

Transforming audit through innovation

In today's fast-evolving, hypercompetitive environment, management and governance committees are engaging technology audit teams in more strategic initiatives to ensure risks related to the implementation of emerging technologies are adequately addressed. These changes in organizational dynamics have caused stakeholder interests to shift — from viewing Internal Audit as an assurance function to how it can help meet organizational objectives.



Giving technology audit a strategic new role

Creating value through holistic risk assurance

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Technology audit leaders now need to do more with less and modify their resourcing models to incorporate technology and automation. This has led to innovation becoming a strategic priority for the function, with several initiatives being launched to improve audit effectiveness, quality, and coverage.

Many Internal Audit functions are now looking to incorporate audit professionals from diverse backgrounds — technology, analytics, statistics and project management, to enable the free flow of thoughts and ideas that could transform the function. Another key enabler of audit innovation is the adoption of an agile approach to audit.

Agile audits can help enhance value and build trust

Adopting agile auditing techniques that promote a fluid, risk-based audit approach is critical. That means adopting new methods, including rapid assessments and quick audit memos. Many technology auditors recognize the need to reduce audits and report cycle times as risks and leadership expectations rise.

Agile methods can help technology audit build trust and credibility by delivering real-time reporting, accelerating escalations, improving stakeholder relationships, and increasing alignment with organizational objectives — all while ensuring project objectives are achieved.

Agility in a technology audit context also requires agile resourcing within the audit team, directly impacting the audit function’s resilience. It can be impractical, inefficient, and costly for technology audit to encompass an array of highly specialized experts. Many organizations are choosing partnerships with external parties that offer relevant expertise. Bringing agility to technology audits demands the ability to deliver assurance in a timely and flexible manner. Some audit assignments might not require full terms of reference or a long, detailed report, but a short, sharp investigation and concise reporting to help mitigate areas of high risk. Agility means being faster and better at everything you do and leaving behind traditional, outdated approaches that add little value.

For most Internal Audit functions, adopting agile techniques is a gradual evolution of existing methodologies to ensure effective change management and organizational buy-in. The service of an agile coach is usually undertaken to help set up and train the scrum team for a seamless transition into the new operating model. Relevant agile or scrum-related certifications are also provided to team members to enhance their understanding of key agile concepts. Continuous feedback across various stakeholders is sought so that these principles are applied in future audits, along with any best practices.

Agile auditing best practices

 <p>Focused on business value.</p>	 <p>Increased audit quality and reduced cost.</p>	 <p>Accelerated audit cycles and efficient and effective delivery.</p>
 <p>Outcome and value driven, focused on risk. Continuous prioritization of focus areas.</p>	 <p>Increased collaboration between audit team and auditee, improving expectation management and increasing productivity.</p>	 <p>Increased and continuous communications.</p>
 <p>Improved project visibility and status transparency.</p>	 <p>Timely insights delivered by brief and just-in-time reporting.</p>	 <p>Reduced waste and reduced documentation requirements.</p>

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Audit transformation is a journey, not a destination

For Internal Audit to deliver value as a strategic partner to the business, it should continually innovate and transform. Audit transformation for a new era needs to be approached not as a destination, but as an ongoing, iterative, and incremental journey. Innovation focus groups represent a relatively new concept, and they follow an iterative cycle that involves:

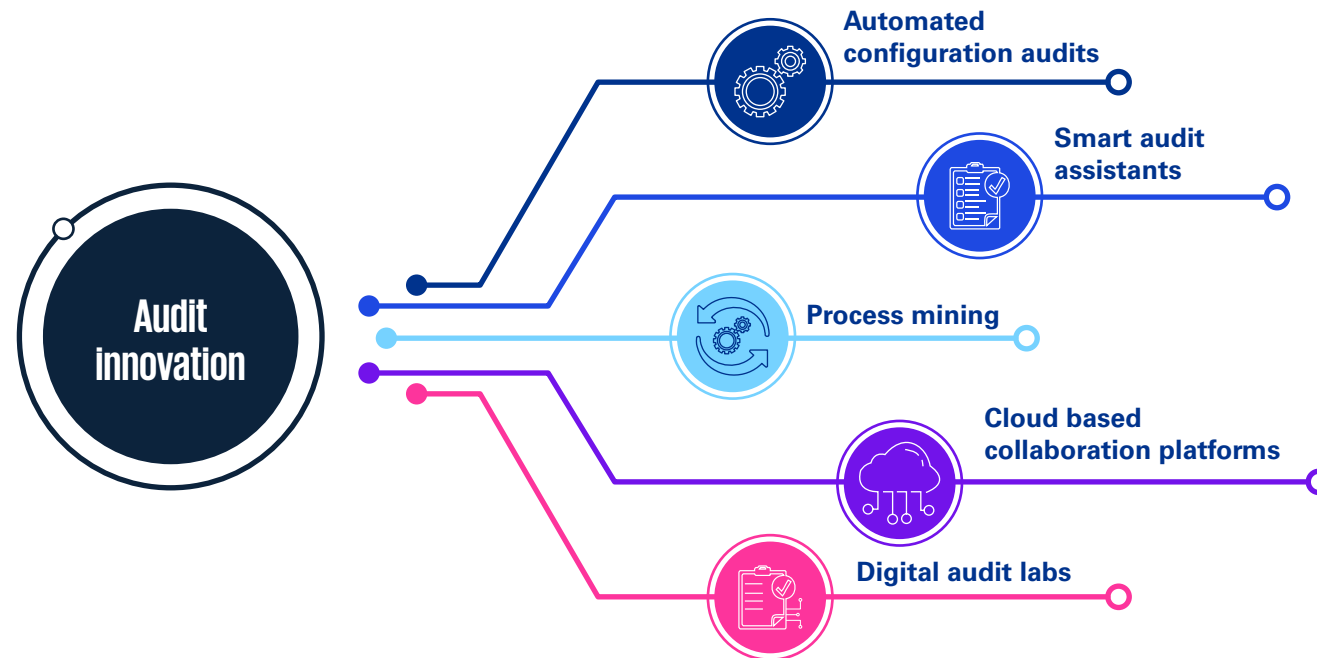
- Generating insights by framing problem statements and doing continuous research.
- Refining insights by bringing together and examining all insights and their implications.
- Generating and defining ideas and concepts by articulating value propositions and creating value models and roadmaps.

Amid the increasing volume and complexity of structured and unstructured data generated by organizations, a new set of auditors is fast evolving: data scientists and engineers. They are commonly referred to as “Embedded Data and Analytics Auditors.”

As the name suggests, they are integrated within each Internal Audit division or unit and are required to work closely with the core technology audit teams to build reusable analytical tools that will help make audit testing more efficient and insightful. These professionals typically tend to have a mix of advanced data query skills, programming languages such as Python and Java, data analytics workflows such as Alteryx and visual dashboarding using Power BI/Tableau.

Audit innovation — The game changer!

The innovation agenda of the technology audit function needs to be sufficiently backed by investments and senior management sponsorship of key initiatives. Clear and transparent communication on the objectives of these programs is a must to ensure the active participation of all team members. Adopting a forward-thinking mindset focused on collaboration and fostering an environment that encourages creativity can help create a culture of innovation in the Internal Audit function.



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Automated configuration audits: Because of digital transformation, several new trends are emerging, for example: transitioning from legacy applications to smaller micro-services based architecture or to a cloud-based platform, leading to the generation of more data. This would require automated testing solutions that can potentially identify security misconfigurations and generate alerts when activity levels go beyond a certain threshold. These solutions may be designed to give an on-demand or real-time view of security risks in these applications. They can be equipped with dashboarding or visualization capabilities for reporting to audit committees and other governance bodies.



Smart audit assistants: Mature Internal Audit functions are creating smart audit assistants by adopting advanced deep learning, natural language programming (NLP) and AI technologies, which can help scan through audit documentation and identify or detect anomalies, grammatical inconsistencies, or errors. These ML models can automatically correct identified errors without manual intervention making them a popular choice for audit leaders.



Process mining: Process mining is a powerful tool that simplifies the detection of anomalies by providing valuable insights on trends, patterns, and outliers in the risk management landscape, which can aid in planning and scoping of future audits. As an extension of process mining, large Internal Audit functions are piloting process mining for monitoring and tracking efficiency of their own audit lifecycle to generate insights on lead times to predict future audit timelines and necessary corrective actions.



Cloud-based collaboration platforms: In a heavily digitized and global environment and with the inclusion of more tech-savvy auditors in the Internal Audit function, having a collaborative mindset is essential and can be a huge differentiator in the way a technology audit team operates. Several cloud-based collaboration platforms are now available in the marketplace, specifically for Internal Audit, which makes hybrid or remote working arrangements seamless, ensuring real-time knowledge and information sharing, greater responsiveness to audit related queries and smoother communication. These tools are popular in audit teams with a global footprint to ensure 24/7 communication, despite the collaborators working across different time zones.



Digital audit labs: Large Internal Audit functions have invested in creating a digital audit lab that operates like an accelerator or incubator, where new ideas, technologies, solutions, or products are implemented before large scale adoption. Detailed feasibility studies, integration tests and cost-benefit analyses are carried out to assess the potential of each initiative and project plans are prepared prior to implementation. New and upcoming areas, such as distributed ledger technology, are evaluated in a 'sand-box' environment to explore its functionalities and potential alignment with their Internal Audit priorities. Such labs help cultivate a creative and entrepreneurial spirit and have often led to pioneering innovative solutions to benefit the broader Internal Audit function.



The overarching goal is to align technology audit with the corporate digital journey, and to become a strategic stakeholder for the organization, providing valuable insights as it navigates new technologies and risks."



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