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Starting your Audit Analytics journey: A step-by-step guide for success

01

Jumping into
Audit Analytics

02

How to create value with
analytics?

03

Tips to start your analytics
journey: going from 0 to 1

04

Ensure the adoption of your
analytics program

05

How to scale your analytics?
Going from 1 to 10

06

What tools are available?

01 | Jumping into Audit Analytics

In today's digital age, data is the beating heart of businesses. It fuels decisions, guides strategies, and offers a competitive edge. Throughout the history of the internal audit profession, there has been recurring discussion about how to integrate data to automatize audit.

Yet, we continue to hear the same concerns: "We're not doing enough," "We don't have data availability," "We're not using our tools effectively," and "We don't have the budget or resources." Despite the common consensus that data should be at the core of organizational decision-making, the same issues persist that prevent teams from using data effectively.

Forward-thinking teams have adopted data analytics to perform better internal audits, test complete data populations, and focus on higher-risk areas. While some audit departments have developed effective audit analytics functions, the vast majority report not being as proficient as they'd like to be. We created this guide for them.

Why are companies embracing audit analytics now?

How to integrate data analytics in your reports and audits?

Which tools are available to use?

Welcome to the beginning of your Audit Analytics journey — a step-by-step guide to help you succeed.

Today, **68% of CAEs** want to implement data analytics.

In fact, it's a risk to **not** have an audit analytics program - but deciding where to begin can be challenging.

*IIA Annual Pulse Survey 2022

01 | Jumping into Audit Analytics

What is audit analytics?

Audit analytics refers to the use of data analytics and advanced technology like machine learning to enhance the audit process. It involves the examination of large volumes of data, financial records, and transactions to identify patterns, anomalies, and potential risks. The goal of audit analytics is to improve the effectiveness and efficiency of audits by providing auditors with better insights into organizational data.

Why are companies embracing audit analytics now?

Audit analytics is not a new concept; internal audit departments have long aspired to embrace it. But it has now become more accessible and efficient.

Traditional audit methods, often reliant on sampling, have allowed significant cases of fraud and financial misstatements to go undetected in recent years (such as the Enron and Wirecard scandals). In response, regulations and accounting standards have tightened.

And now, the difference is that new technologies enable companies to analyze larger datasets than they were able to previously. The adoption of these technologies spiked during the COVID-19 pandemic, when auditors began conducting more remote audits that required data-driven decision-making. As auditors became more proficient with data analytics tools, companies began recognizing the advantages of audit analytics, particularly to increase financial transparency and operational efficiency.

Importance of audit analytics for the business as a whole

Looking at organizations that have adopted audit analytics, we see stronger collaboration among the first and second lines of defense. Leveraging analytics doesn't just enable auditors to conduct full-population tests - it transforms the internal audit department into a active partner to the business by enabling them gain full visibility into their risks.

Top three areas where audit analytics bring value throughout the organization:

Internal controls evaluation	Fraud detection	Compliance monitoring

02 | How to create value with analytics?

Top areas of benefit of the analytics programs for internal audit departments:

Uncover Potential Risks

By spotting and understanding risks that might have been missed with manual review or data sampling methods

Greater Assurance

By providing a more systematic and complete review of business processes

Enhanced Efficiency

By reducing manual efforts and enabling auditors to focus on higher-value tasks

Improved Audit Quality

By examining an entire dataset rather than just a sample, and identifying issues on a more real-time basis

Audit analytics programs give IA teams the opportunity to give back to their businesses by

- equipping them with deeper understanding of business processes
- allowing them to align their audit goals with business needs

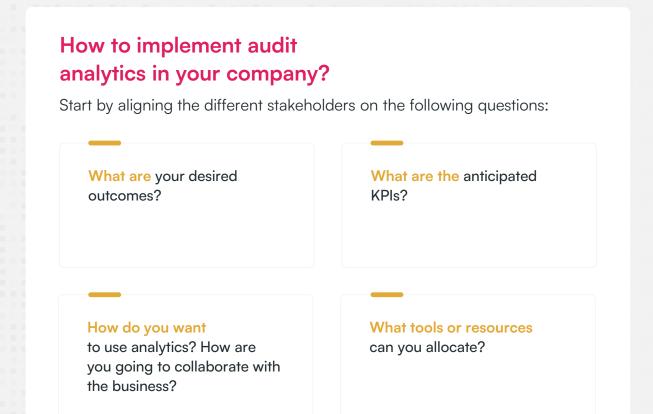## 03 | Tips to start your analytics journey: going from 0 to 1

Let's explore what can impact the success or failure of an audit analytics program. By learning from our most successful clients, we've pinpointed some strategies and questions to help you start your program on the right foot

The Importance of Buy-In:
To make your audit analytics program successful, you need support from all relevant company stakeholders. This begins with gaining approval and support from your audit committee and board. It also involves securing backing from the CFO, accounting leaders, and the IT team. A clear plan should outline when each stakeholder needs to review and approve your project ideas before you can start.

Preparing is key:
Before jumping into an analytics project, assess its **feasibility** (Is the necessary data available? Do you have access? Is it in one place? Is it organized?) and its **potential value** (What benefits can the project bring? Time saved from manual work, improved insights, broader coverage?). Avoid overwhelming the business with excessive results, as it might deter their commitment.

How to implement audit analytics in your company?

Start by aligning the different stakeholders on the following questions:

What are your desired outcomes?

What are the anticipated KPIs?

How do you want to use analytics? How are you going to collaborate with the business?

What tools or resources can you allocate?

03 | Tips to start your analytics journey: going from 0 to 1

After aligning all stakeholders and preparing your project, it's time to chase your initial quick wins. Start with controls that are simple and offer strong ROI.

Proving the value of your analytics early on will demonstrate the effectiveness of your program, boost team confidence, and secure ongoing support. You can focus on ROI by going after cash-back related checks (duplicate payments, for example), checks that save time compared to your manual processes, and tracking the level of automation achieved (for example 25%, 50% of manual tasks automated).

Understand your data: Examine the values in different data fields, and identify whether they are numerical, textual, or unique identifiers. Perform a reasonability check to ensure the record numbers make sense. When dealing with large datasets, start with a sample for analysis and testing.

A successful audit analytics program relies on securing support from all relevant stakeholders and establishing a clear plan for their involvement.

Before starting your analytics projects, assess feasibility and potential value to avoid overwhelming results. Quick wins and early ROI are essential to demonstrate the effectiveness of your approach.

Change management is also key: organize training sessions and user support to prevent potential frustrations from teams.

In the many successful analytics programs, leaders track KPIs that evaluate (1) team engagement and (2) the quality of their findings. This enables you to promptly address any signs of disinterest and ensure you're making progress.

04 | How to ensure the adoption of your analytics program

From traditional audit departments to data-driven teams. Why are analytics sometimes not adopted?

Shifting skills and promoting new technology within a team can be tricky. Here are some common mistakes to avoid to ensure adoption of your analytics program:

Lack of Understanding

Auditors often struggle to understand the significance of analytics in identifying risks and control issues. What are the risks related to a script? How do you prioritize investigations? Educating team members on the purpose of your analytics program is crucial.

Integration of the analytics program into the audit plan

Successful adoption requires close collaboration between analytics experts and end-users to ensure that analytics align with specific risks and controls, enabling auditors to articulate their purpose and provide recommendations.

Business Alignment

You want to avoid overwhelming the business departments with hundreds of results that are not key risk findings. Gaining business acceptance can be challenging, so it's essential to demonstrate the value to them before involving them.

Change Management

Embracing analytics necessitates a cultural shift within the internal audit function. Educating all levels of staff, including the audit committee and senior management, is crucial to gain support and approval.

Planning and Approval

During the audit planning phase, the audit plan should explicitly incorporate analytics, specifying their role in achieving audit objectives.

Data Accessibility and Understanding

Accessing and comprehending necessary data can be challenging and time-consuming. You have to use the data to build the audit story, not make it something separate. Building relationships with data owners and IT personnel is vital for the success of your analytics program.

Continuous Effort

Developing knowledge of potential data sources, securing access rights, and nurturing a network of IT specialists should be ongoing activities rather than being delayed until the start of an audit.

05 | How to scale your Audit Analytics journey?

After implementing your analytics program and demonstrating its value, enhance your daily work with 4 easy steps:

Scalability

The ultimate goal of a global project is to achieve scalability without having to restart pre-work every time you want to expand your scope. To do that, it's important to get a tool that enables you to enrich the quality of your scripts, capitalize on your previous investigations to learn from false positive patterns and manage the time you spend on maintaining your scripts

Visualization

When implementing data analytics solutions in a large organization, it's crucial to maintain a global perspective, obtain a concise overview of anomalies, and identify the riskiest subsidiaries within the organization.

Today, excellent data visualization tools like Power BI allow you to connect to vast databases and effortlessly create impactful reports.

Avoid low value-added tasks

To ensure project success, it's essential to avoid tasks like cleaning the same type of data set multiple times, setting up a one-off analysis, and manually importing data from your ERP system.
These tasks can be time-consuming and can now be eliminated through automation tools and connectors that allow you to connect to your systems' APIs, for instance.

Move to more advanced data analytics techniques

Once you are comfortable with basic data analytics techniques, consider progressing to more advanced methods such as machine learning and natural language processing.

These advanced techniques can assist in identifying outliers or anomalies in databases without relying on predefined rules or human intervention.

06 | Which tool to use?

The landscape of audit analytics platforms is quite diverse, featuring both hybrid tools and highly specialized ones.

To assist you in selecting the ideal solution, here is a **list of the various available options:**

Spreadsheets
(Microsoft Excel, Google Sheet)

Advantages

› Widely available and familiar to most auditors.

› User-friendly interface for basic data analysis and reporting.

› Supports pivot tables and simple data visualization.

Disadvantages

› Need to clean and adapt the data to start analyzing.

› Limited capacity for handling large datasets.

› Lacks advanced analytics and machine learning capabilities.

Outsourcing audit analytics to a consulting firm with its own tools
(EY, KPMG, Deloitte, PWC)

Advantages

› Consulting firms bring specialized expertise and experience in audit analytics.

› Access to advanced analytics tools and software.

› Flexible resources for project-specific needs.

Disadvantages

› Usually cost per analysis and consulting, and hard to estimate the total project cost.

› Limited in-house expertise development, and reliance on external stakeholders.

› No continuous process.

06 | Which tool to use?

Analytics platforms tailored to audit professionals
(ACL Analytics / IDEA)

Advantages

› Tailored for audit and risk professionals
› Allows for data extraction, analysis, and visualization

Disadvantages

› Need technical skills to use (build your own checks), including coding techniques
› Learning curve for new users
› Can take years to have analytic checks that work without many false positives
› No machine learning

General data analytics platforms
(Alteryx)

Advantages

› Powerful platform with strong data analytics capabilities
› Relatively easy to connect to several systems
› Budget is covered by IT because licenses are used across departments

Disadvantages

› Need technical skills to make it work (build your own checks): not all auditors can use it
› Need to know what to build and how to do it: what are the risks you're looking after?
› One-off analysis only (no continuous monitoring)
› No machine learning

Plug-and-Play platform
(Supervizor)

A new way to do audit analytics. Mixing the advantages of the solutions above, Supervizor is a high-performance no-code data analytics platform with **300+ controls embedded** within it.

› Tailored for the three lines of defense

› Direct connection to ERPs

› Automatic data cleaning and enrichment with no setup

› Over 300 pre-set controls that can be applied directly to your data

› Intelligence and expertise are included in each control to reduce false positives and focus on the riskiest anomalies

› Continuous monitoring: set the frequency of your controls and receive notifications when your findings are ready for review

Contact us to discover how to automatize your controls !

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