



# Enhancing Audit Technology Effectiveness

## *Key Insights from TeamMate's 2014 Global Technology Survey*

### ***Survey Results Portray Audit Committee Reporting Practices, Provide Useful Benchmarking Data***

This year's Internal Audit Technology Survey (IATS) focused on audit committee reporting to gain information and insights to help internal auditors around the world enhance their audit committee materials and reporting. In conducting the survey, we explored the formats, content and extent of current reporting practices to quantify the relative frequency of specific reporting practices and to surface promising ideas for broader internal audit consideration.

Survey results point to the use of automated reporting to strengthen audit committee materials. They also suggest the benefits to internal audit of providing trending data as opposed to periodic results alone and of conducting combined reporting activities with other risk-and-control functions. In addition, 2014 survey results suggest ways to expand the scope of risk information provided to audit committees, demonstrate how to report on internal audit quality and performance, and describe how internal audit functions are employing color and graphics to help audit committees prioritize their activities.

Above all, the 2014 survey results pertaining to audit committee reporting and internal audit trends provide readers with a useful benchmarking tool to see how their practices compare with those of other internal audit functions around the world. To increase the benchmarking value of the report, we have included significantly more detail on the results than normal.

### ***Highlights from 2014 survey results:***

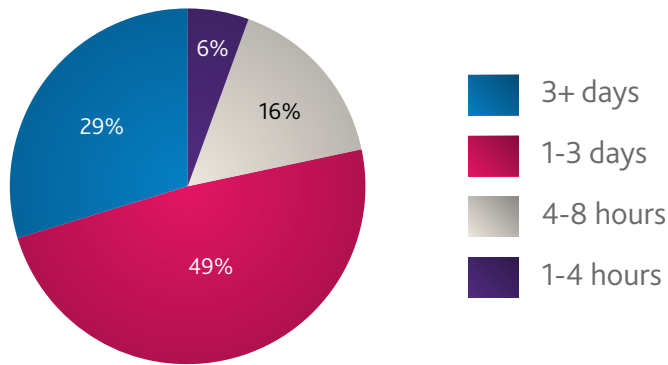
- Popular information provided to audit committees includes regular updates on the *Aging of Significant Issues & Aging Trends* and results of internal audit's annual risk assessment along with the annual audit plan.
- A portion of survey respondents coordinate in combined reporting with other risk-and-control functions. The most common of these among survey respondents is *Enterprise Risk Management (ERM)*, with more than three in four selecting this category. What's more, enterprise-wide risks are the top focal point for combined reporting activities.
- When reporting on the performance or quality of their internal audit functions, there is a significant focus on the *Levels of Education and/or Certifications of the Internal Audit Staff*, the *Results of External Quality Reviews* and *Periodic Reports of Performance Based on Key Metrics*.
- Common methods to help audit committees set priorities include holding regular discussions with their audit committee chairs, employing the use of color and graphics in reports, and restricting report content to significant items.
- The use of technology such as iPads, tablets, and laptops is becoming more common as a way to deliver audit committee materials and to increase the effectiveness of audit committee meetings. In addition, nearly half of survey respondents are seeking to utilize more automated reporting methods in order to enhance the scope and quality of their audit committee materials.

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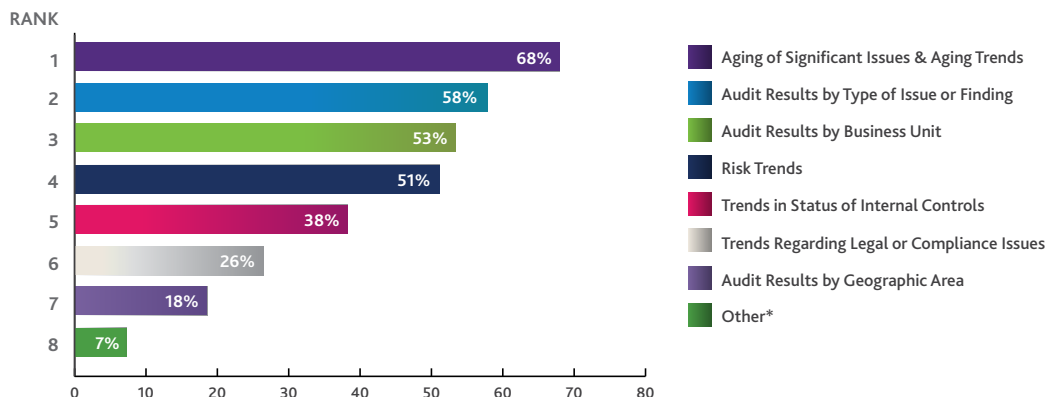
### Average Time Spent to Compile, Prepare and Distribute Audit Committee Package

Nearly half of the 2014 survey respondents spend 1-3 days compiling, preparing and distributing materials for their audit committees; another 30% devote more than three days to these activities.



### Types of Trending Information Provided

Nearly 7 in 10 survey respondents reported that they provide their audit committees with regular updates on the *Aging of Significant Issues & Aging Trends*, which was top-ranked among the types of trending information shared with audit committees. Other categories ranking highly in this category include *Audit Results by Type of Issue or Finding*, with 58%, *Audit Results by Business Unit* with more than 53%, *Risk Trends* with 51%, and *Trends in Status of Internal Controls* with 38%.



TeamMate Insight: Our experience indicates that audit committees gain significant value from trending types of information that helps them gain a sound overall assessment of an organization's systemic and thematic risk-and-control issues.

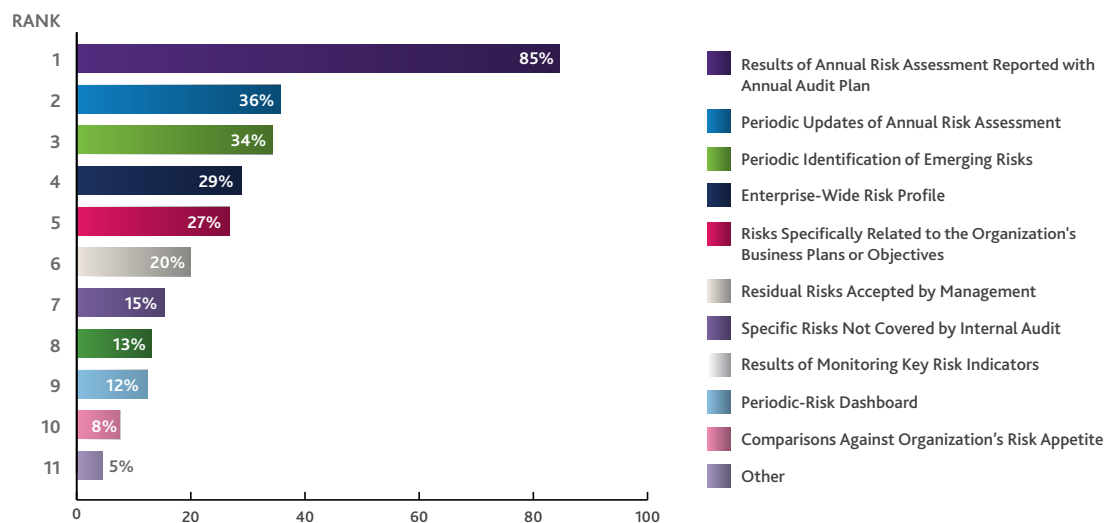
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### Types of Risk Information Provided

To no surprise, nearly 85% of the respondents to the 2014 TeamMate IATS provide their audit committees with the results of internal audit's annual risk assessment along with the annual audit plan, making this by far the most prevalent type of risk information provided by internal audit functions to their audit committee stakeholders. From this lofty response level, there is a sharp, 49-point drop to the 36% ranking for *Periodic Updates of the Annual Risk Assessment*, which came in at a distant second in this category, followed closely by three other categories—*Periodic Identification of Emerging Risks*, *Enterprise-Wide Risk Profile*, and *Risks Specifically Related to the Organization's Business Plans or Objectives*.

What these survey results suggest is that there are many promising ways for internal audit groups to expand the scope of the risk information they provide to their audit committees. Take a close look at the following list, identify areas where you are not currently providing information, and see what you might add to strengthen stakeholder value.



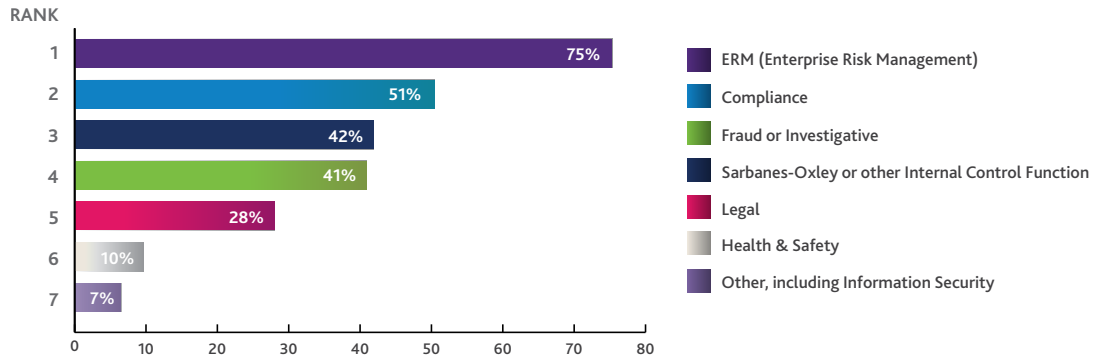


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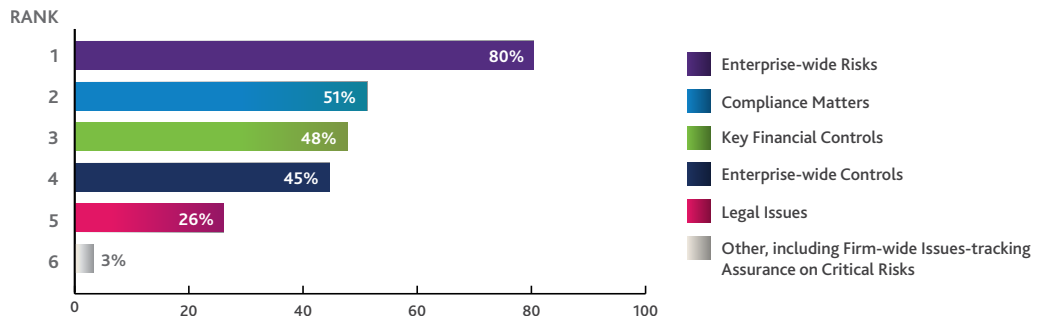
### Areas Where Internal Audit Prepares Audit Committee Materials on a Combined Basis with other Risk-and-Control Functions

When it comes to collaborating with other risk-and-control functions on combined audit committee materials, *Enterprise Risk Management (ERM)* leads the way for those following this practice, with more than three in four survey respondents selecting this category. Other risk-and-control areas reflecting higher incidences of combined reporting include *Compliance*, selected by slightly more than half of respondents, the *Fraud or Investigative* category with 42%, and Sarbanes-Oxley or other Internal Control Function with 41%.



### Areas of Focus for Functions Engaged in Combined Reporting at Some Level

Enterprise-wide risks are the top focal point for those managing combined reporting activities, with more than eight in 10 survey respondents selecting this category. This focus is consistent with survey findings indicating that ERM is the area most frequently taking part in combined reporting with internal audit. Other strong areas of focus include *Compliance Matters*, with 51%, *Key Financial Controls* with nearly 48%, and *Enterprise-wide Controls* with almost 45%.



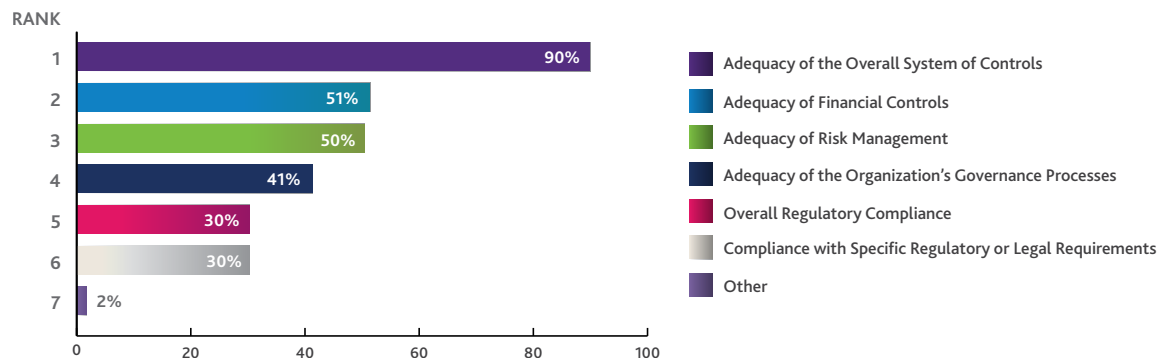
**TeamMate Insight:** Our experience indicates that audit committees appreciate and value combined reporting that contributes to consensus-building and the development of sound, enterprise-wide profiles of risks and controls.

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### Annual Overall Internal Audit Opinions: Areas of Focus

Assessing the *Adequacy of the Overall System of Controls* is far and away the top area of focus for annual overall internal audit opinions, with 90% of 2014 survey respondents selecting this category. Other areas of strong focus include assessing the *Adequacy of Financial Controls* and assessing the *Adequacy of Risk Management*, both selected by more than half of the respondents, and providing an opinion on the *Adequacy of the Organization's Governance Processes*, with a 41% response rate.

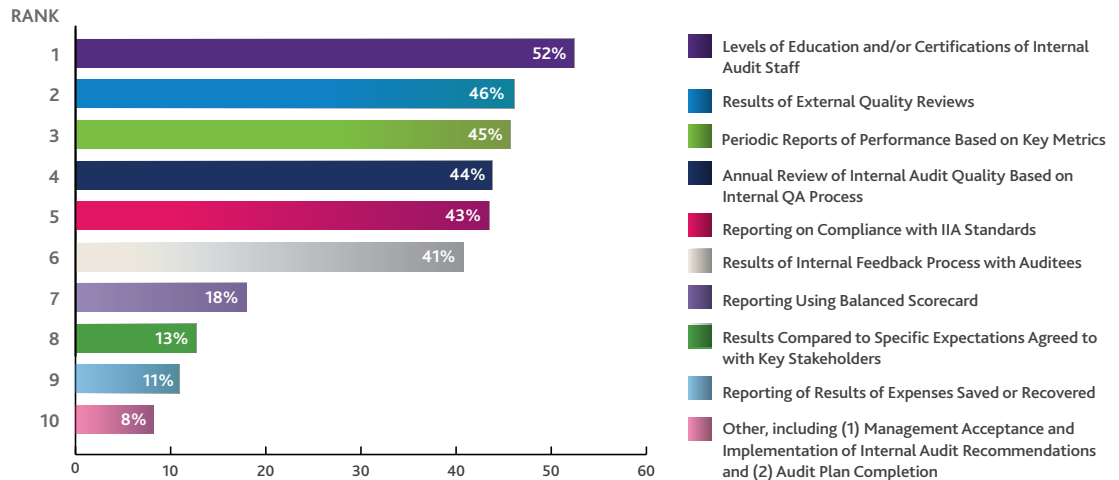


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### Approaches to Reporting on Internal Audit Performance or Quality

When reporting on the performance or quality of their internal audit functions, more than 52% of 2014 IATS respondents focus on the *Levels of Education and/or Certifications of the Internal Audit Staff*. In addition, more than 46% address the *Results of External Quality Reviews* and nearly that percentage focus on *Periodic Reports of Performance Based on Key Metrics*. Of note, we observe that only 13% of respondents indicated that they report results making comparisons to specific expectations of their key stakeholders. This appears to be a surprisingly low response rate given the importance of meeting and exceeding stakeholder expectations -- a critical factor in assessing internal audit performance and value that is regularly noted in IIA publications and cited by leading professional firms.



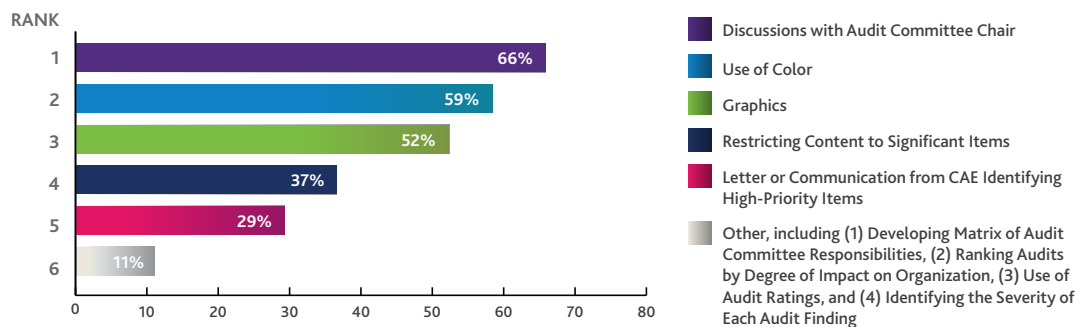
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### Techniques to Help Audit Committee Set Priorities

Nearly two-thirds of the 2014 IATS respondents hold discussions with the audit committee chair in order to help the audit committee set priorities. While a 66% respondent rate is significant, it also means that more than a third of this year's survey respondents are not availing themselves of what many audit observers would consider to be a basic and essential activity for a chief audit executive or audit director. On the plus side, however, more than half of this year's survey respondents are using color and graphics to help their audit committees prioritize activities and more than a third restrict content to significant items in order to pursue the same objective.

Another significant area of opportunity for proactive CAEs and audit directors is to send a letter, e-mail or memo to the audit committee chair identifying high-priority items from the standpoint of the internal audit function. Although 30% of this year's survey respondents do employ this technique, 70% do not—a major lost opportunity.



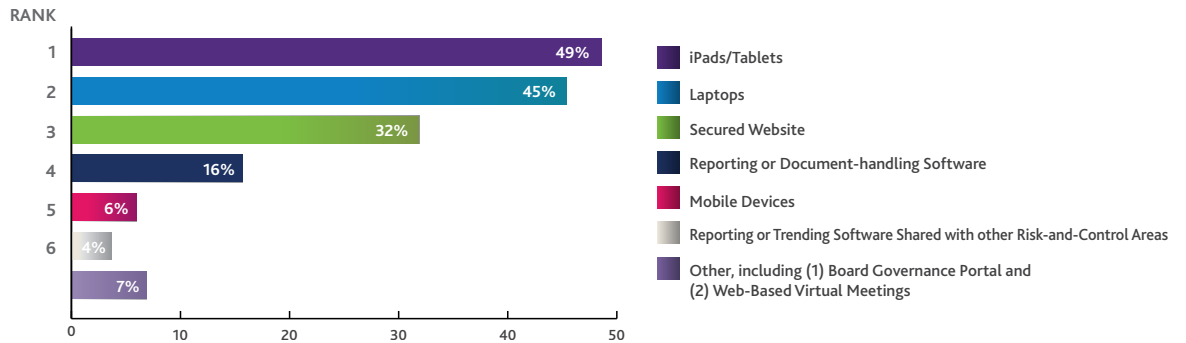


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### Technology Used to Support Development of Audit Committee Materials or to Increase the Effectiveness of Audit Committee Meetings

Nearly half of the 2014 IATS respondents use either iPads or tablet technology to deliver audit committee materials or to increase the effectiveness of audit committee meetings—and 45% use laptops for the same purpose. In addition, nearly a third of this year's respondents are using a secured website to provide security around their audit committee support and about one in six employ report- or document-handling software to pursue a similar objective. These results suggest that there are significant opportunities for internal audit groups around the world to enhance their use of technology to strengthen their security, effectiveness and contributions to their audit committee stakeholders.



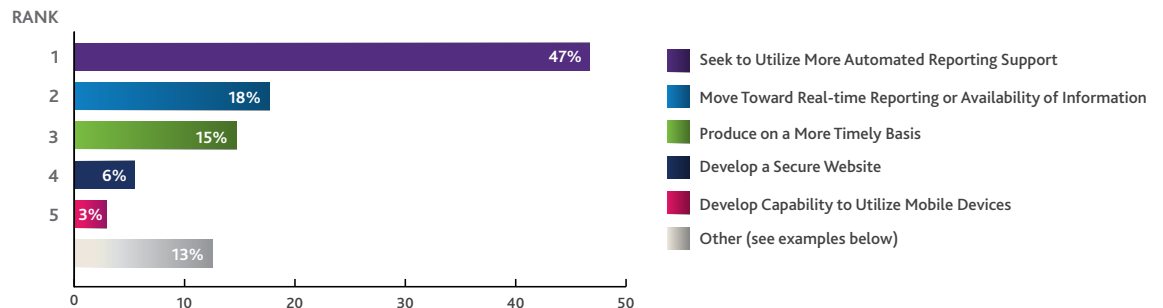


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### Ways to Enhance Audit Committee Materials: Current Considerations

Nearly half of the 2014 IATS respondents report that they are seeking to utilize more automated reporting in order to enhance the scope and quality of their audit committee materials. In addition, more than a sixth of respondents are moving toward more real-time reporting of information and nearly this amount are striving to produce their audit committee materials on a more timely basis. What's more, about 6% of respondents are looking to develop a secure website in order to enhance their audit committee support and 3% are seeking to utilize mobile devices in pursuit of this goal.



**TeamMate Insight:** While leveraging technology to support their audit committees, CAEs should pay close attention to privacy and security concerns related to the technology employed given the extremely sensitive nature of audit committee materials.

Under the **Other** heading, survey respondents also mentioned a number of additional suggestions for enhancing audit committee materials:

- Provide more trending data and analysis, particularly related to key issues and risks
- Conduct more comprehensive assessment and reporting
- Summarize more information
- Include more information on risks and risk management
- Develop a dashboard for the audit committee
- Create better linkage to corporate risks
- Provide a better picture of entity-wide results
- Sharpen reporting on key risks
- Reduce preparation time and increase the use of graphics



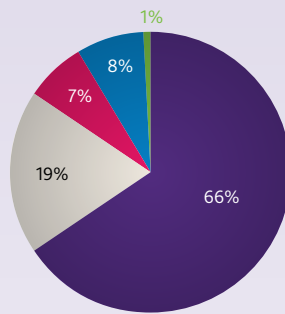
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### Survey Background & Demographics

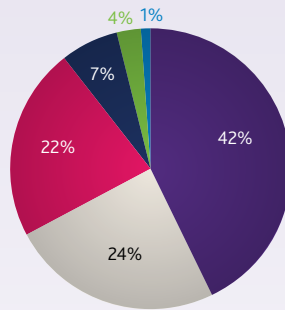
More than 300 audit executives and managers from around the world responded to the 2014 TeamMate Internal Audit Technology Survey, part of a global thought leadership effort launched in 2011. Greater than 50% of all respondents were at the chief audit executive (CAE) or audit director level.

Respondents by Location



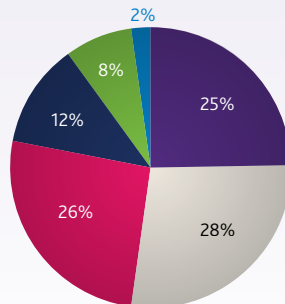
- Central or South America
- Africa
- Asia/Pacific region
- Europe and the Middle East
- North America

Respondents by Organization Type



- Partnerships
- Educational Institutions
- Not-for-profit Organizations
- Government Agencies
- Private Companies
- Public Corporations

Respondents by Department Size



- Depts with more than 100 members
- Depts with 51-100 members
- Depts with 26-50 members
- Depts with 11-25 members
- Depts with 6-10 members
- Depts with 1-5 members



# 2014 Technology Survey Highlights

*In 2014, the TeamMate Internal Audit Technology Survey continued to gather information on core internal audit trends and directions. Here are key insights from the 2014 survey.*

## Current & Projected Use of Technology

Survey results reflect a continued steady increase in the use of data analytics as well as tools for risk assessment and continuous controls monitoring. This year, 65% of the respondents to TeamMate's Internal Audit Technology Survey (IATS) indicate they are using some form of data analytics while 39% are using a risk assessment tool. Looking ahead, 73% of respondents expect to step up their use of data analytics over the next two years and 66% expect their use of risk assessment tools to increase. In addition, the percentage of respondents using Electronic Work Papers (EWP) continues to exceed 90%.

## Productivity Enhancers

The use of mobile devices as productivity enhancers continues to grow steadily, with 38% of 2014 survey respondents reported using these devices compared with 34% in 2013 and 32% in 2012. The use of social networks shows a slight but steady increase, growing from 5% in 2012 to 8% in 2014. Participation in audit user communities was more than 88% in 2014, which compares with 89% in 2012 and 87% in 2013.

## Budgets

Nearly 35% of 2014 survey respondents reported a year-over-year increase in their technology budgets and 38% expect an increase in their technology funding over the next two years. This is the highest number of respondents projecting an increase in their technology budgets since the TeamMate IATS was launched in 2011 and could reflect an improving economy.

## Skills & Training

In 2014, the percentage of survey respondents indicating that *all* of their staff members are proficient with the technologies used by internal audit continued to hover around 20%, a clear indication that our survey participants have yet to increase their relative staff proficiency in the use of departmental technology. At the same time, about 15% of respondents continue to indicate that "few" members of their departments are proficient in the use of their audit technology tools. In a related finding, "on-the-job" training continues to be the training approach of choice for a majority (66%) of respondents, with 27% favoring formal training of new hires by existing staff.

## Rating Internal Audit Technology Capabilities

The number of internal audit functions reporting that their parent organizations believe they are making very effective use of technology has remained quite consistent over the past three years, with 27% of 2014 respondents placing themselves in this category compared with 28% in 2012 and 27% in 2013.



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