Pros and Cons of Utilizing Audit Process Project Management Software in the Internal Audit Functions of Universal Banks

Aimi Grace F. Rivera[1], Claudine L. Sanglitan[2], Jannel M. Ventura[3], Catherine T. Viray[4]

Mercedes D. Santos, PhD[5]

[1]Development Bank of the Philippines
[2]National Housing Authority
[3]Prima Casa Land and Houses, Inc.
[4]LGU of Maria Aurora, Aurora
[5]Nueva Ecija University of Science and Technology

Abstract— This paper explored the integration of automated solutions, such as Audit Process/Project Management Software, as a cornerstone of global innovation and digital upskilling to modernize internal audit operations. It delves into how these automated solutions can enhance internal audit efficiency and elevate its organizational value on a large scale. Also, the disadvantages of using this system were studied. Respondents strongly affirm the significance of automated workflows, real-time audit dashboards, centralized audit libraries, defined audit universes, and tracking engagement resources, costs, and timesheets in automated audit project management. Furthermore, the benefits of technology, specifically an Audit Management System, are explored in depth. The respondents express strong agreement on advantages such as heightened productivity, real-time supervisory review, a secure centralized platform for audit projects, expanded audit coverage, and improved collaboration among team members. However, the research also delves into the challenges associated with automation adoption in internal audits, revealing unanimous concerns about high investment costs, management buy-in hurdles, and the necessity for frequent updates and customization. These findings contribute valuable insights for organizations navigating the integration of technology into internal audit processes, balancing benefits with potential drawbacks.

Keywords— Digital upskilling, Internal audit process, Project management software, Pros and cons, Universal banks

I. INTRODUCTION

Internal Audit (IA) serves as an independent and objective assurance and consulting function, aimed at enhancing organizational value and operational efficiency. By conducting in-depth assessments of governance, risk management, and internal controls, IA supports management and the Board. Consequently, IA holds the authority to evaluate all organizational processes, systems, units, and activities, including outsourced services. While ensuring corporate governance and general controls remain a primary responsibility, IA's scope has expanded to encompass emerging risks, trends, and technologies, as well as the analysis of opportunities and global issues about critical business operations. This diverse range of functions necessitates a systematic and disciplined approach to performing the extensive range of IA activities, ensuring both quality and efficiency.

The development of technology nowadays has expanded comprehensively to various sectors, starting from the education sector, politics, administration, and economy, and especially in the field of accounting (Yasmin, Arifia et.al, 2023). In response to the new normal, many organizations have embraced data analytics, automation, and collaboration tools to accommodate their hybrid

workforces and evolving market demands. However, this rapid technological advancement has also introduced a host of challenges for internal audit functions, particularly in the context of emerging business models. These challenges include heightened cybersecurity threats, potential process degradation, disruptions to control or compliance activities, increased customer fraud risks, and growing concerns over data privacy. The ever-changing nature of digital technologies intensifies competition and drives the need for companies to innovate at an accelerated pace. For businesses, neglecting the importance of digital technologies has never been more dangerous (Ali, 2022). In an automated environment, firms need to adopt cutting-edge technologies for their departments to be able to gain serious competitive advantage, or in some industries, just to survive, considering the aggressive competition in today's fast-changing marketplace. (Oweis, 2022)

Internal audit functions are actively exploring the integration of technology into their business and project management processes to enhance their digital capabilities, work more efficiently, and deliver greater value to their organizations by providing effective risk assurance. The internal audit typically encompasses five phases: enterprise-wide planning and risk assessment, engagement planning, fieldwork, reporting, and monitoring. These phases involve a variety of interconnected procedures and tasks that are often performed manually by internal auditors. Thus, the presence of well-functioning information and communication technologies emerges as a critical facilitator for effective remote communication, collaboration and data exchange (Jarva & Zeitler, 2023). However, due to a broad internal audit scope with limited manpower/resources, most organizations fail to efficiently manage the overall internal audit processes and optimize the expected benefits of conducting internal audit activities. Thus, by using Business processes and project Management Automation, internal audit functions can perform their overall activities with minimal human intervention and complete their tasks at a higher speed with a lower error rate.

Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work (Institute of Internal Auditors, 2019). Internal auditors also need multiple computer-based competencies required to plan and perform internal audit engagements, including applied knowledge- and expert-level competencies related to computer-assisted audit tools and techniques and data analytics methods (Institute of Internal Auditors, 2022).

To tackle the complexities of intertwined internal audit processes, numerous technology service providers offer business process and project management solutions and software designed to enhance internal audit efficiency. These specialized tools employ robotic process automation and dynamic workflows to automate repetitive tasks and streamline collaboration throughout the entire audit lifecycle. Audit process and project management software possesses the capability to automate all phases of the audit process, offering additional features such as report generation and trend analysis, time and expense tracking, audit milestone tracking, and oversight of outstanding audit issues. Moreover, higher usage of technology-based audit techniques is associated with improvements in the effectiveness and efficiency of audit work (Wood et.al. 2022). This results in audit teams gaining speed and efficiency while reducing errors and time spent on manual tasks and activities. Moreover, Information technology reduces the cost of auditing by reducing the size of the audit team (Constantino & Sapateiro, 2016). Big data demands and enterprise resource planning (ERP) systems are now commonplace in the business environment and not restricted to larger audit engagements (Vaserhelyi, M., et. al., 2014). Moreover, automated audit management software facilitates continuous audit services using offline features and remote work mode which is in line with internal audit's mandate of assisting the organization in navigating new normal processes despite crisis and difficult operational periods. This remote audit was also implemented as a form of auditor response and adaptation in continuing the audit process during the Covid-19 pandemic (Eulerich & Wagener, 2021). By adopting automation and other technological tools, audits can drive productivity in monitoring controls, provide greater coverage across large data, time and cost savings that can be redirected to higher priority tasks, and allow for enhanced transparency inside an organization (Lacurezeanu, Tiron-Tudor & Bresfelean, 2020).

Audit process and project management software are specifically tailored to address the contemporary challenges faced by internal audit functions, aiming to transform them from operational specialists into trusted advisors. By harnessing the power of technology, internal audit teams can expand their audit capacity, proactively navigate emerging risks and trends, and effectively provide the Board and Management with robust insights on critical matters, enabling more informed and risk-conscious decision-making. Embracing digitization, internal audit functions are streamlining their internal processes and exploring the potential of big data and new digital tools to enhance value for their stakeholders. This digitization can refine the quality of internal audit services, while automation can elevate the overall quality of audit findings and recommendations.

Specifically, this study addressed the following:

1. Describe the most common challenges of internal audit functions in terms of audit process and project management without the aid of an automated audit process management system.

2. Describe the important features and capabilities of the automated audit process/project management system as perceived by internal audit professionals using the automated solution.

3. Describe the benefits and advantages of automation in internal audit operations to enhance its organizational value.

4. Describe the disadvantages and challenges of automated audit process/project management systems in internal audit operations.

II.   METHODOLOGY

The descriptive research design was utilized in this study to describe (Subia, Mangiduyos, & Turgano, 2020) the pros and cons of implementing an audit process and project management automation

The respondents of the study who were chosen purposively (Subia, 2018) were selected internal auditors of various universal banks in the Philippines who utilize automated audit management software in their respective internal audit functions. The researchers used a purposive sampling procedure in the selection of the respondents of the study. The criteria for selection of respondents depend largely on the context of internal audit functions of Philippine universal banks which utilize an automated audit process and project management software.

A survey questionnaire was developed and distributed to fifty (50) selected internal auditors who are using business process and project management software in their respective internal audit functions. Fifty (50) valid responses were obtained and used in data analysis. The researcher also conducted a review of published documentation and articles relative to manual and automated audit processes to acquire additional knowledge and information on the subject of this study.

To obtain reliable and scientific analysis and interpretation of data, appropriate statistical tools were employed such as weighted mean, Likert scale and ranking.

III.   RESULTS AND DISCUSSION

Table 1. Challenges of Internal Audit Functions Arising from Lack of Technology

Challenges	WM	VI	Rank
Long lead time for audit projects	3.66	SA	3
Delayed completion and review of audit work	3.82	SA	1
Low productivity and inefficiency in operations	3.76	SA	2
Inadequate risk assessment and audit planning	2.88	A	5
Absence of standard audit workflow	3.46	SA	4

Table 1 shows the top 3 most common challenges of internal audit functions arising from a lack of technology and/or automation in internal audit operations. The respondents strongly agreed that lack of technology and automation results in delayed completion/review of audit work (WM=3.82), low productivity/inefficiency (WM=3.76), and long lead time of audit projects.

Table 2. Key Features and Capabilities of Internal Audit Process and Project Management Software

Features and Capabilities	WM	VI	Rank
Real-time audit dashboards	3.74	SA	2
Defined audit universe	3.46	SA	4
Centralized audit library	3.66	SA	3
Automated workflows	3.84	SA	1
Monitoring/tracking of audit issues	3.26	SA	6
Generation of audit reports	3.20	A	7
Flexible configuration	2.84	A	9
Audit log and access control	2.36	D	11

Alerts and notifications	2.74	A	10
Audit surveys and feedback reports	3.00	A	8
Track engagement resources, costs, and timesheets	3.28	SA	5

Table 2 shows the important features and capabilities of internal audit process software that impact the overall operations of internal audit functions. The respondents strongly agreed that automated workflows (WM=3.84), real-time audit dashboards (WM=3.74), centralized audit library (WM=3.66), defined audit universe (WM=3.46) and tracking of engagement resources, cost, and timesheets (WM=3.28) are some of the major important features of an automated audit process/project management.

Table 3. Advantages of Using Internal Audit Process and Project Management Software

Benefits and Advantages	WM	VI	Rank
Increased productivity and operational efficiency	3.84	SA	1
Centralized and secured platform for all audit projects	3.66	SA	3
Increased audit coverage	3.36	SA	4
Collaboration and interaction among audit team members	3.32	SA	5
Continuous workflow and ongoing communication with audit clients	2.54	A	9
Efficient monitoring of committed action plan and resolution of audit issues	3.16	A	7
Facilitates remote and work-from-home set-up	3.24	A	6
Increased compliance with laws, rules, regulations, policies, and procedures	2.36	D	10
Enhanced credibility of audit results	3.02	A	8
Real-time supervisory review of audit work	3.78	SA	2

Table 3 shows the advantages of using technology such as the Audit Management System by internal audit departments. The respondents strongly agreed that some of the most notable advantages include an increase in productivity and operational efficiency (WM=3.84), real-time supervisory review of audit work (WM3.78), a centralized and secured platform for all audit projects (WM=3.66), increased audit coverage (WM=3.36), and collaboration and interaction among audit team members (WM=3.32).

Table 4. Disadvantages of Using Internal Audit Process and Project Management Software

Disadvantages	WM	VI	Rank
High cost of investment	3.88	SA	1
No buy-in from Organizational Management	3.62	SA	2
Non-financial investments (i.e., timelines, user-trainings)	2.98	A	5
Lack of technical capabilities	2.90	A	7
Frequent updates and customization	3.38	SA	3
Over-reliance on software and loss of flexibility	3.04	A	4
Data privacy/security issues	2.94	A	6

Table 4 shows the most common disadvantages of implementing automation in internal audit operations. The respondents strongly agreed that some of the notable disadvantages include the high cost of investment (WM=3.88), lack of management buy-in (WM=3.62), and the need for frequent updates and customization (WM=3.38).

IV. CONCLUSIONS AND RECOMMENDATIONS

Overall, the findings in this research study suggest that the use of automated solutions, particularly Business Process and Project Management Software, provides various advantages in the overall operations of internal audit functions.

Using automated solutions enables internal audit teams to manage every audit project effortlessly and efficiently. Automated solutions can offer centralization, standardization, and speed which can greatly impact the level of effectiveness and efficiency of internal auditors. With automated workflows, audit teams can conduct more audit projects in less time, thus, more opportunities for strategic insight. Through audit management software grounded in best-in-class methodology, internal audit teams can swiftly scale their operations while adding new processes, requirements, and workflows at the speed of change. Moreover, modern audit management systems and reporting tools enable audit teams to gain real-time visibility into individual audit projects and overall audit strategy where resources are focused on high-risk and significant areas. Automating manual and routine tasks provides more time for internal audit functions for higher-level critical thinking. The benefits of automated software also extend to monitoring of actions to audit issues and remediation which are deemed inefficient when performed using manual processes. Automation serves as an accelerator for monitoring and delivering continuous assurance with a simplified end-to-end audit life cycle. Work duplication and human error are reduced, and internal auditors work more efficiently through the ability to schedule and manage audit projects, eliminating repetitive tasks. Finally, business process/project management automation enables audit teams to operate as strategic partners of organizational management that can contribute to risk mitigation in real time.

While there are various challenges and difficulties in the adoption and implementation of audit processes and project management automation, the researchers recommend some initiatives and action plans that internal audit functions may consider in terms of modernizing their respective internal audit operations. One is to ensure buy-in from organizational management by effectively articulating the benefits of digital transformation to Management and key stakeholders and demonstrating/communicating success indicators, ensuring that internal functions are aligned with business expectations and mandates. The cost of embarking on automation is also one of the biggest drawbacks and financial approval may not be practical for what is not deemed "critical" by Management. Internal audit functions should deploy simpler innovation solutions at the onset and move on to more complex procedures as the function matures digitally. This way, the evolution is gradual and does not require huge investments at once and mitigation and prevention of unnecessary incidental challenges could be addressed easily (Subia, Jocson, & Florencondia, 2019). Adequate planning of data strategy and adopting a suitable resource model are keys to achieving digital upskilling without compromising audit and control quality.

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