Internal Audit’s Role in RPA

October 2020
Speakers today

Jim Hejka
Business Optimization Services – Practice Director
jim.hejka@jeffersonwells.com
Mobile: 734.658.2446
Jim is a dynamic leader with over 15 years of proven successful Process Optimization and Project Management experience in roles with increasing responsibility; ranging from an Engagement Manager delivering successful projects through an Engagement Director building engagement delivery teams.
As a leader of Experis’ Process Optimization and Project Management practice, Jim’s has built teams that have delivered successful engagements in advance of ERP implementations, Robotic Process Automation initiatives and Shared Service creation. The teams provide consistent, professional documentation to drive successful outcomes in the engagements.

Laurence Talley
Risk & Compliance Services – Practice Director
laurence.talley@jeffersonwells.com
Mobile: 216.533.2293
Laurence is an internal audit and risk management executive experienced in designing and executing risk assessments, internal audit, and compliance engagements for banks, insurance firms and manufacturing companies. His project leadership experience includes developing enterprise risk management strategies, leading process and control design and remediation programs and overseeing internal audit co-source and outsource engagements. Laurence has also led the development of technology-based accounting and risk management tools. Laurence provides extensive experience in internal functional design and operating effectiveness.
Discussion Topics

- Robotic Process Automation (RPA) Overview
- RPA Trends
- Explain audit’s role with Business Process Automation
- Steady state risk considerations
Robotic Process Automation (RPA) Overview
Polling Question #1

How far are along is your organization with RPA?

A. My organization is evaluating but not sure the best way to use

B. My company has begun implementing in a few areas but not sure how to scale

C. My company has adopted RPA across multiple parts of the organization

D. There are no humans left – only us robots
What is Robotic Process Automation?

RPA offers a fast, cost-efficient and easy-to-implement solution to help organizations address repetitive, rule-based, manual and time consuming processes that use multiple applications (email, excel, internet, ERP, CRM, etc.)

- RPA emulates human execution of repetitive processes via existing user interfaces
- Robots are a digital workforce controlled by the business operations team
- RPA sits alongside existing infrastructure, governed and controlled by IT

- Automated solution can work 24/7
- Significantly lower than the cost of offshore staff
- Robots work with existing IT architecture
- Double-digit reduction in error rates
- Robots can be trained by business users
- Cuts data entry costs
Spectrum of Intelligent Automation Tools

Intelligent automation tools have advanced significantly over the past decade

**Scripting**
Assisting Activities

**Desktop Automation**
- Basic Automation
- Manual operator initiates a sequence of automated steps (ERP, CRM, Work Flow tools, etc.)
- Consolidating data from multiple sources into a single view to complete a process (system integrations, etc.)

**Robotic Process Automation**
- Digital Workers
- Mimics execution of manual user's repetitive activities without requiring intervention or assistance
- Cuts across multiple systems
- Applying technology to manipulate existing application software to complete a process

**Robotics**

**Replacing**
Executing Processes

**Cognitive Computing**
- Machine Learning
- Systems that gain knowledge from data as "experience" and generalize what is learned in upcoming situations
- Artificial intelligence and automation technology to change the processes

**Deciding**
Assisting Decisions

**Artificial Intelligence**

**Digital Assistents**
- Smart Hybrids
- Computer-generated character that simulates a conversation to answer questions or queries and provide guidance
- Computer-generated conversation to simulate a response to answer questions or queries and provide guidance.
Automation Progression

**Robotic Process Automation**
Behaves like a person

- Structured data
- Business rules
- No change process/systems
- ‘Democratize’ automation

**Cognitive**
Thinks like a person

- Semi-structured data
- Self learning
- Supervised learning
- SME Bots – Vision, NLP
- Integrated with RPA

**Analytics**
Analyzes like a person

- Easily tag data elements during bot creation
- Real-time data flow across disparate systems
- Business intelligence
RPA Trends

• Sales of RPA software increased by 63.1 percent to $846 million in 2018\(^1\)
• RPA is now the fastest-growing segment of the global enterprise software market\(^1\)
• The market for RPA is currently valued at USD 1.1 Billion\(^2\)
• The RPA market is anticipated to experience compounded annual growth of 33.6% between 2020 and 2027\(^2\)

Sources:
\(^1\)Gartner, Inc.
\(^2\)Grand View Research
RPA Trends (continued)

When there is a global economic downturn, previously workers were simply cut, but now companies are now reacting more intelligently; they are taking advantage of automation and expand the use of software robots.

~ Towards Data Science

RPA Wave 2 is coming. Digital employees (software robots), Artificial Intelligence, Machine Learning, Digital Transformation, and Remote Workplace will all encompass this next RPA wave.
Benefits of leveraging a Digital Workforce

- Effort Reduction
- 24x365 Coverage (robots don’t sleep, eat or vacation)
- Faster Processing (typically 5-10x at a minimum)
- 100% accuracy (no human error)
- Flexible and Scalable (scale up/down and re-deploy ad hoc)
- Improved Compliance, Controls and Auditability
- Access to Real-time Data Analytics and Business Intelligence
- Happier Employees (dreary tasks done by robots)
When is RPA Relevant?

- Highly manual / Time consuming
- Multiple systems
- Rule based / No human judgement
- High volume
- Structured data
- Low exception volume
- Not frequent changes in process steps and rules
- High likelihood of human error
Where are organizations using RPA?

A wide variety of industries & business functions are recognizing a better understanding of RPA technology and its benefits:

**Sales**
- Account Services
- Order Processing
- Issues Tracking
- Credits / Refunds

**Procurement**
- Vendor Management
- Purchase Order Processing
- Invoice Processing
- Inventory Management

**Accounting & Finance**
- AP / AR
- Journal Entries
- Account Recons
- General Ledger

**IT**
- Account Activation
- Software Push / Installation
- Cyber Threat Assessment
- Data Extraction & Management

**HR / Payroll**
- On-boarding / Terminations
- Payroll Processing
- Timekeeping Reviews
- Resume Screening

**Internal Audit**
- Internal Control Testing
- Fraud Auditing
- Continuous Monitoring
- Risk Assessment
- Audit Sampling
**RPA Methodology**
Aligning Robots to Processes

01 Emulates human execution of repetitive processes with existing applications

02 Robots are a virtual workforce controlled by the business operations teams

03 Sits alongside existing infrastructure, governed and controlled by IT

04 Robots work with existing IT architecture – no complex system integration
Audit’s participation in RPA programs
Internal Audit’s role during implementation phases

1. Approval / Green Light
   - Review diligence supporting green light decisions
   - Confirm that program governance protocols were followed
   - Confirm budget approval and management protocols were followed

2. Software Selection
   - Review selection support
   - Understand functionality and limitations
   - Cost were evaluated and procurement protocols applied

3. Vendor Selection
   - Review selection support
   - Understand functionality, performance, services level expectations
   - Cost were evaluated and procurement protocols applied
Internal Audit’s role during implementation phases

4 Business Process Assessment
- Participate as an observer in facilitated sessions
- Confirm diligence and feasibility is completed for each process

5 Programming Management / Planning
- Planning
- Internal Education
- Facilitated Sessions
- Process Identification
- Feasibility Study for each process (ROI, Governance, Selection Rules, Payback)
- Process Selection and Confirmation

- Prioritization
- Metrics
- Staffing
- Project Planning
- Governance and Communication

Review Program Management planning documentation
Offer feedback on program management risks and issues
Internal Audit’s role during implementation phases

6. Program Execution (Process level)
   - Review completed process discovery documentation
   - Confirm that all process variations have been covered
   - Determine if audit issues have been considered as part of the process

   - Discover the effective flow (Happy Path) for each in-scope process
   - Identify variants of flow (Exceptions and Errors) processing requirements
   - Sign off discovery document

7. Confirm system access requirements
   - Ensure system implementation protocols are being followed
   - Confirm all exceptions have been processed prior to production

   - Development site
   - Quality Assurance
   - Production
Internal Audit’s role during implementation phases

8
Bot Development

- Observe user acceptance testing and end user training
- Confirm feedback has been addressed and user acceptance
- Test bot control design and operation.

- Incremental development and confirmation (Agile)
- End-to-end testing
- User acceptant testing (Effective and Variants of Flow)
- User Acceptance sign-off
- End user training

9
Go-live Deployment

- Periodically review post go live issues
- Determine if break fix and enhancements are processed correctly

- Monitor
- Evaluate
- Improve

October 20, 2020
Polling Question #2

Does your Internal Audit department include RPA (bots) in its audit plan?

A. No, not yet.
B. No, but planning on to include RPA in 2021.
C. Yes. We currently auditing RPA.
D. Not sure.
Steady state risk considerations
Polling Question #3

Which of the following process types are ideal for RPA?

A. Highly manual
B. Rules based.
C. High volume.
D. All of the above.
Where are organizations using RPA?

A wide variety of industries & business functions are recognizing a better understanding of RPA technology and its benefits:

**Sales**
- Account Services
- Order Processing
- Issues Tracking
- Credits / Refunds

**Procurement**
- Vendor Management
- Purchase Order Processing
- Invoice Processing
- Inventory Management

**Accounting & Finance**
- AP / AR
- Journal Entries
- Account Recons
- General Ledger

**IT**
- Account Activation
- Software Push / Installation
- Cyber Threat Assessment
- Data Extraction & Management

**HR / Payroll**
- On-boarding / Terminations
- Payroll Processing
- Timekeeping Reviews
- Resume Screening

**Internal Audit**
- Internal Control Testing
- Fraud Auditing
- Continuous Monitoring
- Risk Assessment
- Audit Sampling
Steady State / Ongoing Risk Considerations

- Access Management
- Data and Cyber Security
- Business Process Impact
- Resilience Planning
- Licensing
- Strategy and Governance
Questions?
Actions Speak Louder Than Words: Understanding Nonverbal Communication
Jan Hargrave, CEO of Jan Hargrave & Associates, is the nation’s leading behavioral authority and body language expert. As an international consultant, acclaimed speaker, distinguished educator and talk show guest, Jan has worked with many of today’s leading corporations such as, Lockheed Martin, Merrill Lynch, Starbucks, ESPN, NASA, Comcast and MARS Chocolate.

Jan is the author of 5 books on nonverbal communication: “Strictly Business Body Language,” “Judge the Jury,” “Freeway of Love,” “Let Me See Your Body Talk,” and “Poker Face.” Jan received her Bachelor’s Degree, Master’s Degree, and Education Specialist Degree in Education with emphasis in business psychology from the University of Louisiana in Lafayette.

Jan proves with her contagious warmth, wit, and knowledge that there is a method, and a style, to success
<table>
<thead>
<tr>
<th>Message Sent and Received</th>
<th>Body Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>_____ Confident, focused</td>
<td>A. Sitting backwards (straddling) in a chair, arms resting on back of chair.</td>
</tr>
<tr>
<td>_____ Thinking, evaluating</td>
<td>B. Clothing adjustments, playing with watch, necklace, earring.</td>
</tr>
<tr>
<td>_____ Superiority, authoritative</td>
<td>C. Steeple gesture (relaxed pyramid hands).</td>
</tr>
<tr>
<td>_____ Defensiveness</td>
<td>D. Verbal mirroring; facial feedback.</td>
</tr>
<tr>
<td>_____ Dominant, territorial</td>
<td>E. Left eye touch, left ear touch using left index finger, eye blocks.</td>
</tr>
<tr>
<td>_____ Openness, likeability, warmth</td>
<td>F. Stroking chin.</td>
</tr>
<tr>
<td>_____ Micro-expressions</td>
<td>G. Three Cs of nonverbal communication.</td>
</tr>
<tr>
<td>_____ Disagreeable, argumentative; shielding gesture</td>
<td>H. Wringing hands, clenching fists, eye glances toward exit, torso shifts.</td>
</tr>
<tr>
<td>_____ Displacement, pacifying gestures</td>
<td>I. Up-tilted chin.</td>
</tr>
<tr>
<td>_____ Tension, pressure, anxiety, stress</td>
<td>J. Fleeting facial gestures lasting 1/5 of a second.</td>
</tr>
<tr>
<td>_____ Context, congruence, cluster</td>
<td>K. Normal, natural behavior/body position.</td>
</tr>
<tr>
<td>_____ Deception</td>
<td>L. Hands interlocked behind head; elbows spread out (hooding).</td>
</tr>
<tr>
<td>_____ Trust, compassion, collaboration</td>
<td>M. Arms folded across chest.</td>
</tr>
<tr>
<td>_____ Sincerity, truthfulness</td>
<td>N. Palms facing upward in a 45-degree angle, forward torso lean, genuine smile.</td>
</tr>
<tr>
<td>_____ Belligerence, arrogance</td>
<td>O. Right hand over heart.</td>
</tr>
<tr>
<td>_____ Baseline behavior</td>
<td>P. Hands on hips; arms akimbo.</td>
</tr>
<tr>
<td>Message Sent and Received</td>
<td>Body Movement</td>
</tr>
<tr>
<td>---------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>C Confident, focused</td>
<td>A. Sitting backwards (straddling) in a chair, arms resting on back of chair.</td>
</tr>
<tr>
<td>F Thinking, evaluating</td>
<td>B. Clothing adjustments, playing with watch, necklace, earring.</td>
</tr>
<tr>
<td>P Superiority, authoritative</td>
<td>C. Steeple gesture (relaxed pyramid hands).</td>
</tr>
<tr>
<td>M Defensiveness</td>
<td>D. Verbal mirroring; facial feedback.</td>
</tr>
<tr>
<td>L Dominant, territorial</td>
<td>E. Left eye touch, left ear touch using left index finger, eye blocks.</td>
</tr>
<tr>
<td>N Openness, likeability, warmth</td>
<td>F. Stroking chin.</td>
</tr>
<tr>
<td>J Micro-expressions</td>
<td>G. Three Cs of nonverbal communication.</td>
</tr>
<tr>
<td>A Disagreeable, argumentative; shielding gesture</td>
<td>H. Wringing hands, clenching fists, eye glances toward exit, torso shifts.</td>
</tr>
<tr>
<td>B Displacement, pacifying gestures</td>
<td>I. Up-tilted chin.</td>
</tr>
<tr>
<td>H Tension, pressure, anxiety, stress</td>
<td>J. Fleeting facial gestures lasting 1/5 of a second.</td>
</tr>
<tr>
<td>G Context, congruence, cluster</td>
<td>K. Normal, natural behavior/body position.</td>
</tr>
<tr>
<td>E Deception</td>
<td>L. Hands interlocked behind head; elbows spread out (hooding).</td>
</tr>
<tr>
<td>D Trust, compassion, collaboration</td>
<td>M. Arms folded across chest.</td>
</tr>
<tr>
<td>O Sincerity, truthfulness</td>
<td>N. Palms facing upward in a 45-degree angle, forward torso lean, genuine smile.</td>
</tr>
<tr>
<td>I Belligerence, arrogance</td>
<td>O. Right hand over heart.</td>
</tr>
<tr>
<td>K Baseline behavior</td>
<td>P. Hands on hips; arms akimbo.</td>
</tr>
</tbody>
</table>
Questions?

Text to 4155287403
Jan Hargrave
To get handout with information from today!
THANKS FOR ATTENDING!
SEE YOU TOMORROW FOR DAY 2

Thank you to our sponsors!