



# Re-imagining State and Local Audit Organizations

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# Agenda

01

**Why re-imagine your audit organization?**

02

**What do you change?**

03

**How do you make it happen?**

04

**Who does it?**

05

**Closing thoughts**

# Why re-imagine your audit organization?

01

Staff turnover

02

Management retirement

03

Increase in required audits

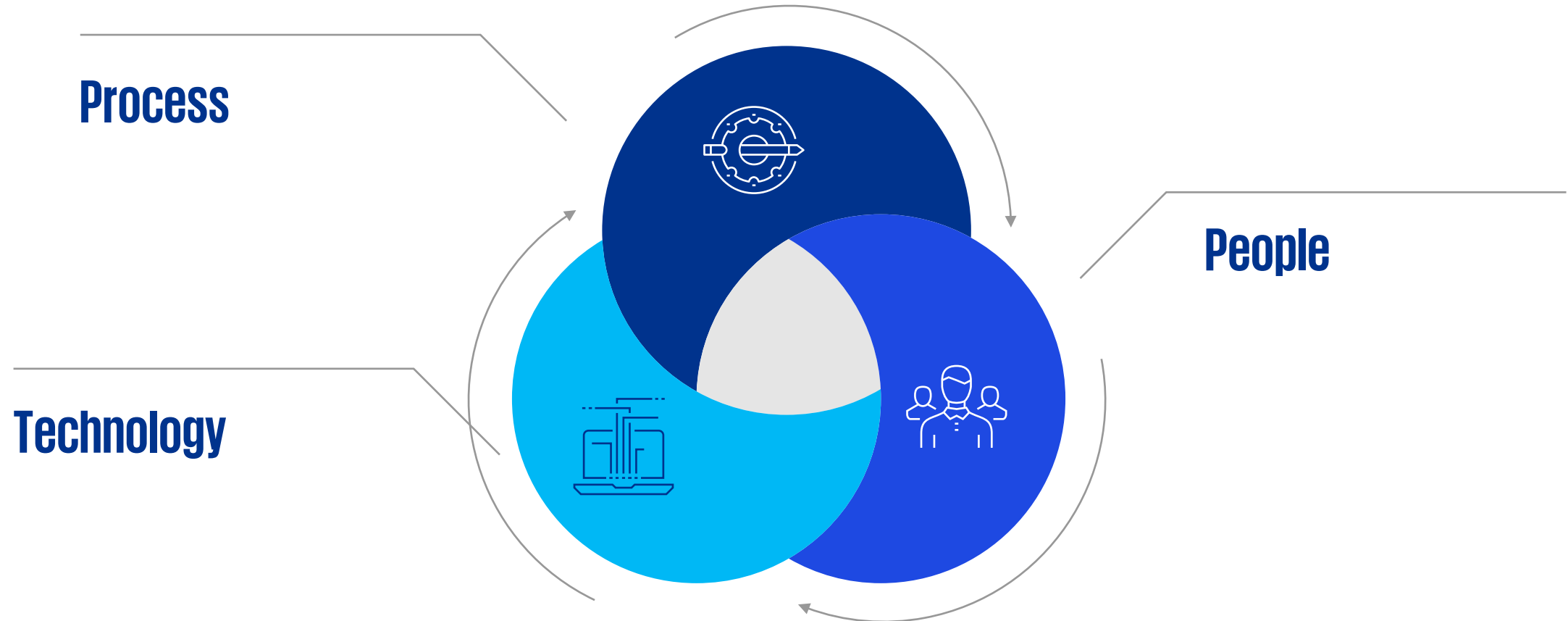
04

Complexity of auditing standards

05

Budgetary challenges

# What do you change?



# Is it really risk based?

01

Understanding your audit universe

02

What is your true mandate?

03

Audit selection

04

Audit process

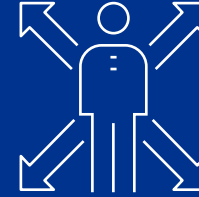
05

Quality shortcomings and inefficiencies

# Is everyone aligned for success?



**Skills and knowledge assessment**



**Learning management model**

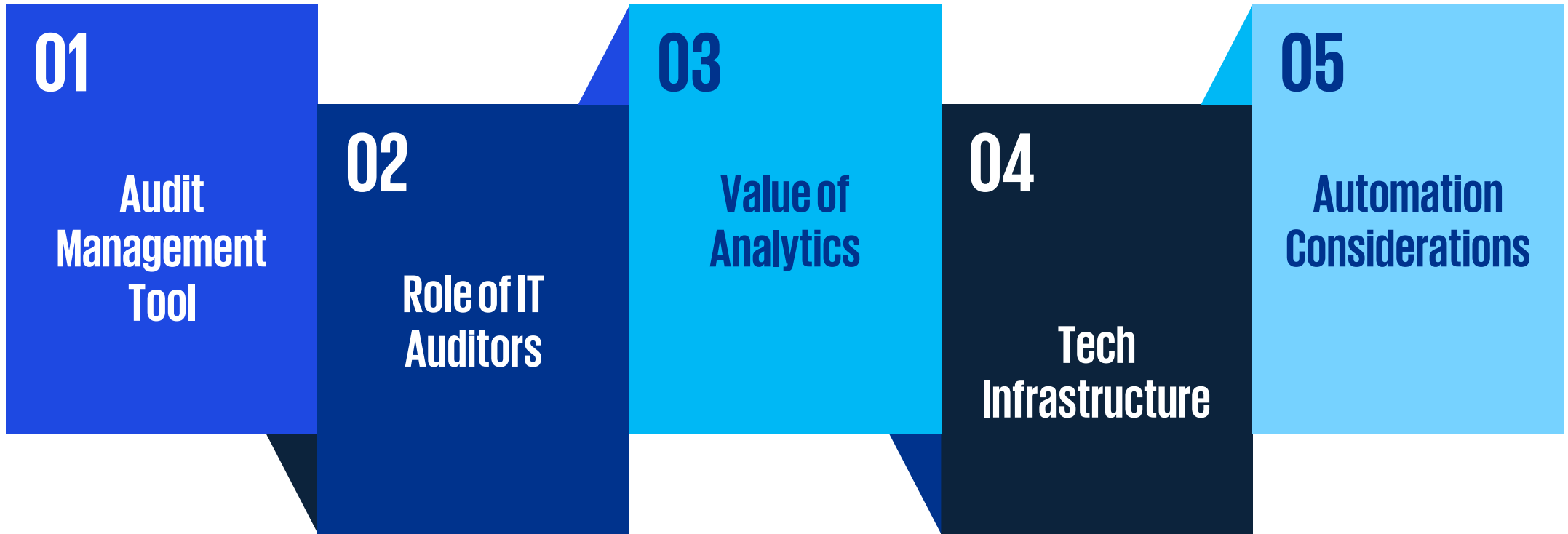


**Performance management**



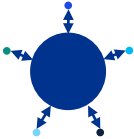

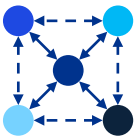
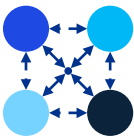
**Resource management**

# What do you need and how much?



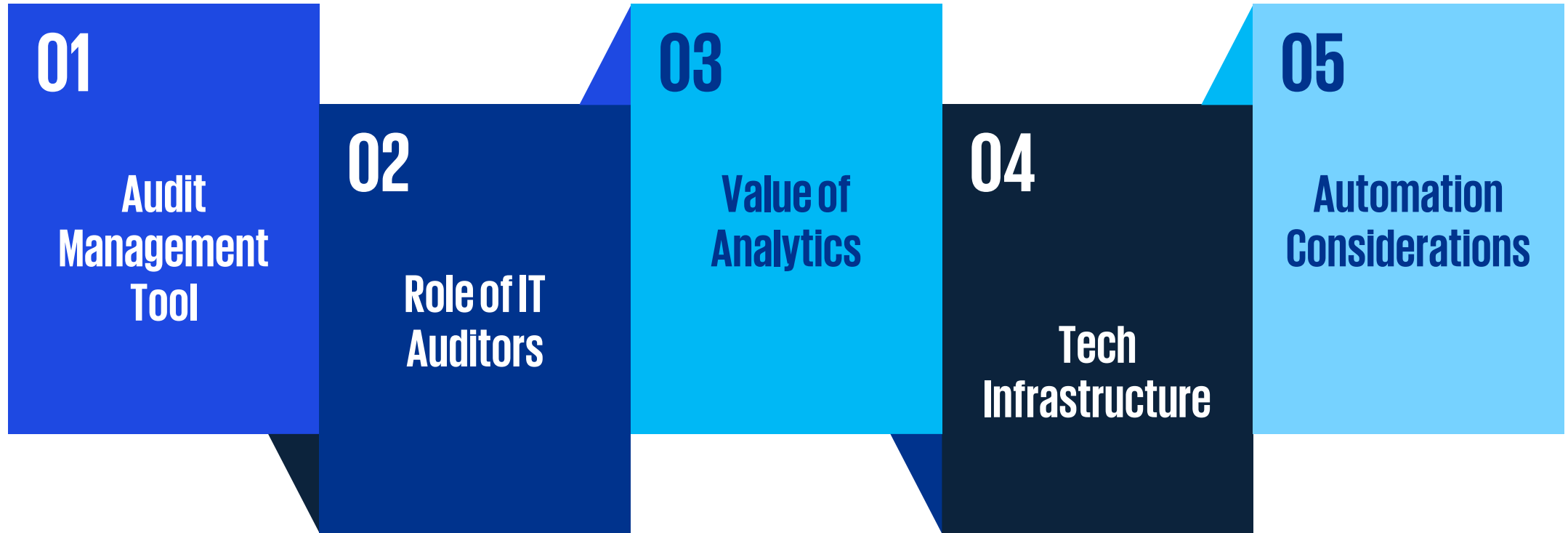
# Audit D&A resource structure

An essential element of setting strategy is structuring the analytics team to align with the organizational goals.

D&A team structure	Description	Advantages	Disadvantages
 <p>Centralized</p>	A centralized D&A team that can support audit teams and verticals on a project-by-project basis.	<ul style="list-style-type: none"> <li>• Clear control and accountability</li> <li>• Well defined roles</li> <li>• Focused vision</li> <li>• Can generate efficiencies</li> <li>• Governance is easier to manage</li> </ul>	<ul style="list-style-type: none"> <li>• Less D&amp;A team knowledge of business context in verticals</li> <li>• Creates bottlenecks</li> <li>• Can be inflexible</li> <li>• Often evolves to “deli counter” model inhibiting creativity and initiative</li> <li>• Typically requires new FTEs</li> </ul>
 <p>Selective Distribution (Specialized Hybrid)</p>	Selected types of analytics (e.g. advanced statistics, NLP, etc.) or types of use cases (e.g. continuous monitoring) are owned by the centralized function with less advanced D&A projects owned by the verticals.	<ul style="list-style-type: none"> <li>• Allows more effective sharing of specialized skill sets</li> <li>• Can allow for mentoring and support functions to the verticals</li> <li>• Tends toward central team working on more complex, higher value projects</li> <li>• Can allow for resource rotations through internal audit</li> </ul>	<ul style="list-style-type: none"> <li>• Retention can be challenging as advanced resources often seek roles in other parts of the organization</li> <li>• Broader adoption in the verticals may stay lower</li> <li>• Typically requires new FTEs</li> </ul>
 <p>Balanced (Center of Excellence Hybrid)</p>	Responsibility and ownership are shared equally among the verticals and the central team. This often entails the verticals focusing on ad hoc analytics for individual audits and the central team working on broader projects that may benefit the entire team, e.g. risk assessment.	<ul style="list-style-type: none"> <li>• Can facilitate hub-and-spoke exposure for people and resources sharing for verticals</li> <li>• Can allow for mentoring and support functions to the verticals</li> <li>• Can accelerate adoption</li> <li>• Encourages knowledge sharing and autonomy</li> </ul>	<ul style="list-style-type: none"> <li>• Requires socialization of organizational structure</li> <li>• Roles and responsibilities can be (or become) unclear</li> <li>• Success more dependent on vertical leads.</li> <li>• May require FTEs</li> </ul>
 <p>Independent</p>	Verticals have complete autonomy for D&A execution, while maintaining global standards to meet requirements.	<ul style="list-style-type: none"> <li>• Clear accountability for inefficiencies</li> <li>• Fewer bottlenecks</li> <li>• Greater flexibility</li> <li>• Reduces bureaucracy</li> <li>• Can often be done without increasing headcount</li> </ul>	<ul style="list-style-type: none"> <li>• Heavily dependent on vertical leads for success</li> <li>• Less information sharing</li> <li>• May foster duplicative work</li> <li>• Slows implementation of standardized policies</li> </ul>



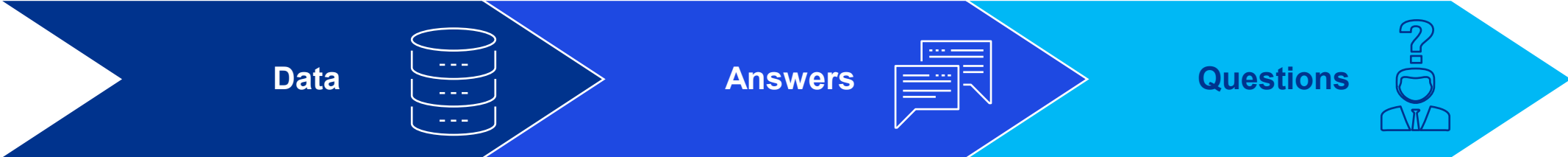
# What do you need and how much?



# Expectation



### Expectation

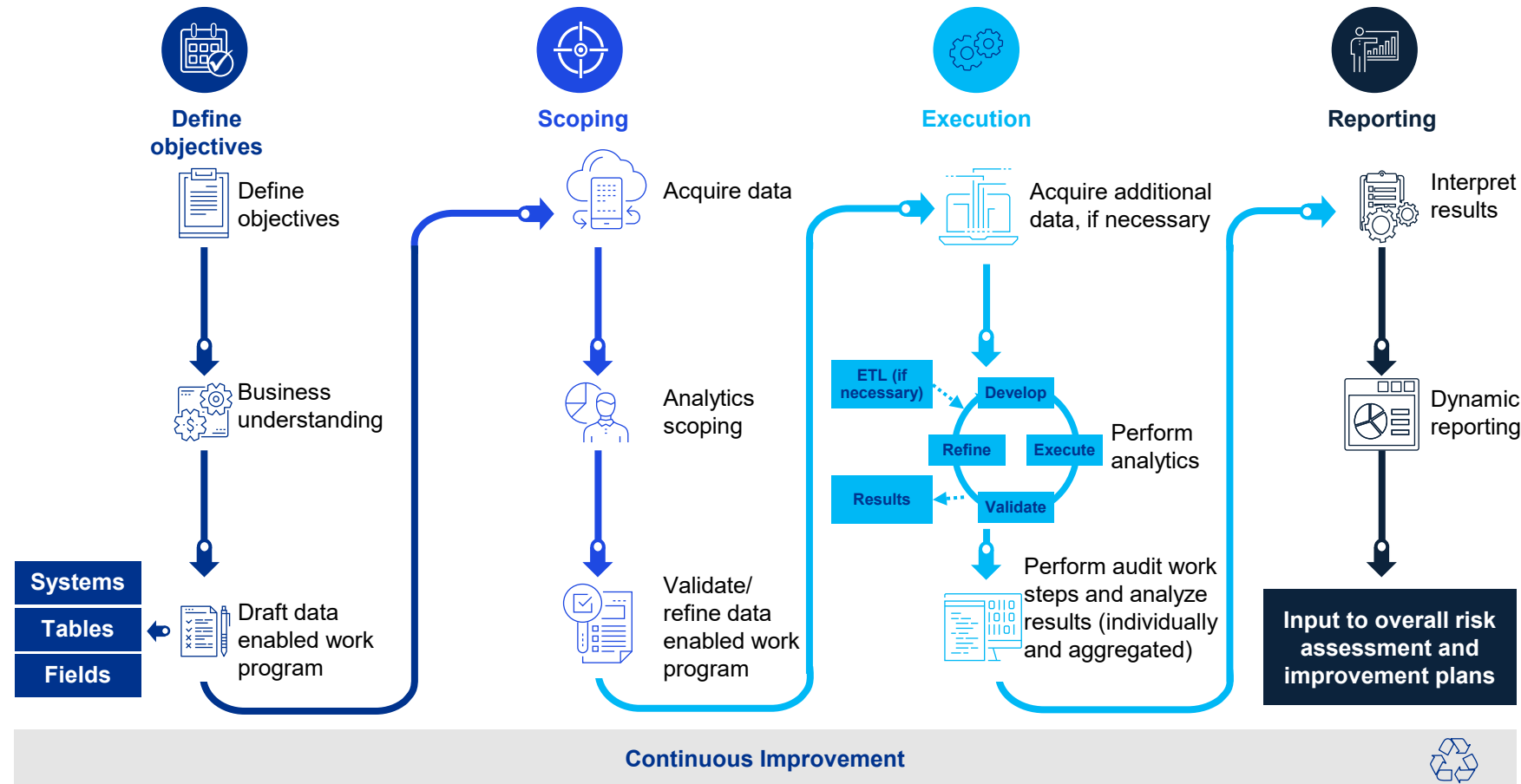


### Reality



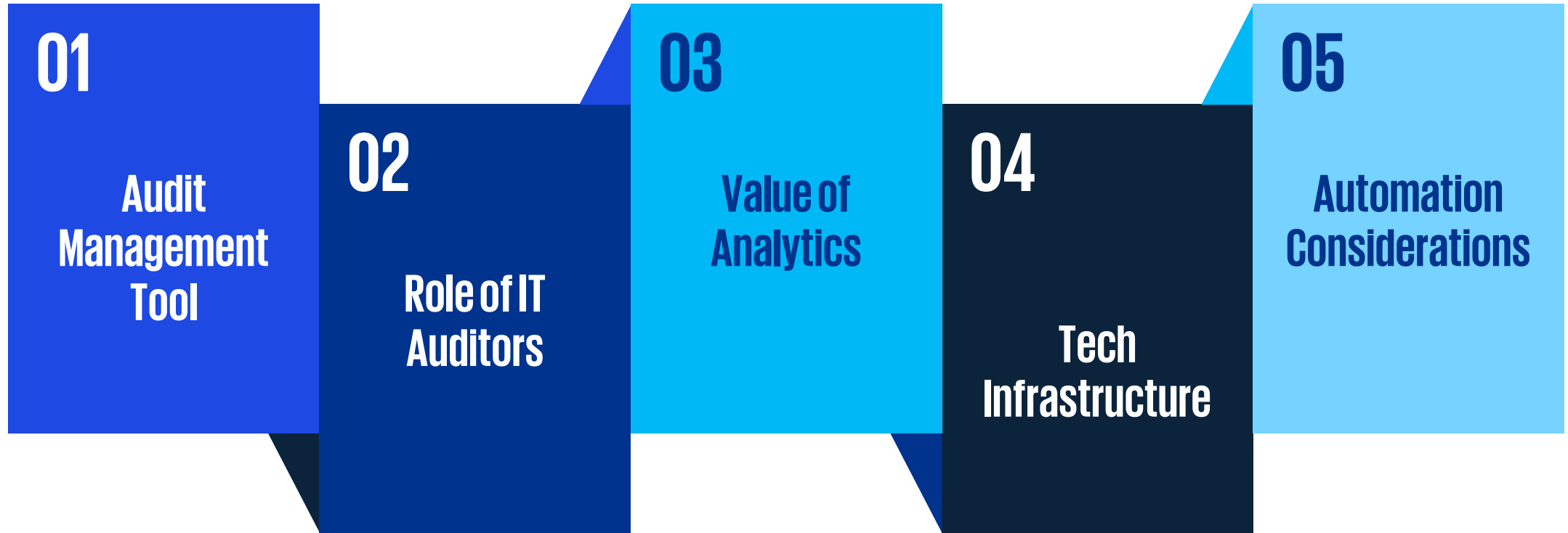
# Audit analytics process example

The diagram below describes the overall process from start to finish.



- ### Available Technology
- Microsoft SQL server
  - Bespoke ABAP and SQL scripts
  - Alteryx
  - Power BI
  - Qlik
  - Tableau
  - MS Excel
  - MS PowerPoint
  - Celonis

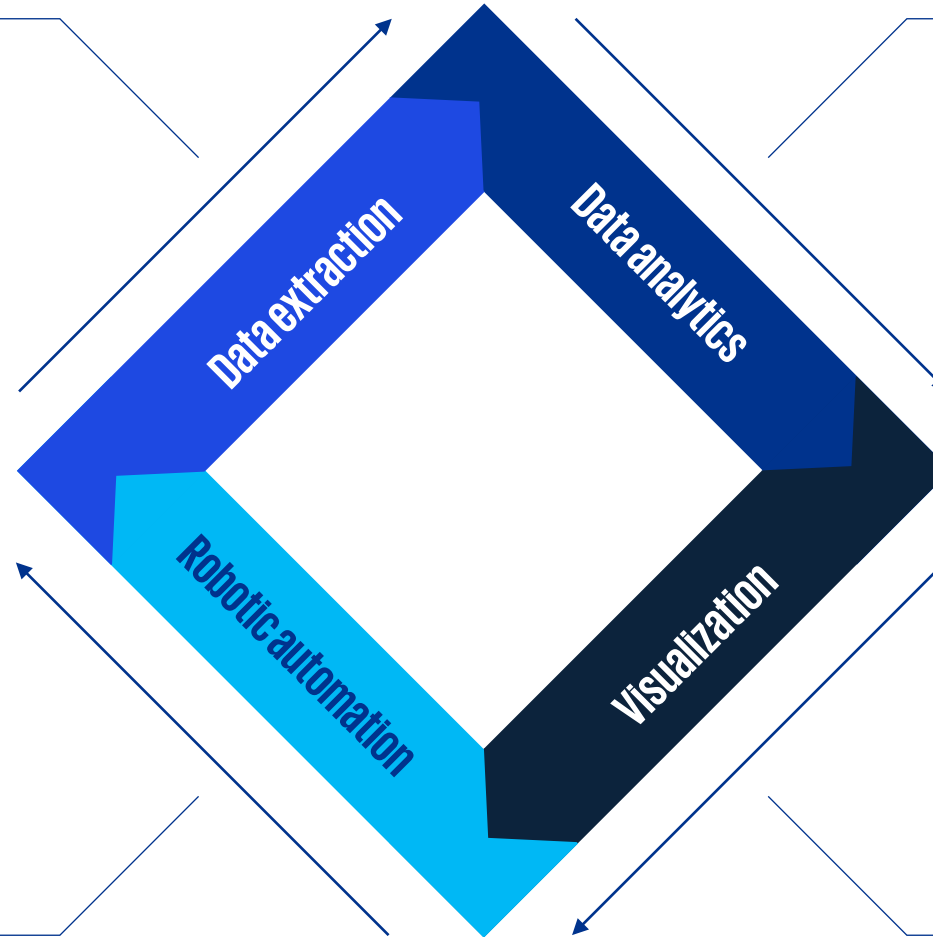
# What do you need and how much?



# Categories of analytics and automation tools

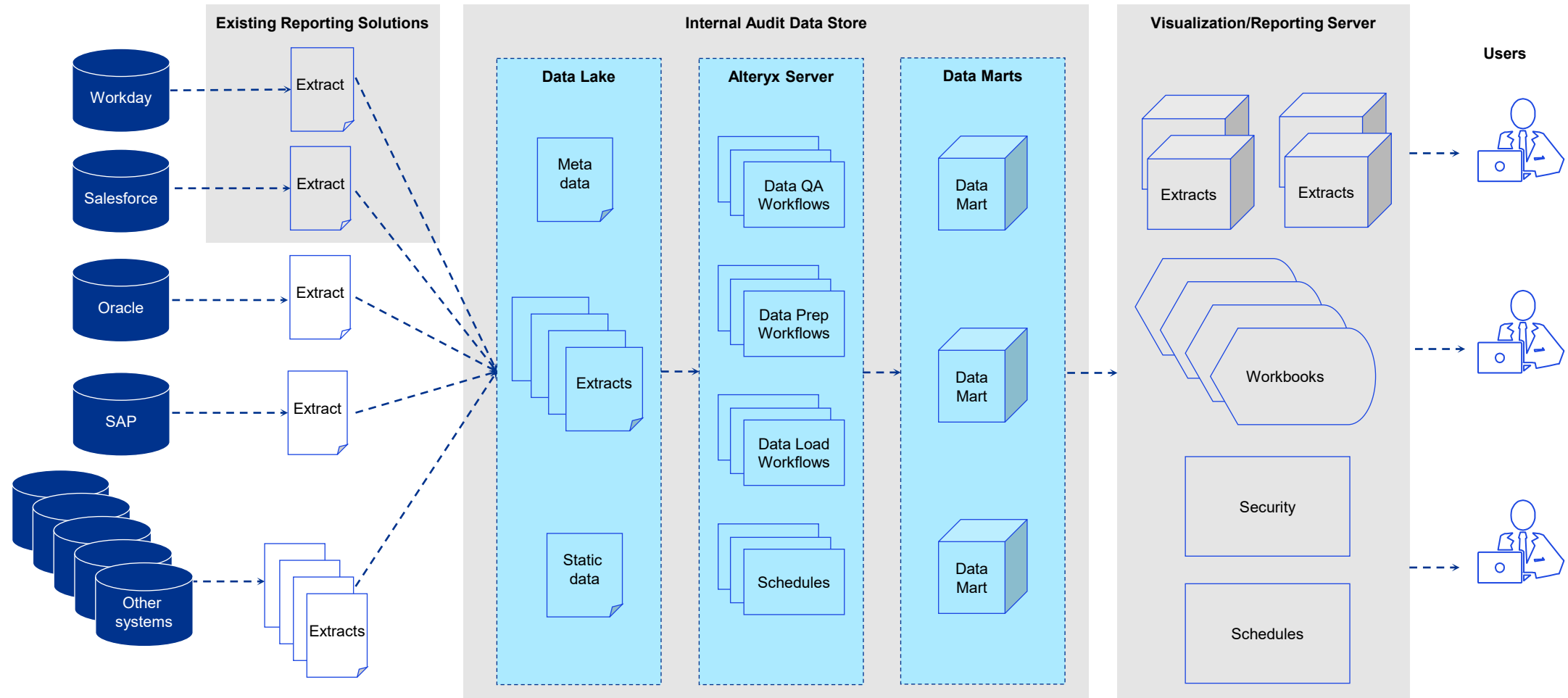
- Pull data from the source, clean it, standardize it, and prepare it for analysis
- Many tools can do similar routines – extraction requirements depend heavily on the system and data quality
- Includes a range of free open source options up to costly proprietary tools

- Creates and maintains “bots” that automate repeatable functions to increase efficiency and enhance effectiveness
- Automation comes in many different designs and is highly tailored to the use case and the organization

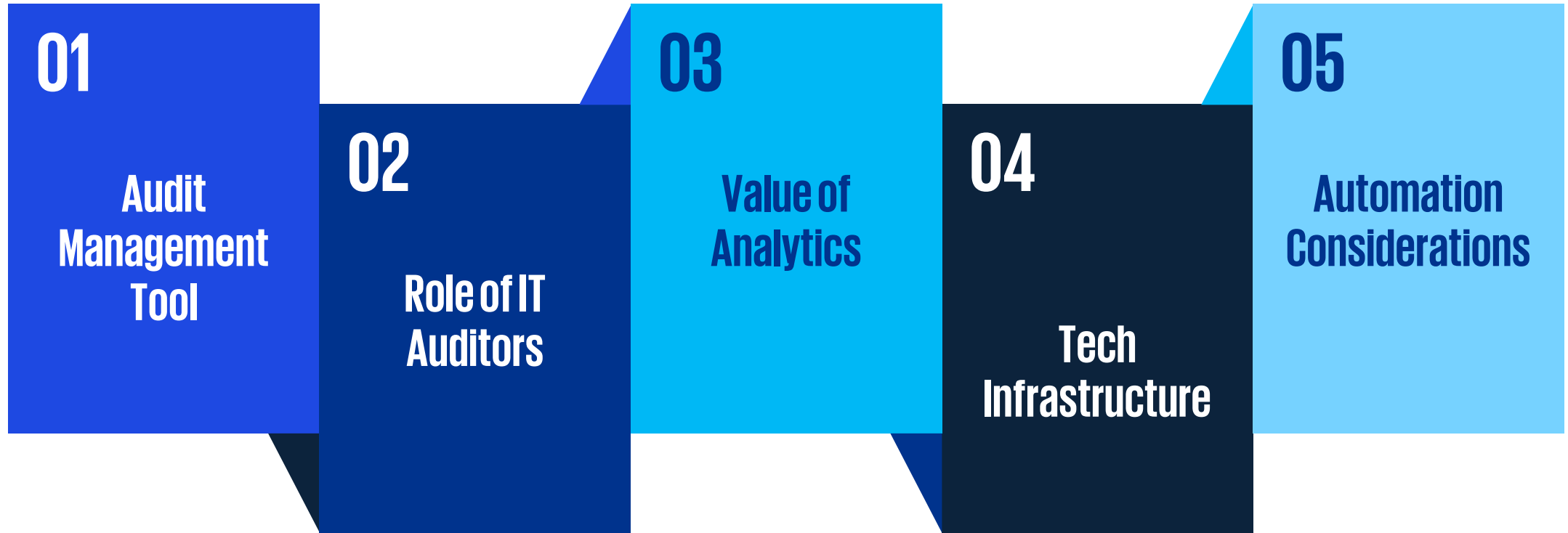


- Join disparate datasets acquired from different systems, build and execute analysis, and iteratively refine the analytics based on validation of results
- Many tools from programming languages to full analytical suites – can be customized to certain systems or system agnostic
- Tools range from programming languages, statistical software, and software suites
- Presents analytical results in a visually-appealing and user-friendly wrapper making it easier to identify areas of concern, follow up on outliers, and generally understand the analytical results better
- Many options in the market depending on price appetite, complexity, and design needs

# Conceptual advanced IA analytics architecture

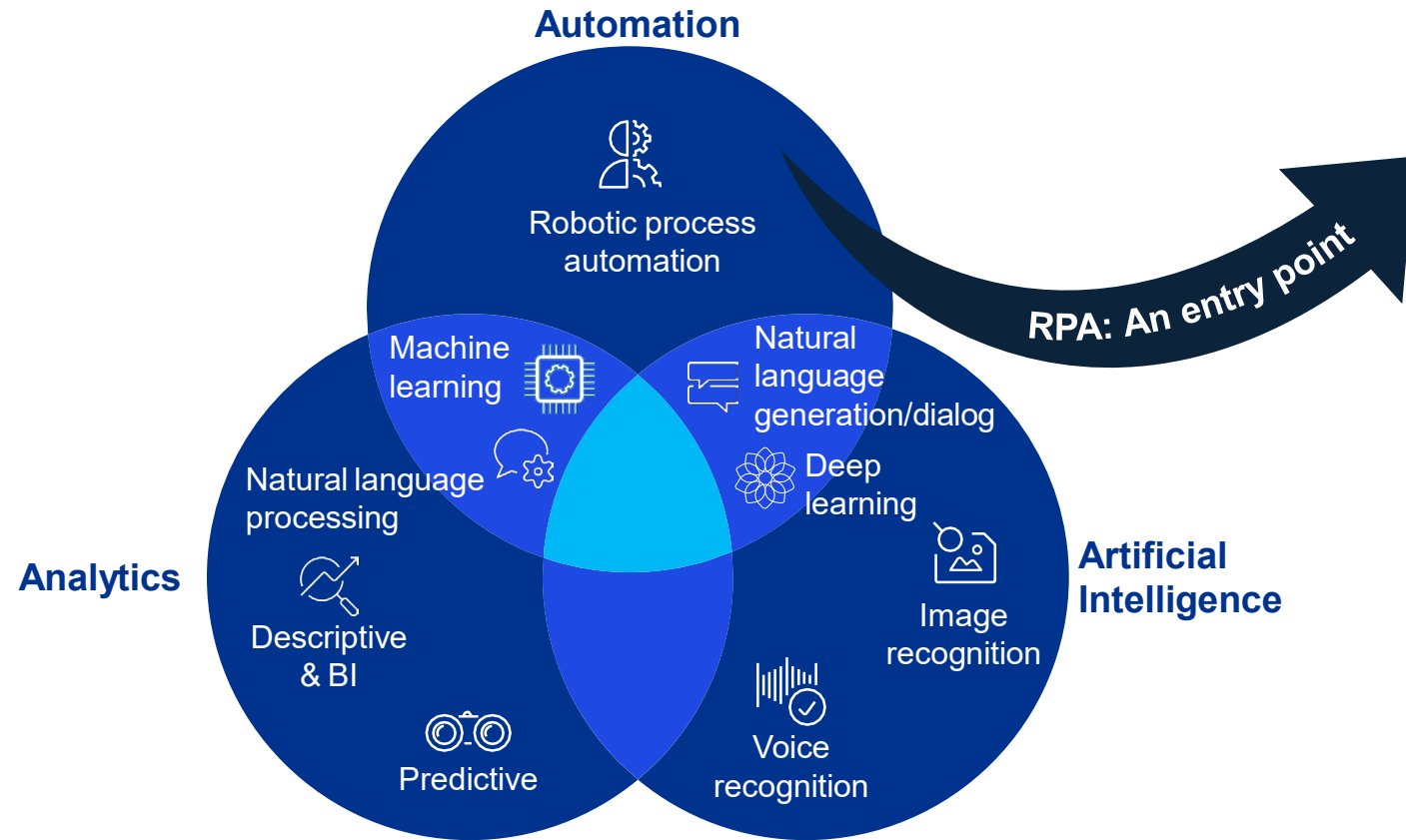


# What do you need and how much?





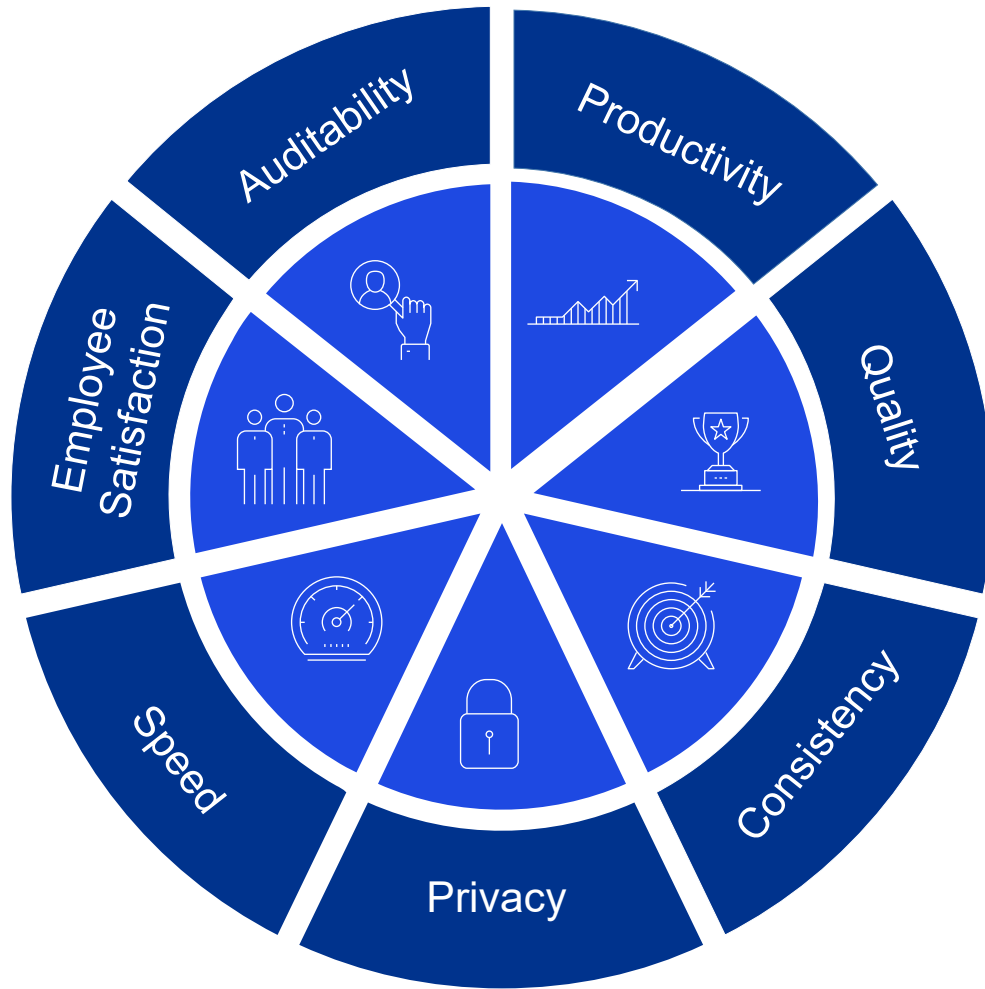
# Automation overview



## Robotic Process Automation (RPA)









- RPA tools help organizations improve the effectiveness of services faster and at a lower cost than current methods
- RPA is software programmed to perform repeatable tasks. Using recorders and easy programming language, bots are programmed to replicate repetitive digital tasks
- RPA operates in the user interface layer. It is able to automate tasks non-invasively – meaning, no APIs or underlying IT infrastructure needed/affected
- RPA can be implemented at the desktop or virtual environment to interact with a wide range of business applications
- RPA provides flexibility to quickly deploy bots onto existing desktops or virtually to save on additional hardware costs

# Potential benefits of automation



- 1 Productivity:** Bots work 24/7, 365 days a year driving down costs and reducing backlogs
- 2 Quality:** Reduce quality issues associated with manual data entry
- 3 Consistency:** Bots do not make inconsistent decisions as they are configured to solve a problem the same way every time
- 4 Privacy:** Reduce error in transactional tasks, increase security and governance tasks, also limit exposure to sensitive data
- 5 Speed:** Leverage digitized process data to increase the speed and accuracy of service delivery. Respond quickly to regulatory and policy changes
- 6 Employee Satisfaction:** Enable resources to focus on higher, value-added activities. Reduce amount of repetitive tasks and can be employees' personal assistants
- 7 Auditability:** Bots keep the perfect audit trail/the software log – a file built by the software that documents every action it took and the corresponding resulting outcome.

# Intelligent Automation in core government processes

Agency Functions	 <b>Information Technology</b>	<ul style="list-style-type: none"> <li>Implementation of system changes</li> <li>Automate dashboards and metrics reporting</li> <li>Automate IT GRC controls execution/validation</li> <li>Deployments of system patches</li> <li>Incident management and response</li> <li>Communicate between system interfaces</li> <li>Hardware/software requests/fulfillment</li> <li>Automated backups, archives, and upgrades</li> <li>UAM and IAM requests/reviews and removal</li> </ul>		
	 <b>Human resources</b>	 <b>Customer support</b>	 <b>Compliance</b>	
	<ul style="list-style-type: none"> <li>Employee on-boarding and off-boarding</li> <li>Payroll</li> <li>Time recording and compliance</li> <li>Email notifications</li> <li>Populating/aggregating employee information</li> </ul>	<ul style="list-style-type: none"> <li>Virtual agents (chat bots)</li> <li>Call center “agent assist”</li> <li>Task execution</li> </ul>	<ul style="list-style-type: none"> <li>Research/document review</li> <li>Document preparation</li> <li>Controls automation</li> </ul>	
	 <b>Citizen engagement</b>	 <b>Finance &amp; accounting</b>		 <b>Supply chain &amp; procurement</b>
	<ul style="list-style-type: none"> <li>Manual CRM updates</li> <li>Application entry</li> <li>Natural language processing enabled analytics</li> <li>Social media mining/monitoring</li> <li>Predicting high priority incidents</li> </ul>	<ul style="list-style-type: none"> <li>Record to Report</li> <li>Plan to Perform</li> <li>Procure to Pay</li> <li>Acquire to Retire</li> <li>Invoice processing/exceptions</li> <li>AP/AR actions</li> <li>Reporting</li> <li>Auditing and filings</li> </ul>		<ul style="list-style-type: none"> <li>Contract management</li> <li>Inventory management</li> <li>Exceptions/fallout</li> </ul>
		 <b>Fraud &amp; data validation</b>		
	<ul style="list-style-type: none"> <li>Interfaces to third party sources</li> <li>Interfaces to internal systems</li> <li>Data quality improvements</li> </ul>			

# How can audit help the organization?

In a business environment that's changing at a faster rate than ever before, auditors play an increasingly important role.

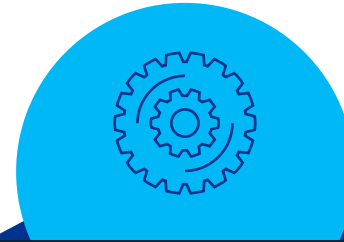
With the vast uncertainties presented by an onslaught of disruptive forces, the audit function must keep pace to help the organization understand and manage the associated risks, achieve expected results from automation, and continue to innovate to add value.

Key opportunities for audit within intelligent automation initiatives include the following:



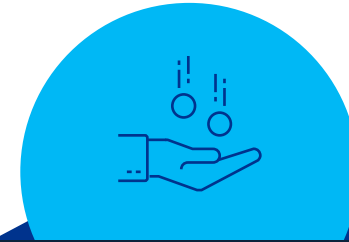
Audit can help to integrate **governance, risk and controls** considerations throughout the automation program life cycle as an organization establishes and implements its program.

Audit as an independent assurance provider



Audit can help the organization identify opportunities to **embed automation-enabled control activities within the impacted business processes and functions.**

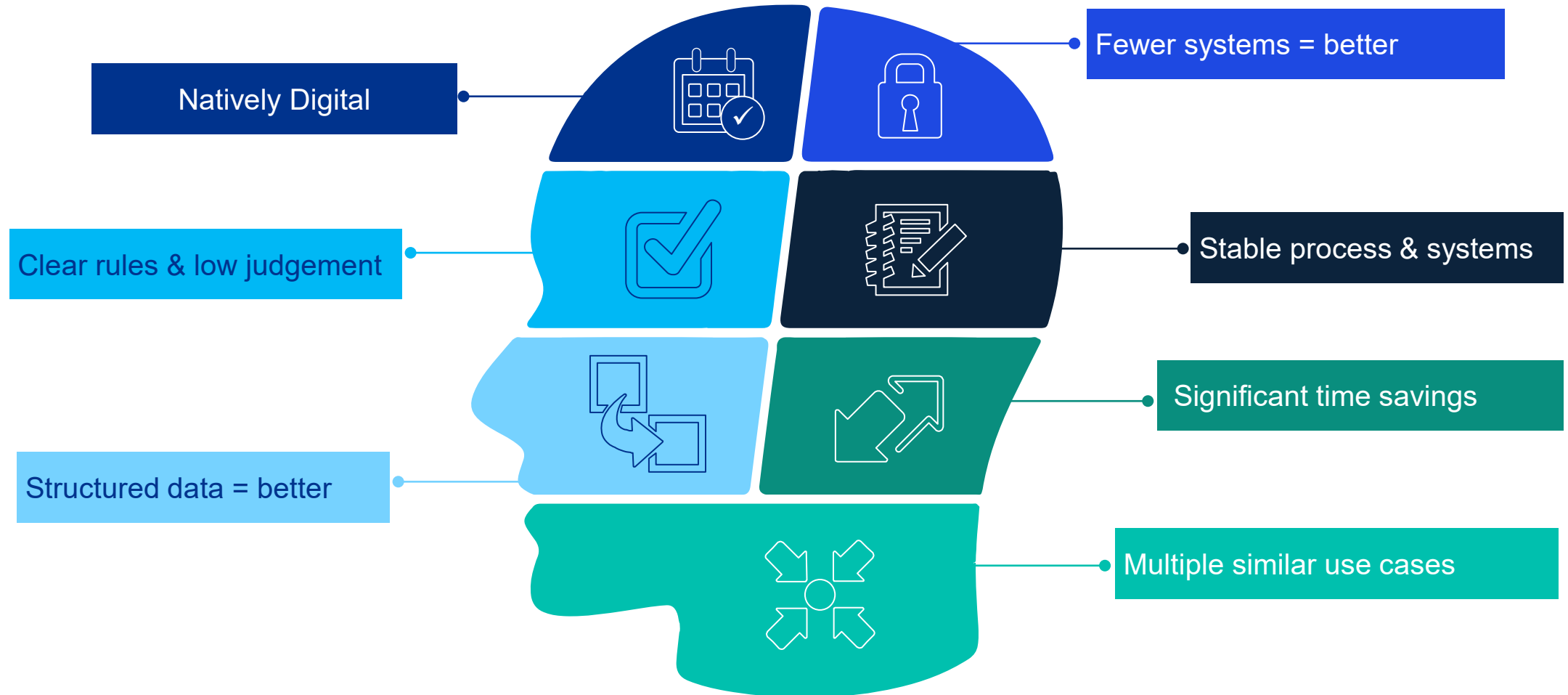
Audit as a business advisor



Finally, the audit organization can capitalize on intelligent automation innovation to **increase the efficiency and effectiveness of its own activities.**

Audit as a business leader

# What activities are better candidates for basic process automation?



# How do you make it happen?



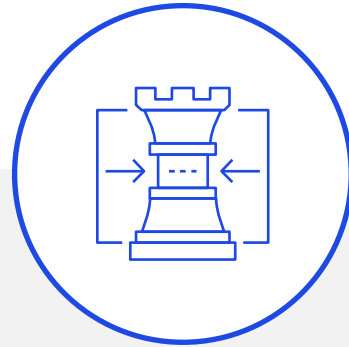
# Who does it?



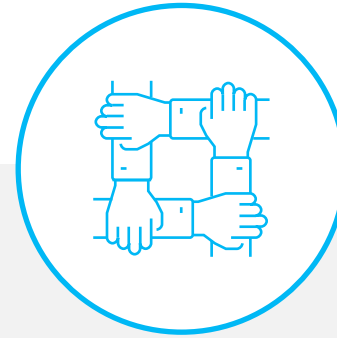
# Closing thoughts



**Change is hard**



**Execute your  
strategic  
objectives**



**Importance of  
governance**



**Tell the  
organization's  
story**



**Thank you**

# Contact us



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