

# INTERNAL AUDIT SOFTWARE BUYER'S GUIDE

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# The need for internal audit

Internal audit provides a number of important services to company management including detecting and preventing fraud, testing internal control, and monitoring compliance with company policy and government regulation.

The law in many countries requires publicly-owned companies and public sector departments to have internal audit activities. Many privately-owned companies have internal audit activities as well. Some of the benefits derived from the internal audit activities are as follows:

- Assess the effectiveness of the design and execution of the system of internal control and risk management.
- Assist management in the effective discharge of their duties.
- Evaluate compliance with laws and regulations.
- Evaluate the reliability and integrity of financial and operational information.
- Provide recommendation for the improvement of operations.
- Help in safeguarding company assets and utilization of its resources.
- Reduce the exposure to unpleasant surprises.
- Having an internal audit activity is a good corporate governance practice.
- The cost of preventive actions is much less than those of corrective actions.

## What do the standards say?

The International Professional Practice Framework (IPPF) states that the Mission of Internal Audit is: “To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.”

The Definition of Internal Auditing as per the IPPF framework is:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

The King IV code on corporate governance (copyright Institute of Directors Southern Africa) applies to all entities, regardless of their nature, size or form of incorporation. The Code is implemented on an “apply and explain” basis. The following principles relating to assurance are embodied in the Code:

Principle 15: The governing body should ensure that the assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation’s external reports.

### **Recommended Practices**

42. The governing body should oversee that the combined assurance model is designed and implemented to cover effectively the organisation’s significant risks and material matters through a combination of the following assurance service providers and functions as is appropriate for the organisation:

- a. The organisation’s line functions that own and manage risks.
- b. The organisation’s specialist functions that facilitate and oversee risk management and compliance.
- c. Internal auditors, internal forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries.
- d. Independent external assurance service providers such as external auditors.
- e. Other external assurance providers such as sustainability and environmental auditors, external actuaries, and external forensic fraud examiners and auditors.
- f. Regulatory inspectors.

## Internal Audit

48. The governing body should assume responsibility for internal audit by setting the direction for the internal audit arrangements needed to provide objective and relevant assurance that contributes to the effectiveness of governance, risk management and control processes.
58. The governing body should monitor on an ongoing basis that internal audit:
- a. follows an approved risk-based internal audit plan; and
  - b. reviews the organisational risk profile regularly, and proposes adaptations to the internal audit plan accordingly.
59. The governing body should ensure that internal audit provides an overall statement annually as to the effectiveness of the organisation's governance, risk management and control processes.

## Why implement internal audit software

Besides being general best practice, Internal Audit Software provides an organisation with a systematic and disciplined approach to the audit process. Using Internal Audit software can boost efficiency for internal audit departments creating greater cost savings and they can boost the overall capacity of understaffed departments. Other benefits of using internal audit software include:

- Creating a central and secure repository for all audit documentation
- Giving access to audit information and documentation regardless of location, or stage of audit process
- Providing a highly structured format to support the audit process of planning, execution, reporting, follow-up and document management
- Increasing coordination and integration with other organisational risk management activities
- Risk & Control based auditing ensuring that risks that matter to the organisation are audited and aligned back to the business
- Improving the ability to create reports and information for management
- Providing 'live' updating and monitoring of action plans as well as follow-up audits

# Steps to the successful implementation of internal audit software

## **Software implementation:**

1. Setup groups (departments or business units) within your organization
2. Document your existing processes / sub processes / system descriptions including risks, controls and tests
3. Document your audit methodology including types of audit, project file organiser structure per type of audit, template documents, findings structure (e.g. standard, finding, impact, root cause, management comment, action plan), findings and project rating scale etc.
4. Identify your audit users, their permissions (preparer, reviewer etc.) and software training requirements
5. Ensure the software is able to generate final audit reports / audit committee reports as per your requirements
6. Take-on: software must be able to import existing findings from Excel into the database

## **Now you are ready to use the software:**

1. Audit planning (where, when, who): based on high risk areas, site rating, repeat findings
2. Perform audit execution: Perform testing, risk & control assessment and raise findings
3. Finalise Audit Process: Review audit results, produce audit report, remediation plan (living action plans), and executive summary
4. Follow up audits to check for resolution of findings

## Considerations and key questions when buying internal audit software

- Define your system requirements in enough detail to provide basis for evaluation
- How flexible is the software to support your audit methodology
- Does the software support best practice standards (risk & control based auditing) and is it integrated with risk management
- Apart from the software having the standard features, what are the differentiators / value adds
- Take into account the benefit of local support and responsiveness of the vendor to your requirements
- What is the setup process and estimated timelines; be aware of the 'box-dropper' approach versus a 'hand's on' approach ensuring project success
- Are there any hidden fees or costs (e.g. hosting, support, additional implementation, other required 3rd party software licenses, online action plan licenses etc?)
- Check the reporting capability of the software
- Ensure the upgrade of the software is non-intrusive, simple and that there are regular updates
- Check the ability / stability to work offline
- Request client references / testimonials

### **Don't:**

- just select the software based on cost and ease of use
- just buy the most popular software assuming it will be best for your company
- buy basic software which meets your current requirements but won't meet your future requirements

## Key feature comparison checklist

Use this comparison checklist to compare important feature sets from competing software solutions:

Important features	BarnOwl	Software B	Software C
Does the software support risk and control based auditing. i.e. is it a fully integrated GRC solution	✓		
Flexible take-on / import functionality	✓		
Hand holding throughout the implementation process ensuring project success	✓		
Ability to maintain a central library of process / working paper tests, not just as Excel attachments but within the database as fields	✓		
User-defined fields available anywhere in audit module and ability to report on user-defined fields	✓		
User / Group security restricting unit and project access	✓		
Facilitation of the typical audit process including planning, execution, reporting and follow-up	✓		
Facilitation of execution with business logic to create standard findings based on failed tests including the automatic identification of 'repeat' findings	✓		
Ability to automate the distribution of findings to management for comment and automatic import / capture of management comments back into the system	✓		
'Check in' / 'check out' functionality allowing multiple auditors to work on the same audit project without conflicts	✓		
Resource management and Timesheets	✓		

Important features	BarnOwl	Software B	Software C
Review notes are stored in the database with preparer / reviewer audit trail history. Review notes can be captured anywhere in the system including directly against findings and / or Excel / Word working papers	✓		
Customisable reports with MS Word integration	✓		
Combined assurance reporting	✓		
Management and Auditor Dashboards	✓		
Graphical slice and dice reporting: e.g. root cause analysis, risk ranking, findings analysis, trends etc.	✓		
Automated risk and control self-assessments without any licensing or cost implications	✓		
Online questionnaires and surveys without any licensing or cost implications	✓		
Online action plans with email notifications to all auditees without any licensing or cost implications	✓		
Offline and online synchronisation enabling auditors to work offline	✓		
Ease of use	✓		
End user support process, support portal	✓		
Ability and willingness of the vendor to respond to software enhancement requests	✓		
Online help, FAQs, up-to-date system documentation	✓		
Regular and seamless software upgrades including automated upgrading of offline users	✓		
Regular user groups, refresher training etc.	✓		
Client references and track record of the vendor	✓		



## About BarnOwl

BarnOwl is a fully integrated governance, enterprise risk management, compliance and audit software solution used by over 200 organisations in Africa, Europe and the UK. BarnOwl supports best practice risk management, compliance and audit frameworks (e.g. COSO, ISO31000, Compliance Institute's handbook, International Professional Practice Framework), whilst offering a highly flexible and configurable parameter-driven system allowing you to configure BarnOwl to meet your specific requirements.

[www.barnowl.co.za](http://www.barnowl.co.za)