

# Beyond Internal Audit 101

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# Agenda

Introductions

Using Data Analytics to Identify Potential Risks

Risk & Internal Audit

Internal Audit Information Technology Risk Considerations

Q&A

# Webinar Introduction

- Housekeeping
  - Questions
  - 1-hour Webinar
  - CPE Credit
  - Survey
  - Certificates
- Introductions
  - Angela Sehgal
  - Tom Daggett
    - Poll

# Moving Beyond Internal Audit 101

- **Internal Audit 101+**
- Data Analytics & Continuous Monitoring
- Risk & Internal Audit
- Cloud Computing

# Using Data Analytics to Identify Potential Risks and Returns

Data Analytics Roadmap

Why Data Analytics?

Where to Apply Data Analytics

# Data Analytics Roadmap

- **What comes first?**
- A day in the life of a CAATTs tool
- From ad hoc analysis to continuous monitoring
- Use of data analytics can be driven by or used to drive risk assessment and audit plans
- Important to apply balance of both
- Does not have to be complicated logic
- Access to data and understanding of business process is still key

# Data Analytics Roadmap...

- What comes first?
- **A day in the life of a CAATTs tool**
- From ad hoc analysis to continuous monitoring
- Research tools
- Purchase and installation
- Training
- Emergency Project!
- Lengthy Delay...
- First Project!
- Frustration...
- No time to relearn, back to Excel!
- In-Source or Outsource?

# Data Analytics Roadmap...

- What comes first?
- A day in the life of a CAATTs tool
- **From ad hoc analysis to continuous monitoring**
- Ad hoc analysis is never completely replaced
- Use ad hoc to identify areas of risk
- Automate tests that meet criteria (risk, return, etc.)
- Data analytics integration 101 vs. Advanced
  - Risk analysis
  - Audit plan
  - Sampling

# Why Data Analytics?

- **What is a CAATTs tool?**
- Benefits of CAATTs
- Common CAATTs tools
- Data Analytics vs. Continuous Monitoring
- Timely Findings
- **Computer Assisted Audit Tools & Techniques**
- **Technology Based Audit Techniques**
- Most often used to describe data extraction/analysis software developed *specifically* for Auditors

# Why Data Analytics?

- **Benefits of CAATs**
- **Common CAATs Tools**
- **Data Analytics vs. Continuous Monitoring**
- **Timely Findings**

# Where to Apply Data Analytics?

- **Things to Consider**
- **Build a Prioritized List**
- **Use Data Analytics to Drive Development**
- **Business Processes**

# Risk & Internal Audit

What is Risk?

Where should Internal Audit fit into the Risk Process today?

Risk Response?

New Risk

# Risk & Internal Audit

- **What is Risk?**
  - Internal Audit's Role?
  - Risk Response
  - New Risk
- **Risk** (rsk) n. 1. The possibility of suffering harm or loss; danger. 2. A factor, thing, element, or course involving uncertain danger; a hazard: "the usual risks of the desert: rattlesnakes, the heat, and lack of water" (Frank Clancy).
  - **COSO Definition** –“the possibility that an event will occur and adversely affect the achievement of an objective”

# Risk & Internal Audit...

- What is Risk?
- **Internal Audit's Role?**
- Risk Response
- New Risk



# Risk & Internal Audit...

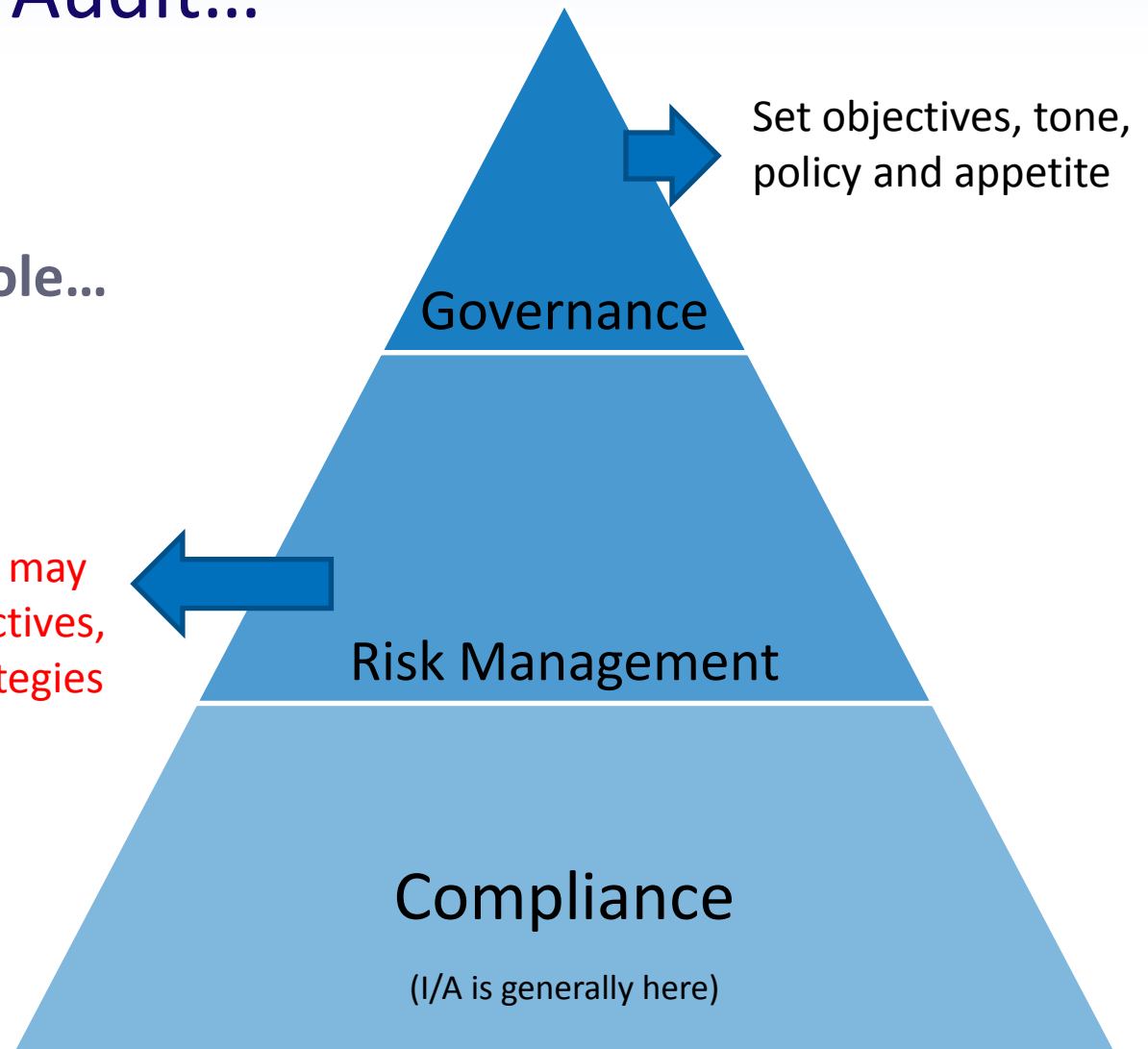
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# Risk & Internal Audit...

- What is Risk?
- **Internal Audit's Role...**
- Risk Response
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Identify and Assess risks that may affect ability to achieve objectives, determine risk response strategies and control activities

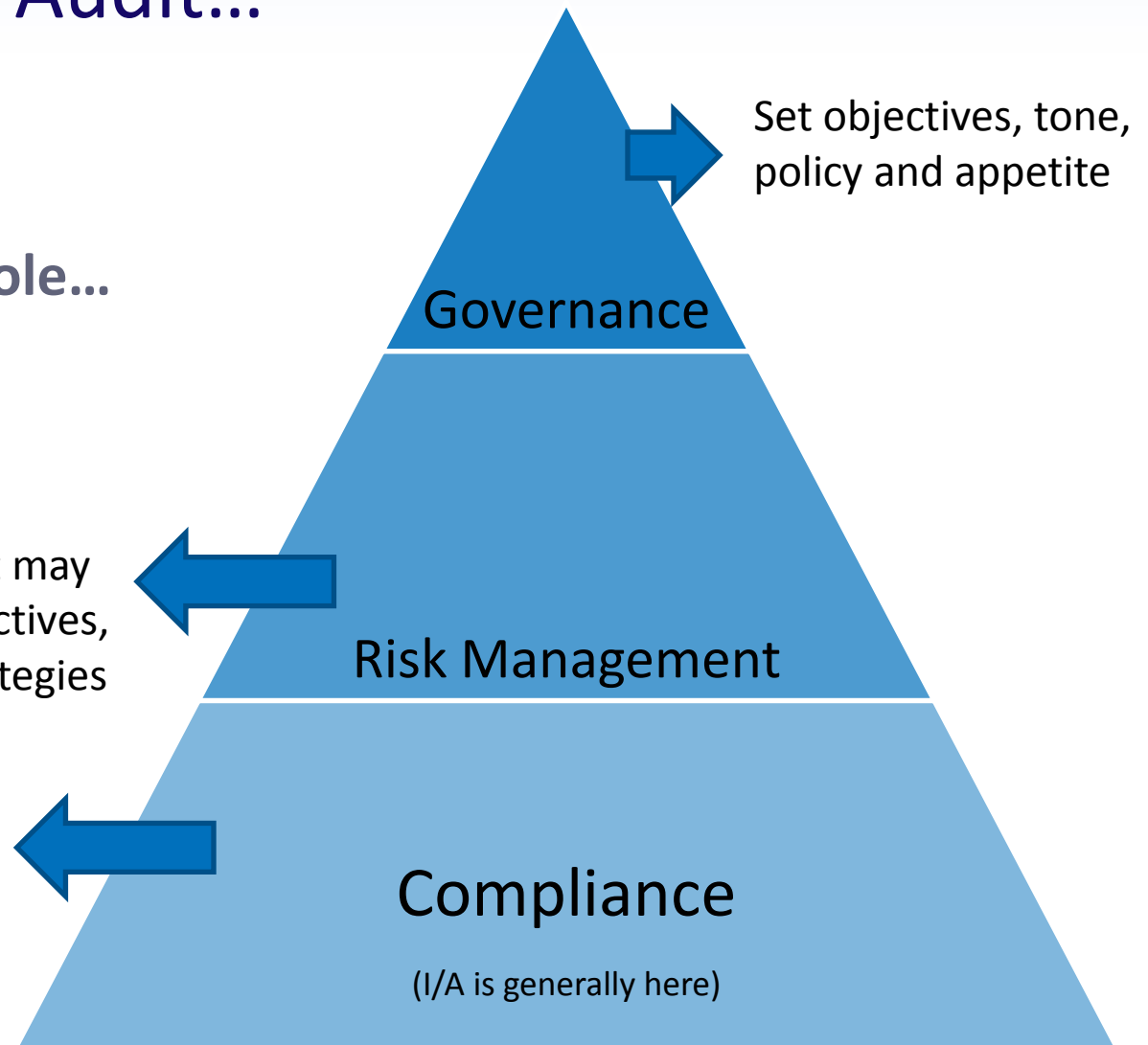


# Risk & Internal Audit...

- What is Risk?
- **Internal Audit's Role...**
- Risk Response
- New Risk

Identify and Assess risks that may affect ability to achieve objectives, determine risk response strategies and control activities

Ensure adherence with objectives, laws and regulations, internal policies and procedures



# Risk & Internal Audit...

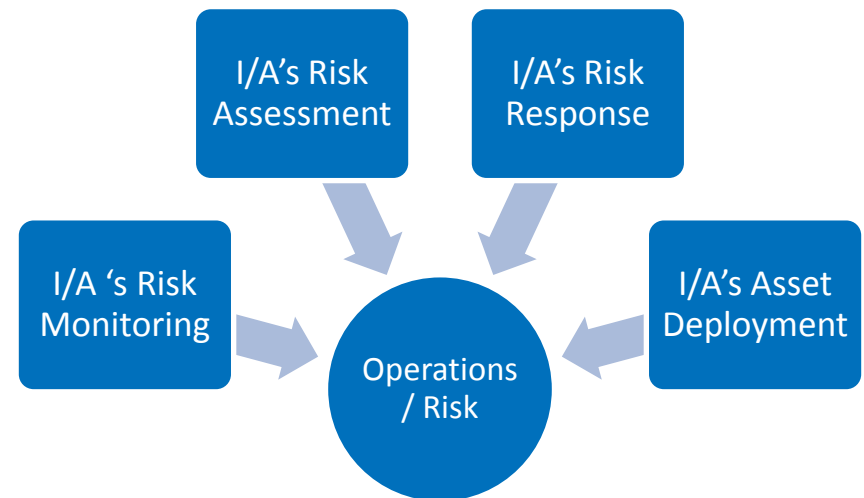
- What is Risk?
- **Internal Audit's Role...**
- Risk Response
- New Risk
- Compliance phase
- Testing
- Reporting
- Then you do it again next phase
- IA is uniquely positioned to positively impact operations and bring returns!

# Risk & Internal Audit...

- What is Risk?
- Internal Audit's Role
- **Risk Response**
- New Risk
- Given that risk represents uncertainty, really how ready are organizations to deal with a risk event?
- Successful management of risk should be based on an organization's ability to:
  - Recognize the onset of the Risk
  - Adjust Risk Assessment and Audit Plan
  - Address Risk timely, effectively and with proper Asset Deployment

# Risk & Internal Audit...

- What is Risk?
  - Internal Audit's Role
  - **Risk Response**
  - New Risk
- Risk Readiness is the RESPONSE to identified Risk



# Risk & Internal Audit...

- What is Risk?
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## Our Response Sequence:

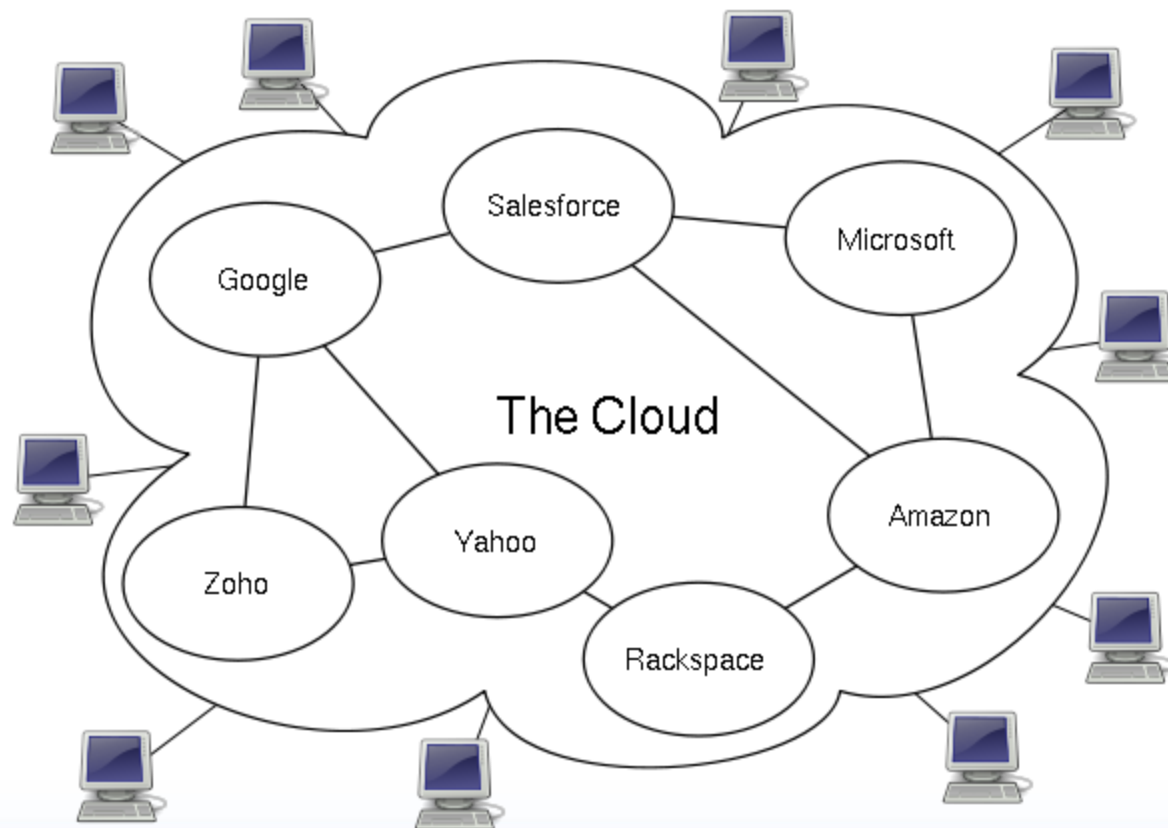
- Continuous Monitoring via Data Analytics
- Assessment of findings via targeted audit
- Once validation of findings, Risk Assessment and Audit Plan adjustment
- Risk Response
- Asset Deployment
- **Risk Readiness is the RESPONSE to Identified Risk – so you need to have assets identified and prepared in advance**

# Internal Audit IT Risk Considerations

Cloud Computing  
Poll

# What is Cloud Computing?

- Cloud computing refers to the provision of computational resources on demand via a computer network.



# Integration of Services into the Cloud: Salesforce Service Cloud



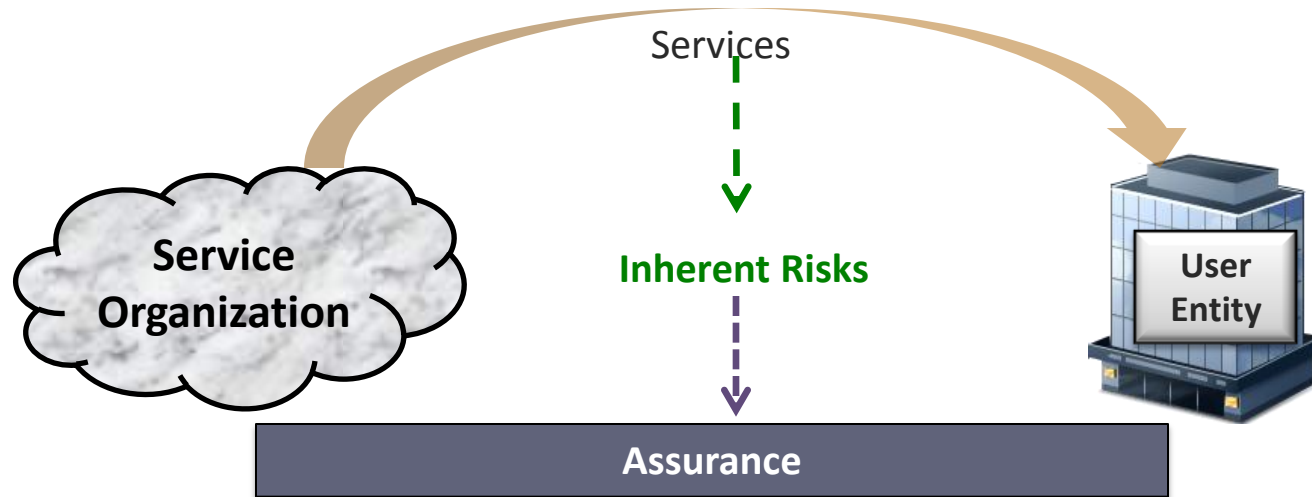
# From Search to Cloud



# From Books to the Cloud

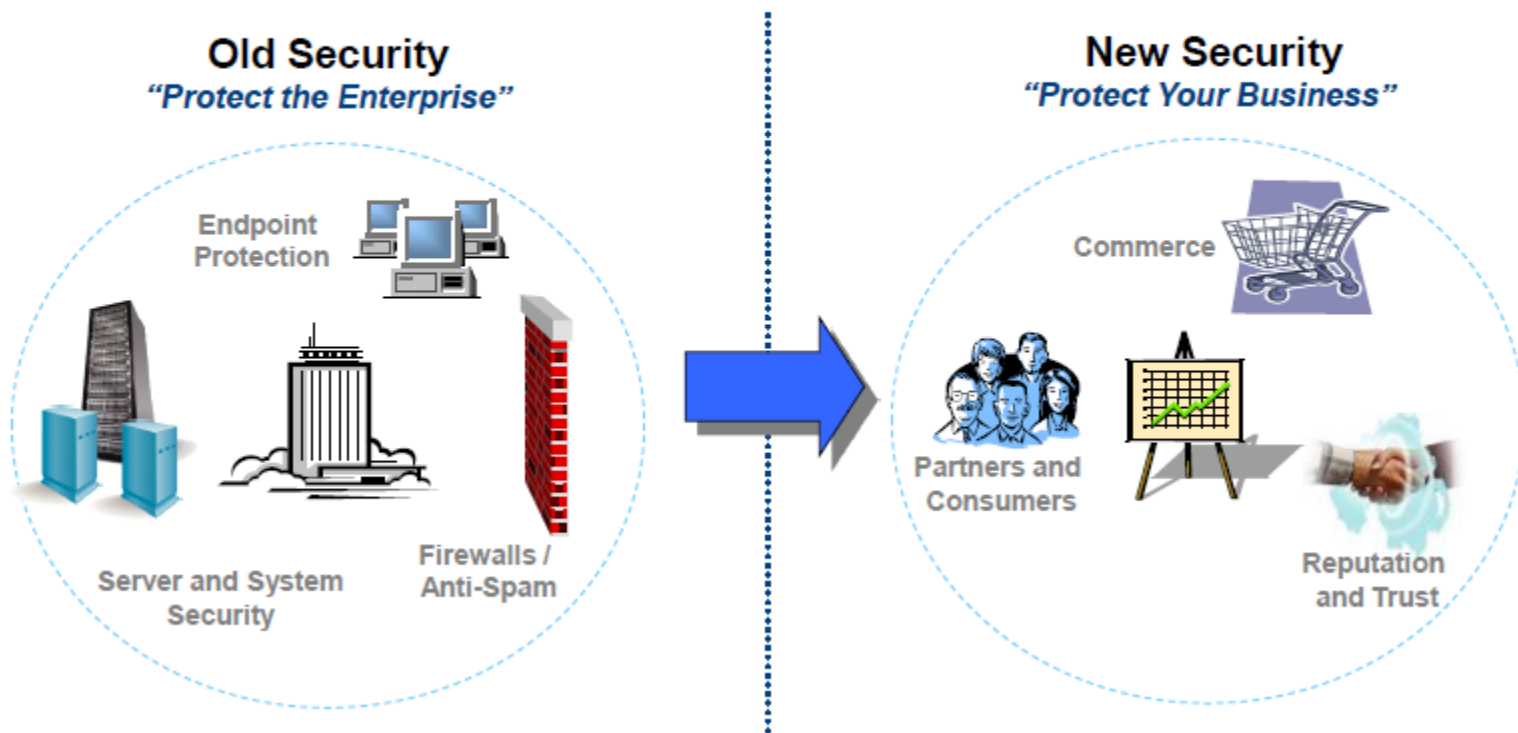


# Risks of Cloud Computing



# The New Model for Security

“Security for a borderless perimeter.”



# Risk & Internal Audit...

- What is Risk?
- Internal Audit's Role
- Risk Response
- **New Risk**

## Cloud Risks:

- Ownership
  - IP addresses
  - Email addresses
  - Data / intellectual Property
- Security of Data
- Contracts
- Cloud Mobility
- Exit Strategies
- Compliance, such as HIPAA
- Disaster Recovery

# Risk & Internal Audit...

- What is Risk?
- Internal Audit's Role
- Risk Response
- **New Risk**

## Cloud Risks:

- Zappos
- Amazon Cloud Partner / Vendor
- 24 Million
- **Cloud Risk Events  
WILL occur**

# Role of Internal Audit in the Cloud

- Conduct business impact analyses and risk assessments to inform business leaders of potential risks to their enterprise. Specifically assess the following:
  - Policy and Organizational Risks
  - Technical Risks
  - Legal Risks
- Assist the business in understanding and managing the risks and therefore take advantage of this huge opportunity.
- Identify security risks and controls required specifically for your organization.
- Prepare for conceivable eventualities
- Poll

# Beyond Internal Audit 101

- 101 = moving methodically through Company Divisions, recycling audit plans, stumbling through the dark for fraud and recovery opportunities and value add
- Integrate and Penetrate
- Marry Data Analytics, Compliance, Risk Management, IT, Internal Audit, Fraud Forensics and Recovery Efforts
- Creative testing
- Bundled Services

# Beyond Internal Audit 101

- We have developed over 200 DA scripts that can readily be applied to common process areas where we have found that the greatest anomalies occur
- This, in conjunction with our fully integrated approach allows us to focus our efforts on the areas of:
  - Highest risk
  - Greatest anomalies
  - Most potential for recoverable dollars
  - Areas/Processes/Controls likely susceptible to fraud and abuse
  - Gain efficiencies with other compliance efforts
- Be a great impact on your company beyond IA 101!

# Want More Information?

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