

## HOW INTERNAL AUDIT CAN HELP TO IMPROVE EBIDTA

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### Introduction

We understand that Internal Audit plays a very crucial roles in an organisation. Internal Audit is responsible to prevent any business risk from materialising and avoid any business anomalies to happen. Further, expectations from internal auditors have increased to a different level. Internal Auditors are now expected to detect risk on real time basis, highlight red flags as an when exceptions occur and continuous control mechanism.

The internal auditors shall be able to meet the increased expectations only with increased amount of data analysis and presentation in a real time basis. Data Analytics can help internal auditors achieve the objective.

### Objective

The article provides an overview about Data Analytics and how internal auditors can benefit from data analytics.

### What is Data Analytics

Data Analytics is a process to identify, exceptions in the data or data that does not comply with the set practices. These transactions have a higher probability for creating material misstatement or fraud. Identifying theses exceptions can help the internal auditors in highlighting the risks and red flags.

### Benefits of Data Analytics

The key benefits of Data Analytics include

#### 1. Population based Analysis vs Sample based Analysis-

We understand that working on entire population of data is always more beneficial than working on sample set of data as samples tend to have inherent limitations like selection bias, ignorance of extremes, probability of missing out important transactions etc.

However, working on entire set of data requires high time and cost involvement which may or may not be accepted by the clients.

Data Analytics tool can help to over come these challenges by running data analysis on entire sets of data with minimum time and in reasonable cost.

#### 2. Working of data from multiple sources.

Business organisation currently use multiple softwares to store and process the data as per their requirements. To provide a valuable insight to the management, internal auditor needs to compile the data from multiple sources and conduct analysis.

However, Data Analytics tool can easily integrate with multiple softwares and conduct the analysis by combining data from multiple sources.

#### 3. User Defined Analytics

Data available with the company is not valuable unless it is analysed in a desired manner.

Data Analytics tool help internal auditors to customise the data analytics with specific requirements of the company.

#### 4. Automation

Several Data Analytics tool come with features like Artificial Intelligence and Machine Learning.

The Automation features help the internal auditors to spend less time on data analytics and more towards analysing root cause and solving problems.

### Road Ahead for Internal Auditors

Internal Auditors need to adapt to the rapidly changing technological environment and focus on following key areas.

1. Automation
2. Population

### 3. Identification