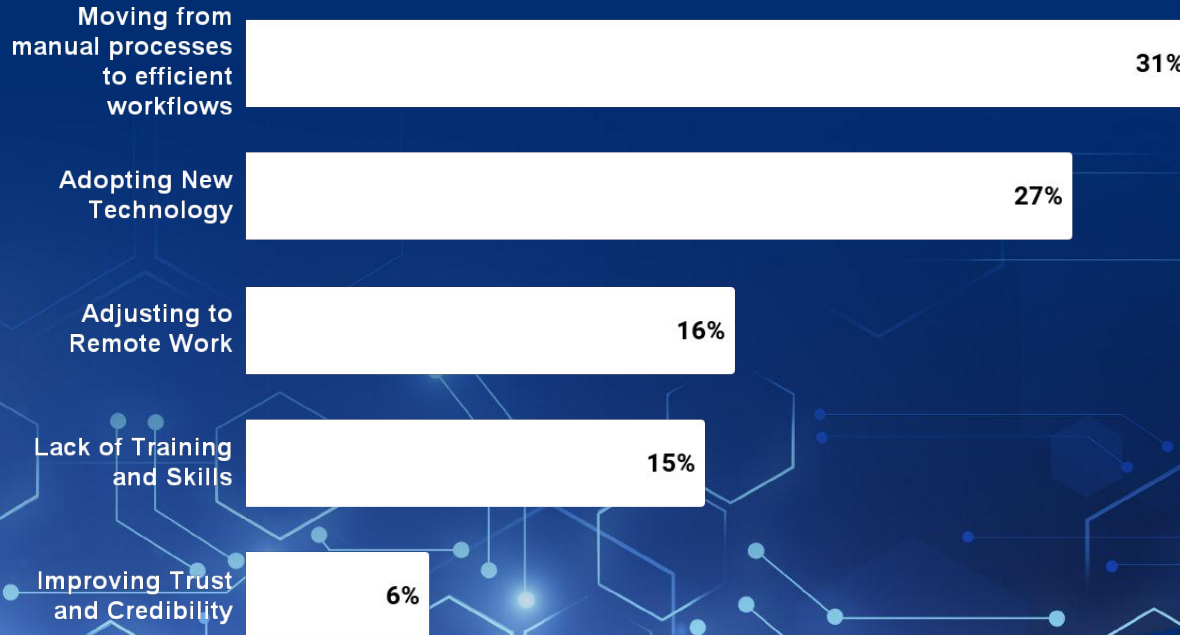
Multilingual survey in 2021
3 Languages
4,000 Internal Audit Professionals
149 Countries

Audit Team Size

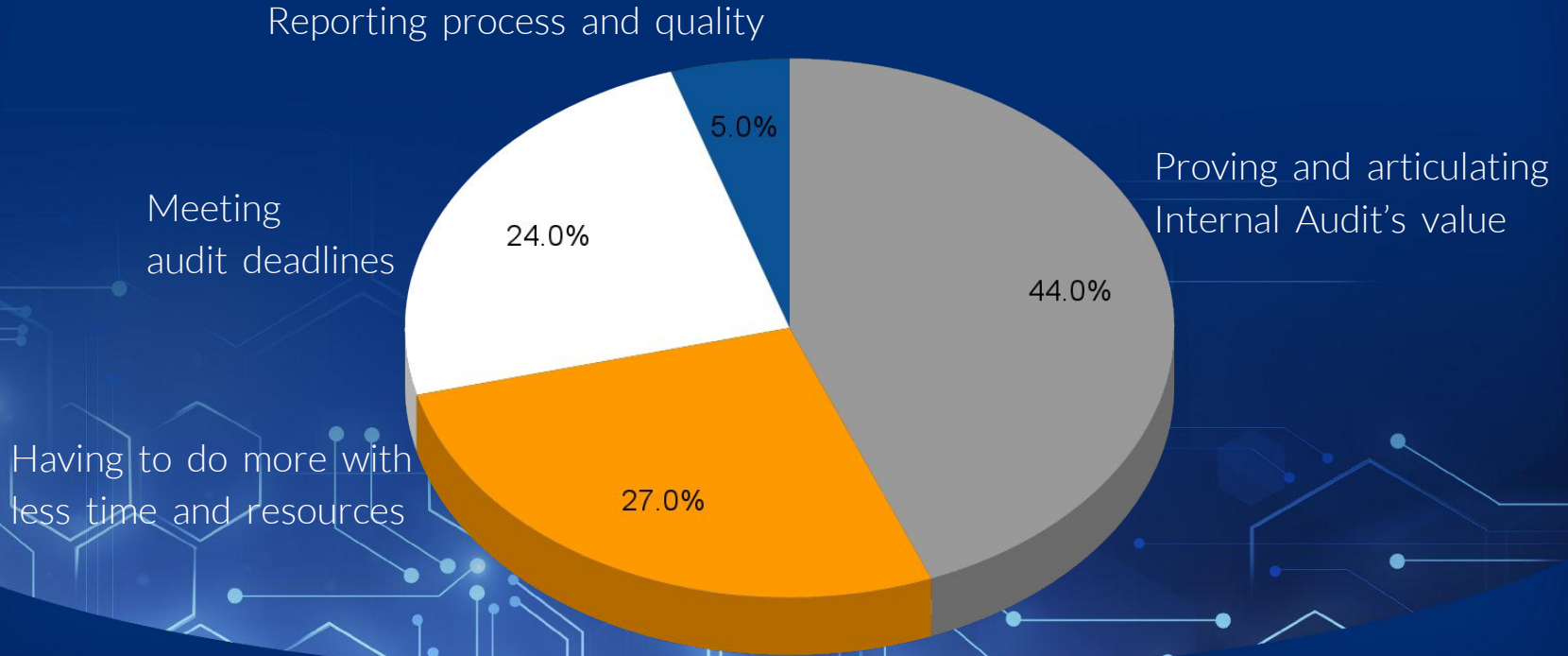


of Employees

Top Challenges in Internal Audit



Internal Pressures



Fraud Preparedness



Rising Fraud Threats



Yes, we have seen a modest increase



Yes, we have seen a big increase



The level has remained the same as pre-pandemic levels



No, we have seen a decrease



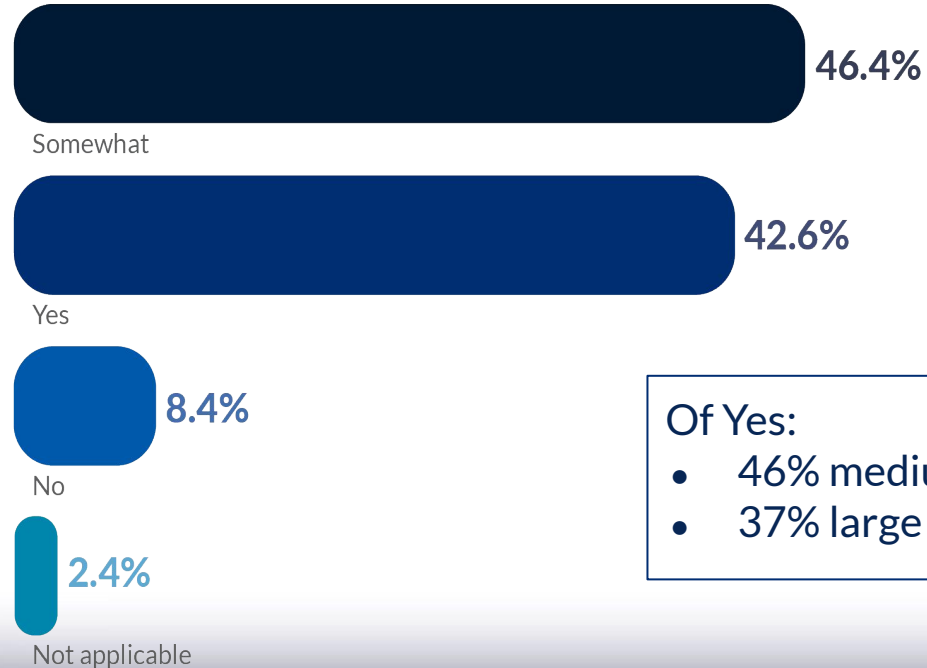
Not sure

More than **70%** say that the global pandemic has caused an increase in fraud threats

Rising Fraud Threats



Has remote working made it more difficult to prevent fraud?



Of Yes:

- 46% medium size
- 37% large

Here's what your peers said

“Most transactions are now approved online and we do not have the ideal technology/software to detect fraud as it happens. Opportunities for fraud have increased.”

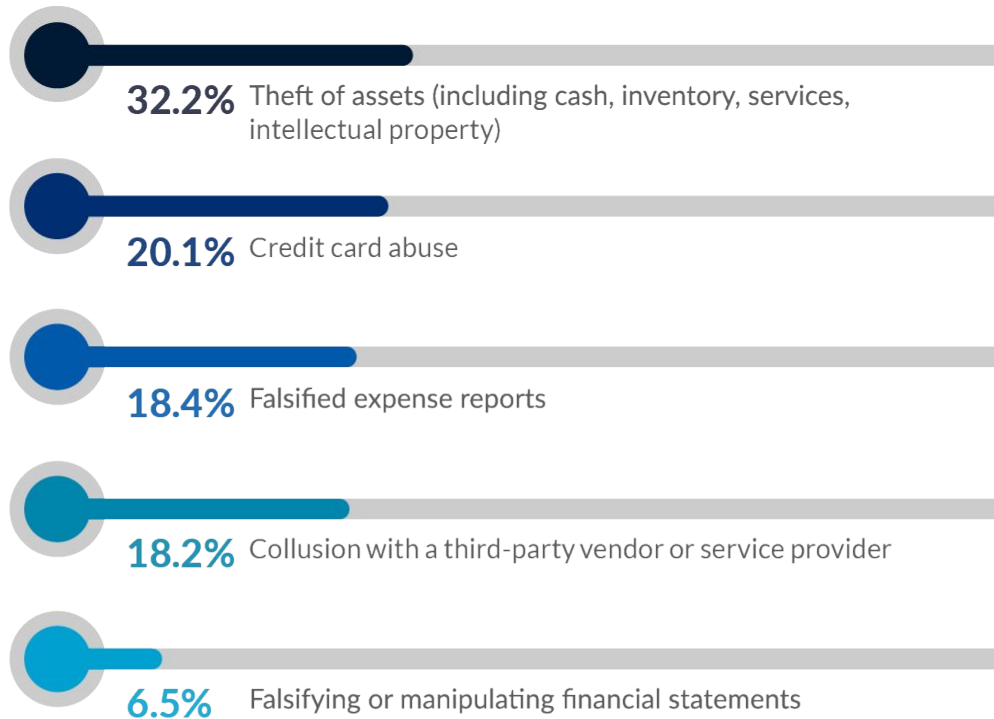
Here's what your peers said

“ Remote working is (making it) increasingly difficult to prevent fraud within an organization. ”

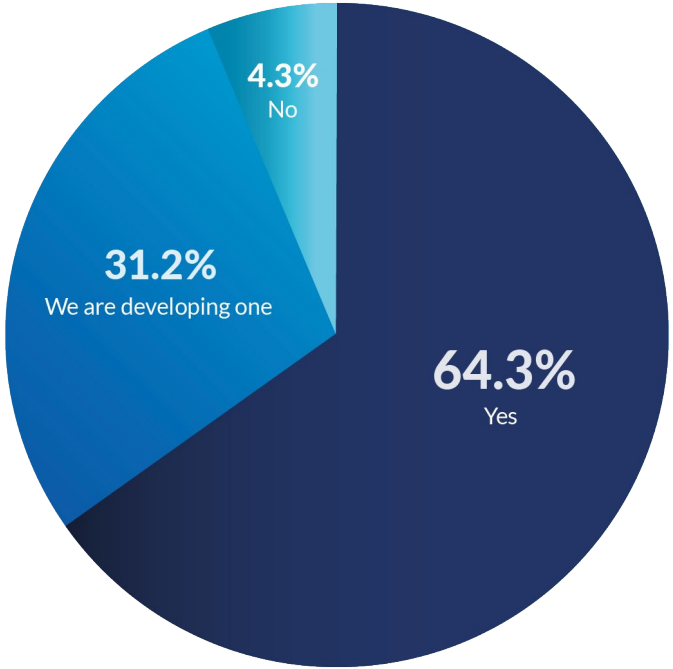
Here's what your peers said

*“ Telecommuting
makes it harder to prevent
multiple forms of fraud. ”*

Biggest Fraud Concerns

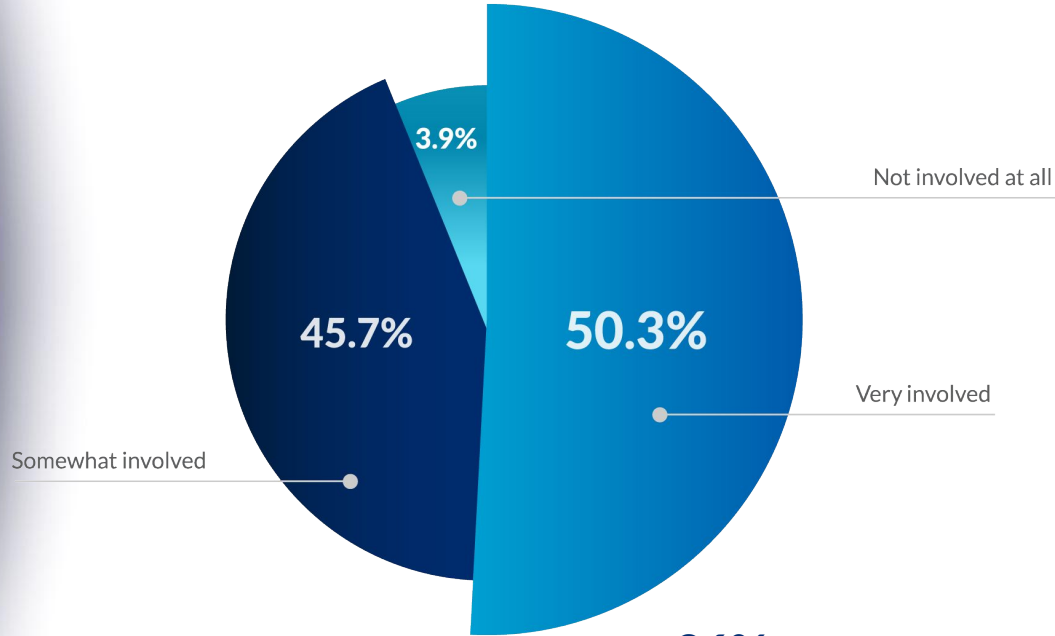


Fraud Prevention Plans



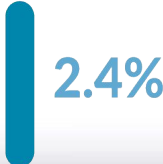
More than $\frac{1}{3}$ have no plan in place if an incident occurs today

Internal Audit's Role in Fraud Prevention



96% are involved in fraud risk management for their organizations

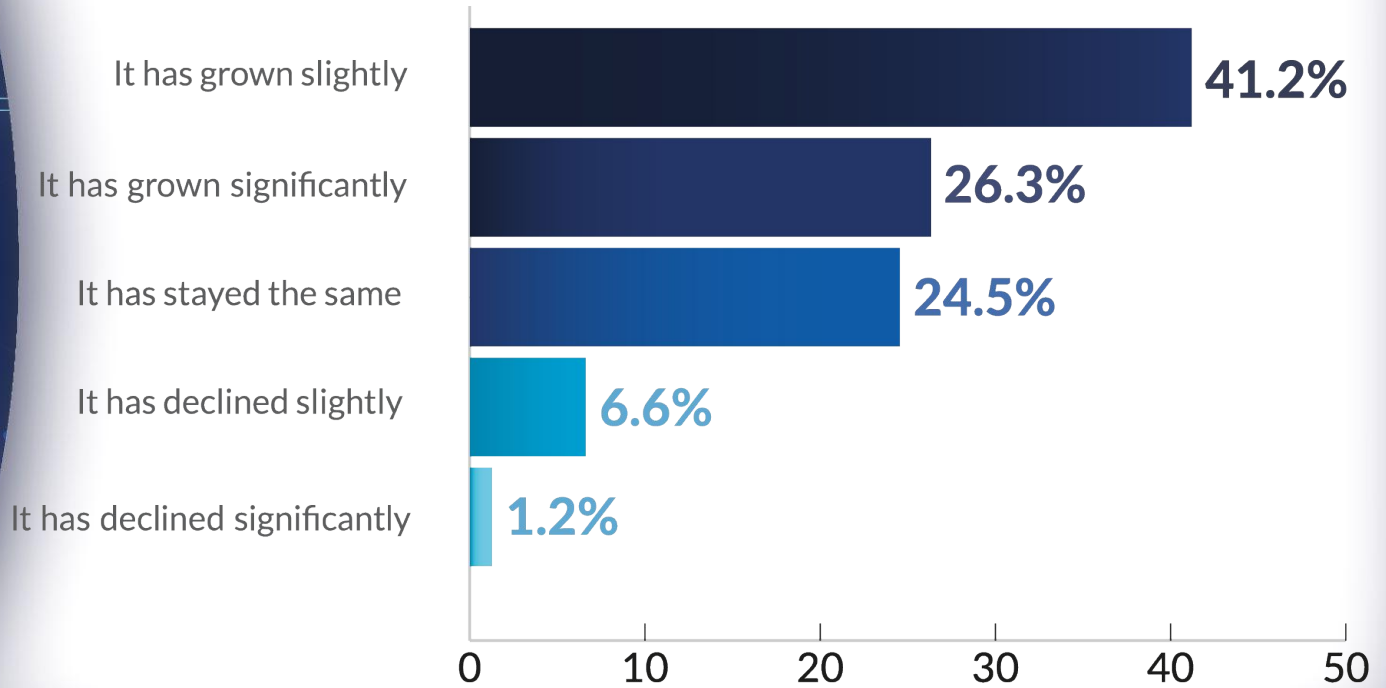
Role in Investigations



90% say they are either:

- “Occasionally” (51%)
- “Always” (40%) involved
- 7% are never involved

Influence is Growing



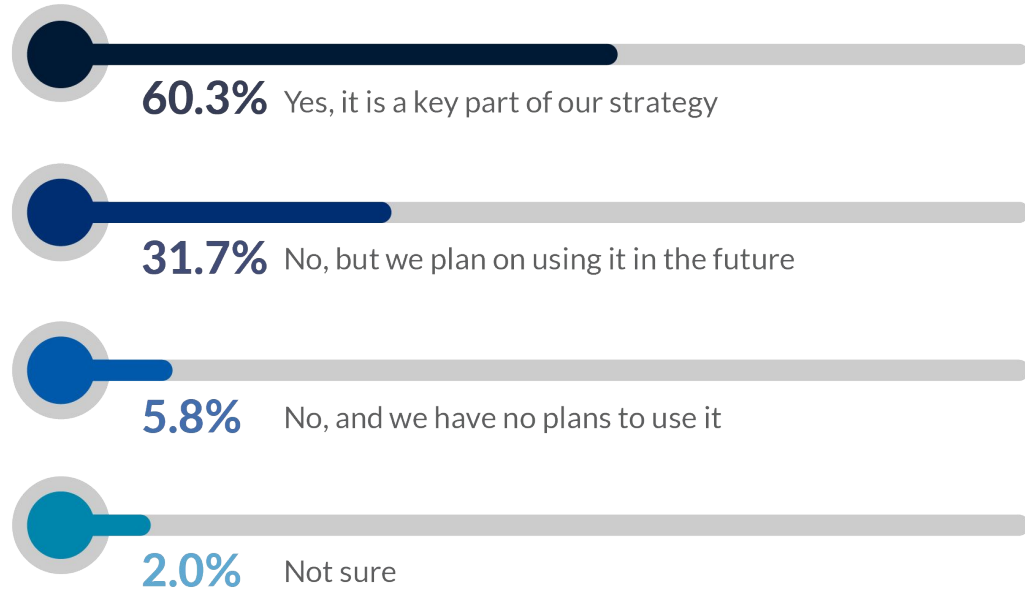
Fighting Fraud in the Cloud



82%

say they are using or
plan to use cloud-based
solutions to help fight fraud

Use of Analytics Software to Fight Fraud



Analytics Proving Their Worth



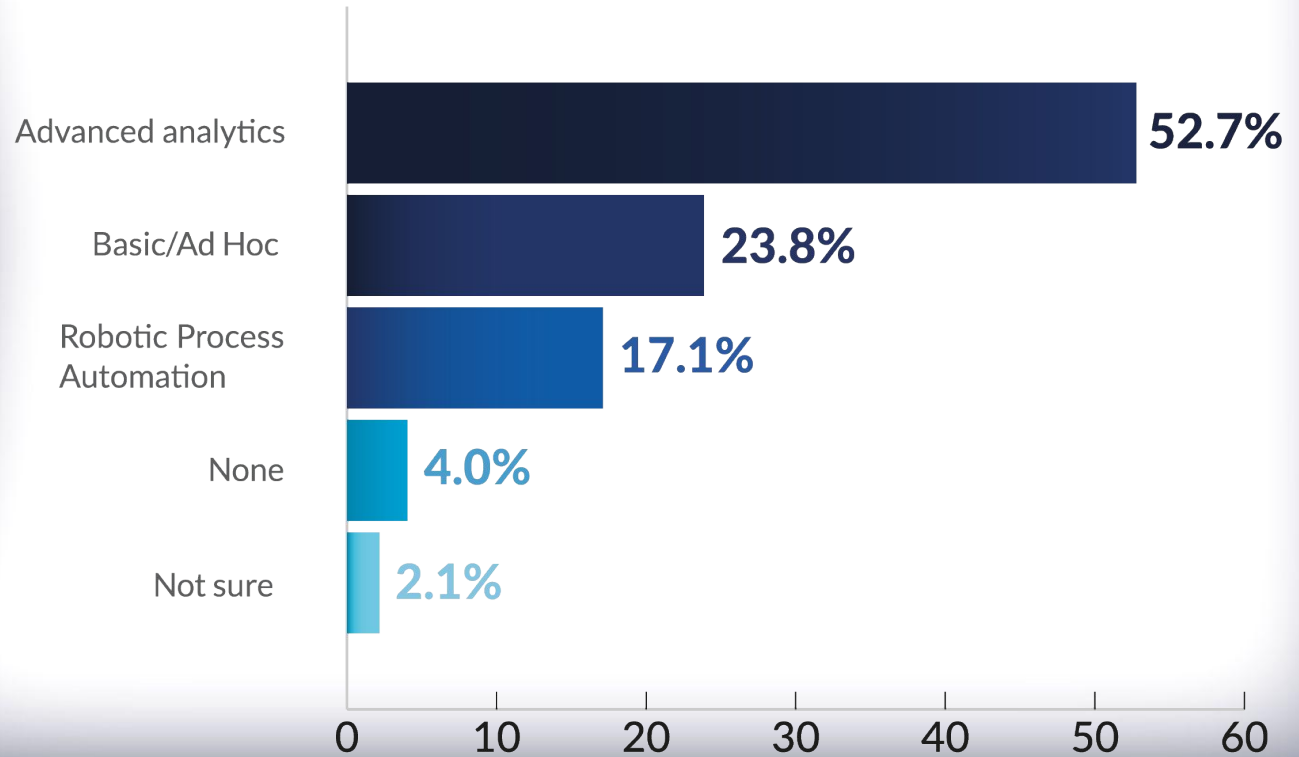
95%

find analytics software helpful to
mitigate the risk of fraud

“With the data analysis tool, fraud detection has been increased and we use fewer physical resources.”

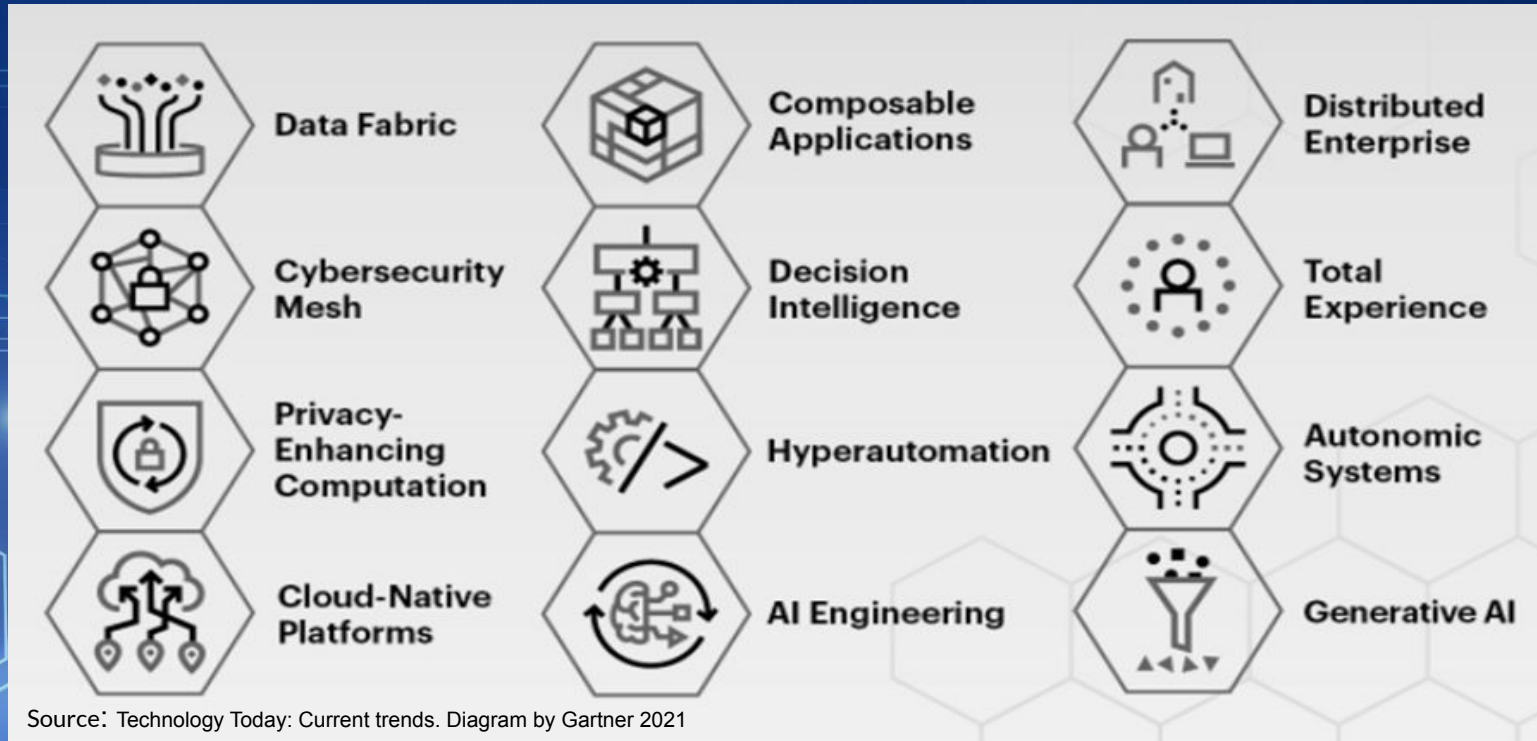
“The role of software is very big and greatly improves work efficiency.”

Types of Analytics in Use



Discussing Technology Today

2022 Top Strategic Technology Trends



Source: Technology Today: Current trends. Diagram by Gartner 2021

Technology Today: Cloud



Developments in AI

Global Progress in AI



GENERAL

Marketing & Sales
Fraud Detection

RETAIL

Amazon GO

LIFESTYLE

Smart Assistant
Face Recognition

HEALTHCARE

Diagnostics & Detection
AI microscopes
Drug discovery

AIRLINES/TRAVEL

Optimal Flight Booking
Maintenance Prediction

SECURITY

Cybersecurity &
Detection
Facial Recognition

FINANCE

Credit Decisions
Risk Management
Trading Platforms
Underwriting vs Claims

AUTOMOTIVE

Self-driving Vehicles
Assembly & QA
Maintenance Prediction

RESTAURANT / FOOD SERVICE

AI orders integrated with
POS
Robotic Chefs
Mass Automation

TIPSY ROBOT

CREATE DRINK SHARE

Humans need to stay in the loop!!



TIPSYROBOT



21
OLDER
TO ENTER



The Audit Perspective

Automation in Internal Audit



Automation is playing a key role in delivering insights-driven internal audits

- Analyze 100% data in no time
- Maximize efficiency and effectiveness
- Focus your time on areas that articulate your value
- Deliver high-quality, value-based audits
- Improve job satisfaction, retain talent

Scripts

- Say goodbye to manual, time-intensive, repetitive tasks
- Schedule your tests easily
- Enables continuous monitoring and auditing
- Save hours of effort
- Utilize your time towards delivering insights for more-informed business decisions

Audit Apps



Audit Apps are another great way to achieve automation

- Built for a specific purpose
- Transforms data into a standard format
- Executes the audit analytics test, identifies exceptions
- A complete end-to-end audit
- Tests can be used on any source data
- Generates an audit report at the end of the process

Audit Apps go much further than scripts

Technology In Practice

RPA Case Study



Customer | A UK Based Insurer

- Very complex expense analysis process
 - Corporation Tax
 - VAT Expense
 - Employee Expense
- Required scores of manual analyses every month
- Manual efforts were error-prone
- Millions of transactions per month
- **Conclusion: An RPA tool is required**

RPA Case Study



Solution: Implemented CaseWare IDEA

- Both audit analytics and RPA combined
- IDEA running in Virtual Machine
- Jobs are scheduled and accessible from anywhere
- Detects changes in data, imports and transforms files
- Automatic reconciliations
- Files broken out into monthlies, consolidates results, a week's worth of effort saved monthly

Audit App Case Study



Customer | Tax Audit Professional

- Monthly tax audits
 - German Government ministry
 - Two reviews required every month
- Process was well understood and didn't change
- However, minor variations did sometimes occur
- Very manual, 2 weeks per audit
- Includes Management meetings and report creation
- **Conclusion:** An Audit App is required

Audit App Case Study



Solution: Custom SmartAnalyzer App

- No programming by customer
- Audit Apps can map to any data source
- Variations are handled via custom parameters
- Tests, audit objectives created and documented once
- Audit App can automatically write audit report
- Interactive audit report linked to IDEA for joint exploration with client
- **Result:** Reduction from **30 days** to **3 days**, all meetings included

Purchase Card Case Study



Customer | Large Multinational Manufacturer

- Monthly transaction review
 - Manual
 - 50,000+ rows
- Complex rules yet routine process
- However, minor variations did sometimes occur
- Iterative training process/coding, testing
- Results of 2500+ anomalies/month
- **Conclusion:** Exceptional Exceptions is needed

What Can I Do Today?

How can I keep my seat at the table?

What Can I Do Today?



- Organizations which do not innovate will perish
- **5 Key Steps** to how Internal Audit can manage risks / rewards of this change

Situational Analysis

Acknowledge
Risk

Strategic
Analysis

Implementation
Analysis

Testing vs
Monitoring

Are we already at risk
(and where)?

Internally, then public
stakeholders

Are we investing in
the right things (or
too early)?

How do we audit
technology tools?

Documented,
risk-based

Situational Analysis



- Start with Audit Universe
- Identify all areas where technology is in use:
- Triage:
 - Apps used for optional input/guidance
 - Recommendations made using Apps
- Business decisions taken using Apps
- Future developments should also go through this process

Strategic Analysis

Consider where technology is used:

DRIVERS

- Cost savings
- Improved service
- Gain a better understanding of trends
- Ability to scale (incl. labour issues)

MATURITY & READINESS

- Technology itself
- Experience supporting and managing it
- Readiness of 3rd party support

CONSIDER IMPACTS

- Reputational risk
- Financial
- Non-financial risk
- Legal and compliance

CONTINGENCY PLANS

- Documented
- Tested
- Manual override
- Does it work?

Implementation Analysis



- Risk assessment to be performed on each application
- With AI and other audit apps, the data is the system
- Quality and quantity of (training) data:
 - Volume
 - Integrity
 - Is prior “data experience” ethically acceptable as model data
- Like raising a child
- Consider overrides, contingency plans if the app fails expectations

Testing vs Monitoring

- Testing strategy - you can't test everything
- How do you know if an App is failing?
- Testing during development and release cycle
- Monitoring once implemented and updating the feedback loop
 - Heavy online tech users are vulnerable to hacking and exploitation
 - An effective feedback loop and re-test is imperative (and tricky)
- Establishing triggers, thresholds of concern
- Building an accurate business profile is key
 - Data analytics tools are invaluable

Key Takeaways



- Many organizations surveyed still seem unprepared to manage the fraud risk for their organization
- The pandemic has spurred most organizations to increase their investment in technology
- Auditors would appear to have a big part to play in fraud risk management
- While “trust and credibility” is not identified as a major issue for most, “proving and articulating value” is

Key Takeaways



- You don't need to go at the transformation alone - Reach out!
- Frameworks and guidance are starting to emerge
- Consultants are gaining experience managing technology risk
- Use your trusted audit vendors
- Invest in data analytics technology
- Partner with a university

With a measured approach rooted in sound risk management practices, Internal Audit will keep its seat at the table!

State of Internal Audit

Trends Report 2022

Innovation
Strategy

Harnessing Technology (Continued)

Using Analytics Software

As was illustrated in previous questions, those respondents who say they use analytics software to combat fraud are more likely to see greater involvement in both the management of fraud and investigations.

Changes for Internal Auditors

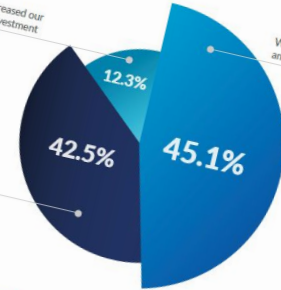
Technology

Q: To what degree has the pandemic affected your investment in technology?

We have decreased our technology investment

We have invested the same amount as before the pandemic

It has caused us to invest in technology





CaseWare
IDEA

VERSION 12

POWERFUL AUDIT ANALYTICS FOR THE DIGITAL AGE

Feb 9, 2022: 10 AM EST & 8PM EST

Thank you!

For any questions, feel free to reach out to us at connect@caseware.com.