N CONTRACTS
The Upside of Risk

MODERNIZING YOUR AUDIT MANAGEMENT PROCESS:

The audit management software buyer's guide

TABLE OF CONTENTS

THE ROLE OF INTERNAL AUDIT IN TODAY'S FINANCIAL INSTITUTIONS IS MULTI-FACETED AND CONSTANTLY EVOLVING.

An effective internal audit department serves not only as your third line of defense but also fills a proactive role within your organization, ensuring that your controls adequately protect against known risks while also providing insights that can identify new risks. It must fulfill these obligations while maintaining independence and adjusting to an increasingly fast-paced environment.

Is your audit department equipped to keep pace?

To keep up with the pace of today's audit environment, you can't do it alone--you need to harness the power of technology.

Internal audit's new line

In July of 2020, the Institute of Internal Auditors (IIA) formally recognized the shifting role of the internal audit function, updating its Three Lines of Defense model to the Three Lines Model. This model maintains internal audit's independent assurance role but also recognizes the need for all three "lines" to work together to achieve organizational objectives.[1]

1 Three Lines Model for risk management gets a major update, Journal of Accountancy, July 20, 2020, https://www.journalofaccountancy.com/news/2020/jul/3-lines-of-defense-model-for-risk-management-gets-major-update.html

N CONTRACTS
The Upside of Risk

THE RIGHT AUDIT MANAGEMENT SOFTWARE CAN TRANSFORM YOUR INTERNAL AUDIT DEPARTMENT AND GIVE YOUR STAFF THE TOOLS THEY NEED TO PROVIDE THE ASSURANCE AND INSIGHTS THAT HELP YOUR ORGANIZATION THRIVE.

In this audit management software buyer's guide, you'll learn about the audit management software features that enable your team to work with more efficiency and precision, collaborate more effectively, and deliver the valuable insights that support your organization's growth.

You'll also discover strategies to help you identify and prioritize your internal audit program's audit management needs so you can choose the software solution that's right for you.

IS IT TIME TO CHANGE THE WAY YOU MANAGE INTERNAL AUDITS?

There's no doubt that we are living in tumultuous times. The development and adoption of advanced technologies, including cloud computing, robotics and AI, paired with the ease of connecting with people around the globe have impacted nearly every industry. These advances bring new opportunities and challenges. They also compress the time in which businesses have to respond to each event or development.

The world is undergoing rapid economic, political and cultural changes as well. And, as recent events have made clear, every organization must be prepared to respond to wholly new contingencies.

It is in this setting that today's internal audit departments operate.

To thrive, your internal audit program must be agile and flexible--able to recognize and respond to emerging risks quickly. To add value, your internal audit program must be able to effectively communicate the knowledge and insights gained from its activities across your financial institution.

Traditional audit planning and performance methods are no longer adequate to meet the demands placed on modern winternal audit departments.

New risks and challenges financial institutions must face

- Geopolitical unrest
- Economic swings and setbacks
- Regulatory changes and temporary financial relief measures
- Sudden market collapses and shifts in consumer behavior
- Cybertheft and malware
- Brand reputation crises
- Sustainability issues
- Disruptive technologies
- Deep fakes and identity theft
- Staffing and budget cutbacks
- Facilities closures and limited field audits
- Security and control measures for remote workers

EMPOWERING YOUR THIRD LINE TO MEET TODAY'S CHALLENGES

Reporting on the impact of digital transformation in 2019, Deloitte wrote that organizations with higher levels of "digital maturity" also had above-average financial performance.**1** The most successful organizations were change masters, willing to embrace new technologies to power future growth.

Audit teams must also be change masters both to keep up with the pace of technology and understand its impact on their organizations.
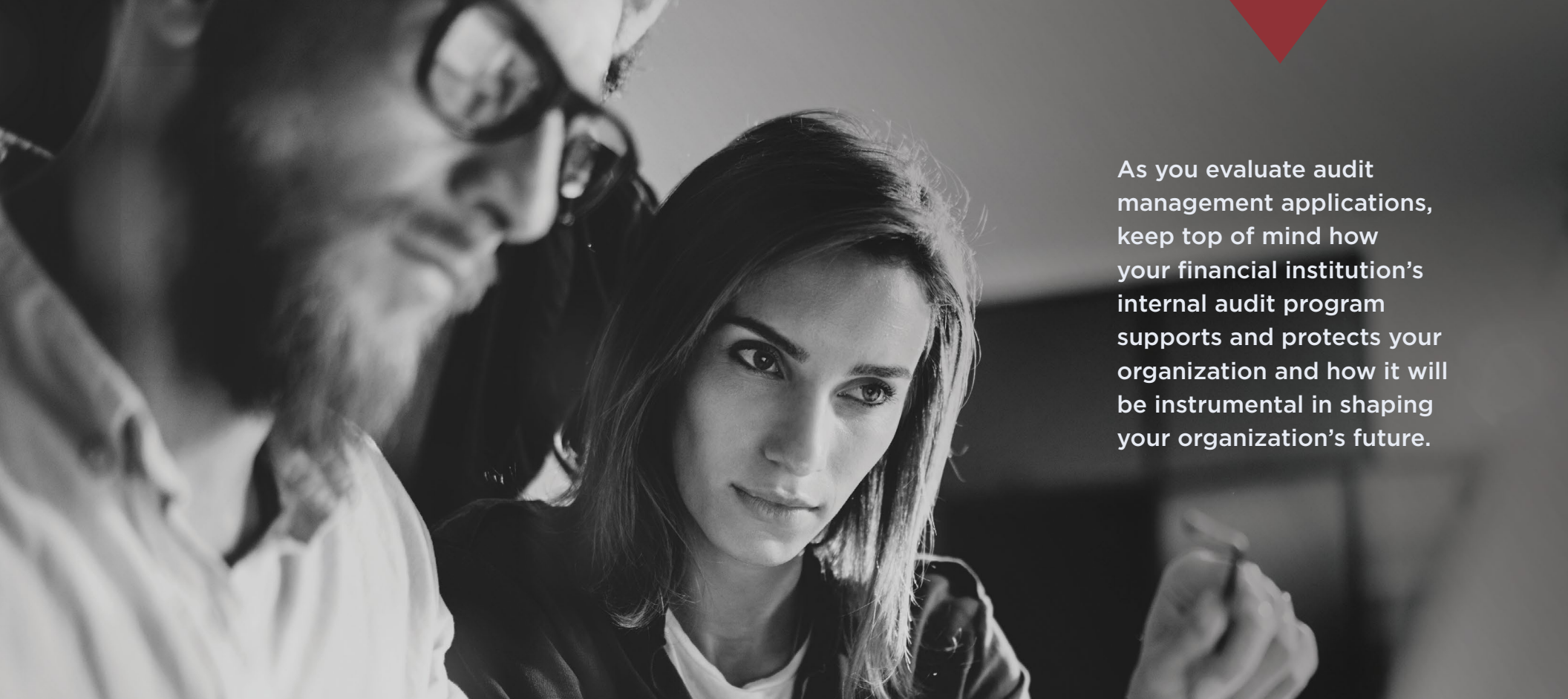
Traditional annual or biannual audit planning must be replaced with more frequent and fluid scheduling that anticipates and responds to potential and developing risks. Your audit team must be agile, responding to external challenges and changes in your financial institution's business model with speed and flexibility. Your audit department must have the ability to work with your first and second lines to meet your organization's objectives.

What makes an organization digital maturity?

Not all digital transformations look the same progress at the same speed. Deloitte defines seven areas or pivots to measure an organization's progress. How well the organization had leveraged technology to improve its infrastructure, workflows, and data utilization are among the factors considered.

1 Pivoting to digital maturity, Deloitte, March 13, 2019,
https://www2.deloitte.com/us/en/insights/focus/digital-maturity/digital-maturity-pivot-model.html

NCONTRACTS
The Upside of Risk

As you evaluate audit management applications, keep top of mind how your financial institution's internal audit program supports and protects your organization and how it will be instrumental in shaping your organization's future.

AUDIT MANAGEMENT SOFTWARE PUTS TECHNOLOGY TO WORK FOR YOU.

It helps your audit department keep up with increasing demands on their time and resources without sacrificing the quality of their work. It advances your organization's digital transformation and positions you to face future challenges.

But how does audit management software accomplish all this, and which audit management software is the right one for your organization?
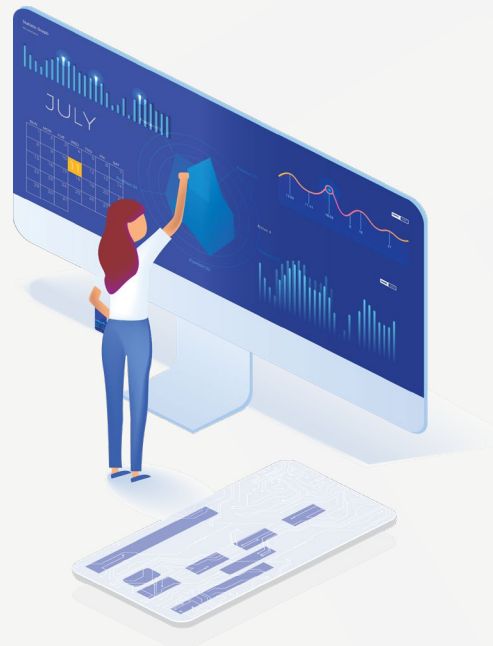
Let's dig in and find the answers to these questions.

N CONTRACTS
The Upside of Risk

WHAT CAPABILITIES SHOULD YOU LOOK FOR IN AN AUDIT MANAGEMENT SOLUTION?

Most organizations expect to gain efficiency and reduce errors when they adopt a digital solution. But, your audit management software should do more than increase your team's productivity. The ideal audit management solution will free your team's valuable time and give them the tools they need to engage in the type of complex thinking that furthers your financial institution's objectives.

First, look for a software solution created by people who understand the unique requirements of financial institution internal audits. Audit management software designed for all industries may not be suitable for your financial institution. They may not provide you with the industry tools, reports and templates you need, or you may have to sort with many resources you don't need to find them.

Also, seek an end-to-end solution that supports your audit team during planning, implementation, review, reporting and remediation with features that ease communication, collaboration and analysis.

In particular, look for an application that has the following capabilities and features:

Efficiency

Error Reduction

Agility

Flexibility

Visibility

Adaptability

Growth

NCONTRACTS
The Upside of Risk

A SINGLE, SECURE, AND ACCESSIBLE SYSTEM OF RECORD

Your audit management software should provide you with a single, secure and easily searchable location to store all your internal audit data and documents. Audit management software that provides a single dashboard where every team member can securely access the information they need and be assured that they are looking at the most up-to-date version of any document will reduce the time you spend tracking down documents and correcting errors.

Without a single source of truth for all of your audit-related documents and records, inefficiency and errors are nearly unavoidable. You and your team may have to spend valuable time implementing controls to prevent problems instead of performing audits.

Inefficiencies related to document management aren't limited to your internal audit department, either. Team members who cannot locate or access needed information may have to send duplicate document requests to other departments, cluttering inboxes and causing delays and confusion.

How big is the document management problem for knowledge workers?

69%

say they have had trouble finding the most recent version of a document

83%

have recreated a document because they could not find it on their corporate network **1**

1 The 2019 Intelligent Information Management Benchmark Report, M-Files, 2019, https://go.m-files.com/Global-IIM-Benchmark-Report-EN-US.html

N CONTRACTS
The Upside of Risk

Document management with integrated tracking and automated support for updates and version controls

A reliable system for document management prevents lost time caused by team members working on and taking guidance from the wrong documents. Your audit management system's version control features should prevent team members from duplicating, overriding or deleting one another's work.

A system that automatically updates checklists and other process documents and pushes them out to your team ensures that everyone is on the same page.

Additionally, your software should automatically track when each document was altered and by whom.

N CONTRACTS
The Upside of Risk

CLOUD-BASED STORAGE FOR ANY TIME, ANYWHERE ACCESS TO DATA AND DOCUMENTS

Data isn't useful if it can't be accessed at the point of need. Today's workers need to be able to securely access information from any location, using any device. That's one of the reasons the majority of enterprise-level businesses now rely on cloud computing for a growing portion of their data needs.**1**

A cloud-based audit management system allows your audit team to gain quick access to the documents and data they need and upload their work real-time.

Fast, secure access to a centralized data source prevents inefficiencies caused by information lags--the delay between when information is acquired and when it is shared--and improves collaboration. It also means that your field auditors aren't wasting time waiting to access the information they need to perform their tasks.

1 Cloud Computing Trends: 2020 State of the Cloud Report, Flexera, May 21, 2020, https://www.flexera.com/blog/industry-trends/trend-of-cloud-computing-2020/

2 Rethink Technology in the Age of the Cloud Worker, Forrester Consulting, May 2018, https://cloud.google.com/files/chrome-enterprise/helpcenter/misc/forrester_tlp_rethink_technology_in_the_age_of_the_cloud_worker.pdf

SECURE TOOLS FOR SUPERVISION, COMMUNICATION AND COLLABORATION

The audit management software you select should also provide you with a single, secure point of entry to access all the information you need to manage your audits. Opening multiple browser tabs and switching between applications to find and share information is inefficient and causes cognitive fatigue.

Using multiple applications also introduces risk. Because each program or tool requires the user to enter a different password, team members may be tempted to use duplicate passwords or leave applications open to save time.

Sharing documents and messages across applications can be complicated, too. Messages may be lost or misdirected. Information shared via email can be difficult to resurface when it's needed. And, of course, data stored in someone's email inbox isn't accessible to everyone who might need it.

A single dashboard to manage planning, scheduling and follow-up Managing your audit processes and communications through a single dashboard with appropriate access granted to relevant stakeholders reduces data silos, increases your audit department's operational productivity and improves cross-departmental collaboration. Visibility is enhanced and simplified.

N CONTRACTS
The Upside of Risk

Scheduling tasks is easier when your managers can see the status of all audit activities, adjust audit schedules and shift resources via a comprehensive audit calendar. Access to a single sign-on dashboard also makes it faster and easier for team members to find checklists and information, update colleagues, and follow-up on document requests.

Multi-level authorizations and access to improve communication while preserving data integrity Providing team members with a single point of entry shouldn't come at the cost of security.

So, your audit management software should give you the ability to set different levels of access, change authorizations, and assign process owners and team members to different projects.

PRECONSTRUCTED CHECKLISTS AND TEMPLATES THAT SUPPORT BEST PRACTICES AND SAVE TIME

It's unlikely that your audit team creates audit checklists and reports from scratch each time they perform an audit. Instead, they draw inspiration from your library of past work. But do they consistently use the same materials to build their audit documentation? And, are those materials accessible, complete and up-to-date?

Choosing an audit management program that includes a library of audit templates designed for the finance industry relieves your team of the administrative burden of creating and updating audit checklists and templates. Look for software that not only provides you with a selection of precrafted templates but also allows you to customize those templates or create new ones to meet your organization's specific requirements.

AUTOMATED SYSTEMS TO REDUCE ADMINISTRATIVE LOADS AND PREVENT ERRORS

Many of the benefits gained through the use of audit management software are the result of automation. Converting previously manual tasks to automated ones frees up your team's valuable time. Removing human involvement from the process of data transfer reduces opportunities for human error. Your audit management application should streamline your most time-consuming and recurring audit tasks and reduce the amount of time your team members spend manually inputting data.

Distribute data across data sets and reports

A field auditor who manually records a data point on a paper checklist or spreadsheet, must then transfer that information to another document or documents to prepare their final report. Date is entered once using audit management software. Then, it is automatically distributed to the relevant working papers or reports.

This saves your auditors time and prevents transcription errors.

GENERATE AUDIT TRAILS AND PRESERVE EVIDENCE

The more details your auditors record, the easier it is for you to identify trends, build reports and respond to examiners. But, the time required to document these details manually can get in the way of meeting deadlines. An audit management solution that handles tracking and makes intuitive connections between data entries will save both you and your field auditors time.

SEND REMINDERS, UPDATES AND REQUESTS FOR FOLLOW-UP

Collaboration is a necessary part of any successful internal audit, and so is accountability. Managers send reminders to team members to check on their status or ensure that they don't miss important deadlines. Field auditors send document requests to local managers or inquiries to other team members. If someone misses a deadline or doesn't respond to a request, everyone's timeline is affected.

Automation can't eliminate the need for any interpersonal communication among team members, but it can reduce the number and frequency of those communications. A reliable system of reminders and alerts helps managers and team members put scheduling concerns out of mind while they focus on present tasks.

INTUITIVE AND CUSTOMIZABLE REPORTS

Knowledge is most valuable when it is applied. Your organization can't apply the information gained from internal audits unless relevant stakeholders understand what the data means. Spreadsheets are critical to collecting data, but they aren't ideal for communicating results to everyone within your organization.

Your audit management software should provide you with tools to integrate and present data drawn from one audit or every audit using audience-friendly formats and visualizations. Look for an application that comes with pre-made, financial-industry specific reports and tools that enable you to customize your presentations to suit different audiences.

An application that automatically pushes out to each relevant report ensures that you communicate current, actionable data across departments and to your board.

INTEGRATED FINDINGS MANAGEMENT AND REMEDIATION TRACKING

Internal audit's role in protecting your financial institution extends beyond making observations and rendering recommendations. Those findings must be addressed, and the problems corrected, or your organization's risk will continue.

Failure to properly address your audit findings, at best, results in extra work for subsequent internal auditors who must reissue observations. At worst, a lack of remediation draws unwanted examiner attention and compliance penalties.

Your audit management software should enable your audit department to effectively communicate its findings and monitor remediation efforts to ensure that each issue is solved.

Tracking capabilities that incorporate data across business units and audit periods will enable your internal audit department to offer better, more actionable advice toward improving your organization's controls and other risk prevention procedures.

CONTRACTS
The Upside of Risk

A VENDOR AND SOFTWARE SOLUTION THAT SUPPORT YOUR ORGANIZATION'S GROWTH

Your organization is part of an industry that is subject to rapid change on all fronts. You need a vendor that understands your industry and an audit management solution that can grow and adapt with you.

When selecting your audit management software, be sure to ask about its capacity for expansion and integration. Legacy systems built on outdated hardware or software don't offer the kind of flexibility modern financial institutions need. When selecting a vendor, seek one with a track record for industry-knowledge, reliability and responsiveness.

Choose a package of software and support that will deliver consistent improvements to your internal audit function's efficiency and effectiveness now and in the future.

MAKING THE CASE FOR CHANGE: DOES YOUR INTERNAL AUDIT PROGRAM HAVE ROOM TO IMPROVE?

Now that we've introduced you to the features and benefits of audit management technology, the next move is yours.

Could a switch to cloud-based audit management deliver gains in efficiency and visibility for your organization?

To help you answer that question, we put together the following series of questions. Use them to drill down into the current state of your internal audit management processes, to identify your program's strengths and weaknesses and to determine if your internal audit program has room for improvement.

1 **Do you have a central source of truth for your documents and other data?** Regulatory or procedural changes may affect several documents. How do you push those changes out to the members of your audit department? How does your team keep track of document requests and business unit contacts?

2 **Is version control or document integrity a recurring problem for your team?** How do you make sure everyone on an audit team is on the same page?

3 **What about data security and access?** Can your team members securely access the data they need when they need it? Can your audit chief get a big-picture view of what is happening across audits and teams quickly and easily? From any location? How long does it take for stakeholders to check status or locate individual pieces of information?

---

4 **Have you noticed that individual team members or whole teams sometimes develop workarounds or added controls to prevent recurring errors?** As you examine your processes, think about whether some of those processes would be unnecessary if an underlying risk of error was eliminated. Is your internal audit team performing unnecessary or tasks or working inefficiently because "that's the way it has always been done?"

---

5 **Does your organization struggle with finding enough time to perform all of its audit tasks due to limited resources or inefficient time management?** Look at your current audit schedule as well as individual and team metrics. Pay particular attention to how much time your field auditors spend performing administrative tasks such as entering updates, chasing down document requests and assembling workpapers and reports.

6 **What steps do you take to ensure accountability among audit team members?** Keeping your audit program running smoothly requires that each person on each audit team delivers as promised and on time. What system do you have in place to assure this happens? How do you assign and follow up with process owners?

7 **Does your organization need a better way to communicate audit results to other departments and stakeholders?** From relaying findings to predicting future risks, the effectiveness of internal audit depends on its ability to communicate across the organization. Manually collecting and assembling audit findings and other relevant data takes up large chunks of time and can leave you with reports that are difficult to interpret or quickly become outdated.

8 **Do your current audit processes provide you with the robust analytics and reporting tools that you need to add and demonstrate value within your organization?** How improved could the insights contributed by your internal audit department be if data, once entered, was accessible at any time and in multiple reporting formats?

9 **How do you track and confirm remediations?** Reporting your findings sets in motion a cross-departmental process that ultimately leads back to your internal audit department. How do you keep track of the progress of each remediation and effectiveness of the auditor's recommendations? Where do you retain and assemble evidence of remediation for external reports?

ESTABLISHING PARAMETERS: EXAMINING YOUR ORGANIZATIONAL AND OPERATIONAL RESOURCES AND LIMITATIONS

In addition to examining your audit process, you will also need to assess your financial institution's organizational and operational resources because the software you choose should be one that fits your organization's size and capacity. Here are some questions to guide your analysis.

N CONTRACTS
The Upside of Risk

1 **How much do you plan to spend on upgrading your audit management program and where will those funds come from?** The cost savings of switching from manual or inefficient programs to an efficient audit management application may not happen immediately. As part of your selection process, you should prepare both a cost benefits analysis and an anticipated timeline for realizing those benefits.

2 **How will selecting and implementing your new audit management program affect scheduling and labor allocations?** Do you have IT and other staff who can devote time to evaluating an audit management program and implementing it? How many people will use the software once it is adopted and what kind of training will they require? Be prepared to adjust workflows and schedules to accommodate program selecting and switching tasks.

3 **What are technical requirements that your financial institution will need to meet to begin using the new software?** Do you have legacy programs that will need to be integrated with the audit management software you choose? Can you implement the new software without making changes to your computer infrastructure?

4 **Do you have buy-in from all of the relevant stakeholders?** Have the individuals who must allocate time and resources been educated about the need for and benefits of audit management software? If not, what additional information or resources do you need to present to your board or other stakeholders before moving forward?

TAKING THE NEXT STEP TOWARD A BETTER INTEGRATED, MORE EFFICIENT FUTURE FOR YOUR INTERNAL AUDIT FUNCTION

Upgrading your internal audit department with the right audit management software will transform your audits and your organization, giving it the capability to meet emerging challenges and grasp rising opportunities. We hope this audit management software buyer's guide has helped you prioritize your goals and given you some ideas on how you can carry out your search for the application that is right for your organization.

And, if you have any questions or want to talk to someone about choosing or implementing a solution, we're always here to help you at www.ncontracts.com.

ABOUT NCONTRACTS

Ncontracts provides risk management and compliance solutions to more than 1,500 financial institutions located throughout the United States. The company's powerful combination of software and services enables financial institutions to achieve their risk management and compliance goals with an integrated, user-friendly, cloud based solution suite that encompasses the complete lifecycle of operational risk.

To learn more about how Ncontracts can help your institution manage internal audits and handle modern risk management and compliance challenges, call us at 888.370.5552 or visit us at www.ncontracts.com.

Connect with Ncontracts

🐦 https://twitter.com/ncontracts

f https://www.facebook.com/Ncontracts/

in https://www.linkedin.com/company/ncontracts/

N CONTRACTS
The Upside of Risk