

POWERFUL INSIGHTS – Building Technology-Enabled and Data-Enabled Auditing Capabilities – With Angelo Poulikakos



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Kevin Donahue: Innovation, transformation and introduction of more advanced technologies are on the agendas of most groups in an organization today. The same certainly holds true for internal audit functions, but perhaps not at the same levels of engagement as departments such as finance and IT. In fact, the results of the latest Next-Generation Internal Audit Survey from Protiviti show that overall maturity levels for enabling technology such as advanced analytics and process mining trend lower than areas of governance and methodology.

This is Kevin Donahue, a senior director with Protiviti, welcoming you to a new installment of *Powerful Insights*. Many chief audit executives and internal audit leaders want to capitalize on the greater efficiency and precision that more advanced technologies and automation can offer, but they are uncertain of how or where to get started. I sat down to discuss these issues and challenges with Protiviti Managing Director Angelo Poulikakos. Angelo is the global leader of the Technology Audit practice with Protiviti. Angelo, it's great to speak with you today.

Angelo Poulikakos: Thank you, Kevin. Thanks for having me.

Kevin Donahue: Let's get started with the basics. What are technology-enabled and data-enabled auditing capabilities, and why are they so vital and relevant today?

Angelo Poulikakos: Thanks, Kevin. Let me start by answering the first question on what it is, and then maybe why it's so important. At the most basic level, it's having capabilities to use more modern technology to conduct the audits, or perform audit-related activities, and by "modern technology," I don't mean Word, PowerPoint, Outlook or even some of the more basic features of Excel. Some of this more modern technology, in fact, has been in existence for many years. But it's becoming easier for individuals to pick it up – things like audit management and GRC platforms, which have evolved a lot over the last few years. We're seeing a lot of these types of platforms now. They're cloud-based, and they're making it easier to work with other systems. We're seeing a lot of these systems are introducing APIs every week, and that's all a good thing, because it's going to make it easier to connect with other systems.

But it's not just the audit management and GRC platforms. It's also automation and analytic platforms. A lot of these are now called low-code. And it's also the programming and scripting languages. All of this is making it easier to ingest data, to transform data, to reconcile data and to streamline audit procedures. It's giving teams this ability to implement continuous monitoring and auditing, and review larger sets of data. Then, last, we're seeing a lot more data-visualization platforms. This is platforms that are making it easy for executives and management teams to get better perspectives on risks, and gives them drill-down capabilities to hone in on the problem.

That is what I think about when someone says the term "tech-enabled auditing capabilities," and you also asked why it's important. We all know the risk landscape, it's increasing exponentially, and audit teams are being asked to do more, and sometimes with less. We're living in an interesting world right now. The perfect example of that is what's happening in cybersecurity. In traditional auditing, an auditor could miss a major risk if they took a sample-based approach, say, to review whether systems were patched, because we know all it takes is one system to be missing a critical patch and that could lead to a very significant security event.

The risks that auditors are being asked to audit and assess is increasing, so they need to think of ways of providing more expanded coverage and in a more efficient way. The good news is that data is becoming more available, more accessible, to audit teams. It gives auditors more of a self-service-like capability, particularly with cloud systems, but unfortunately, the bad news is that audit teams are struggling to keep pace with these various technologies, and it's all attributed to some of the demands that are already on their plate.

Kevin Donahue: That is spot-on, Angelo. Thank you. We've seen a lot of these trends we're talking about in the results of our annual Next-Generation Internal Audit Survey. We hear more and more interest — and even demands — among internal audit leaders and teams to become more efficient, and to use technology to do that. Now, what we often don't see is commensurate growth in the actual use of technology and automation in the audit process. What does this tell you?

Angelo Poulidakos: It speaks to a point that I just alluded to. Teams are very resource-constrained right now. I just came back from a couple of conferences, and we spent so much time just talking about that with some of our clients and other colleagues, and it's easier to rinse-and-repeat versus challenge the status quo. Audit teams are, unfortunately, stuck in their old way of doing things, but they need to get things done. They don't have time to innovate or try new things. It's not because they don't want to — it's because they're so backlogged. In many cases, they're canceling audits. They're just trying to keep pace with executing their audit plan, and it's hard for them to get their heads above the water to invest the time to build the related skills and to get familiar with some of the technology-enabled audit capabilities.

That touches another point: the skill sets. The accounting programs and school curriculums of the past, they didn't focus on technology, and obviously, now, that has changed, but we're finding that many internal audit resources, they don't have the skills to be able to implement some of these technologies, even if they're low-code. It still requires training, and it still requires time, and it's challenging to upskill people when they already have a full plate.

The final item I'll bring up is that it can't strictly be on the internal audit department to upskill. Internal audit does deserve more love from the IT department, or we hear about this RPA or analytic Centers of Excellence. The unfortunate thing we see is that a lot of these requests that may stem from the internal audit department to get help from IT or to get help from RPA and analytic CoEs, they're not high in the priorities list, and it's a challenge sometimes for audit teams to demonstrate the ROI when it comes to enhanced risk mitigation that comes from the use of technology and automation in the audit process.

Kevin Donahue: Angelo, you hit on something that resonates with me, and I'm sure with our audience as well: Internal audit groups today not only are resource-constrained but also skills-constrained, and you have that double-edge sword, it presents an especially challenging environment for them. With regard to internal audit organizations overall, our survey results related to what I just said show that some of the lowest maturity levels are in the areas of enabling technologies: advance analytics, automation, AI and machine learning, and process mining. I'm sure this comes as no surprise to you. How can CAEs lead the way in building better technology-enabled and data-enabled capabilities in their internal audit functions?

Angelo Poulikakos: Two things immediately come to mind. First, it's establishing the right mindset for the entire function, and then it's putting the pen on paper, which requires focus and dedication, and a good teacher – maybe a good consultant. So, with respect to mindset, internal audit organizations need to embrace technology. They need to challenge the status quo and make it a priority to find new ways of doing things, and ultimately, that means allocating meaningful time and resources or funding to it.

But all of that is going to really start with the tone at the top – the tone that's set at the executive levels with the audit committee, and we need to make it OK for audit teams to try new things, try new methods, and if they fail, it's OK, because that's feedback toward improvement. You can spend all the time going to conferences, learning about case studies –you're even listening to me: I could talk about all these pitfalls to avoid. But you need the hands-on experience, and that's what's going to make a difference, and you can't expect perfection as your first attempt at this. It's going to be an iterative process, you're going to learn from it, and then you're going to try again and do it better the next time.

Of course, I did mention you need a good teacher along the way. Having someone that's either within the organization that has experience with this tooling, or working with a good consultant that has tried and tested things before, all of that is going to help accelerate the process.

Kevin Donahue: Angelo, we'll circle back shortly to some areas to get started in, because I know you have some specific thoughts on that. But I wanted to first revisit the talent-and-skills topic. We see in our results that compared with other next-generation internal audit competencies related to governance and methodology, access to talent and skills for enabling technologies is lower. You were just talking about that. For each of these areas, the primary plan, according to the results of our study, to secure relevant talent and skills, appears to be training and development of your existing staff. While this is necessary, why is this also a potential red flag?

Angelo Poulidakos: It was the theme of what I heard at the conference I was recently at, and that's that audit teams are already so constrained for resources. We've seen many organizations lose folks — they're relying on consultants and contractors to help fill those gaps. If you're going to be asking audit teams to take training, that is a good first step, but then you would also need to allocate training to put the skills into practice, and that becomes very challenging when you're also expected to fulfill your existing responsibilities with deadlines, etc.

On the plus side, at least over the last few years, at Protiviti, we're seeing a lot of our incoming consultants, but we're also seeing a lot of organizations, they're bringing in talent right out of school and they're coming to the table with some of these relevant skills. They're coming with Python experience and exposure — they're familiar with certain low-code app-development platforms — but they need to use these skills, and it's a matter of identifying and nurturing these skills so that they don't dissipate.

Kevin Donahue: Angelo, a quick follow-up to that. I imagine that training and skills development is needed. It's just important to strike the right balance there and not lean so heavily on, say, you're going to obtain these capabilities solely by getting your current staff upskilled.

Angelo Poulidakos: That's accurate. Upskilling is important. That needs to be balanced with then allocating time toward applying the skills after the training, but you also need to be thinking about how you could be leveraging the skills from a lot of your incoming new auditors from the get-go. Along with potentially using resources from within the organization, there are a lot of folks in other departments that likely have automation capabilities, that have analytic capabilities. This is where we see some internal audit organizations institute a good rotation program that could bring some of those skills into the department and drive a lot of value that may not necessarily be already within the audit department.

Kevin Donahue: What are some real-world examples of these types of technology-enabled and data-enabled auditing activities that you're seeing in the market today, either with your clients or with other organizations you're working with or talking to?

Angelo Poulikakos: One solution that we recently implemented – and it's helping a lot of our consultants – is a tool called DataSnipper. It's an intelligent audit platform that lives within Excel – the tool that every auditor probably listening to this podcast is already familiar with. The beauty of DataSnipper is that an auditor no longer has to copy and paste information from their work papers and from the audit evidence that they're receiving back into the lead sheet. You could imagine if an auditor is doing this for 25 samples, 50 samples, it becomes very tedious, and then they question their career choice of going down the audit profession. It's interesting, as even some of our consultants are leveraging this tool, they don't realize how cool this is. Some of this is almost expected at this point in time.

But it's simple things. I don't think you necessarily need to have a big bang approach to how you pursue an investment technology. We found this to be a relatively inexpensive solution that our auditors like, and we have found a lot of our clients see what we're doing, and they're, like, "How could we get our hands on that?" It starts small. It doesn't have to necessarily be technology that you purchase. It turns out there's also a lot of technology that your organization may already have available that you just need to get smart on and leverage on your own.

Kevin Donahue: That is some great insight, and you've partly answered my last question, but I'm going to ask it anyway, and this will close out our discussion – it's been great speaking with you, Angelo. I'm guessing that the most common comment we hear from organizations is, "We don't know where to get started." So, I'm going to ask you, what are the best ways to get started on this tech-enabled and data-enabled audit journey?

Angelo Poulikakos: There are three things that come to mind. First, you need to engage the entire team. We see a lot of success when the internal audit department engages the entire team in trying to solve for this problem, and one thing I know we do for our clients is, we help facilitate what we call a design thinking session. It's a way of getting together as a group where you seek to empathize together, challenge assumptions, redefine problems, and create, hopefully, an innovative solution that could then be prototyped and tested.

Normally, in a design thinking session, we'll talk about, what are some of those monotonous things that we could potentially automate? What are pain points? What are some of those routine tasks that we believe if we automated, we could then repurpose some of that time for more value-added activities? Usually, this takes a couple of hours, but we involve the whole team, and it's important to involve the team. You've got to involve

the doers – those working in these audit workbooks – to get their insights, and typically, those sessions could lead to a handful of ideas that we could start automating, or, at a minimum, we create a good backlog.

Engaging the entire team becomes important not just from doing the design thinking session but from trying to appreciate the skills that the entire team may have already. Second, spend some time to understand your organization's existing capabilities. I mentioned earlier that you don't necessarily need to buy a new tool, though it's a good idea to invest in audit management software – a GRC platform, especially. Those are definitely where the future is headed. They're all cloud-based now, and they're coming up with new APIs. I won't be surprised, if in the future, you're going to see evidence be automatically loaded right into these systems, as they're starting to play very nicely with other cloud-based systems.

But the audit team should spend time to understand the existing toolsets that already live within the organization. They likely already have low-code application-development platforms. They likely already have various analytic tools that make it easy for even auditors to get up to speed on. They likely already have things like Power BI and Tableau. So, they don't necessarily need to buy new tools. They need to understand the organizations that have embraced these tools and build alliances and partner with them on some of the things they're looking to do.

Then, finally, it's probably the most important point – the dedication of time and resources. Departments need to spend time. They need to allocate budget toward innovation, toward automation. You can't make meaningful change if you're trying to fight fires, if you're trying to keep the lights on. IT departments have known this for many years, and now, internal audit departments are living it as well. You need to have dedicated time in the audit plan to innovate, to automate, to try new things so that you could put some of these new tools' capabilities into action.

Kevin Donahue: I want to thank Angelo for joining me today to discuss these challenges and opportunities for internal audit groups. He made some great points about the value, the right technology and automation, together with the right data, can deliver in terms of tangible results. And, just as important, he provided helpful insights about where and how to get started. For more information on all of these issues, I encourage you to read our research report *Innovation and Transformation Are Driving the Future of Internal Auditing*, which is available at [Protiviti.com/IA survey](https://www.protiviti.com/IA-survey). And, as always, I encourage you to subscribe to our *Powerful Insights* podcast series and to review us wherever you get your podcast content.

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