What you don’t know can hurt you

What your audit team can teach you about mining your business data for strategic advantage

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INTRODUCTION

Your data is telling you something. Yes, you. Are you listening?

Access to data alone doesn’t help business. Analysis of the right data to inform good decisions does.

Business leaders face unprecedented challenges today. Regardless of industry sector, you’re under immense pressure to demonstrate outstanding performance not only in terms of market growth, but also competitive advantage and accountability. To navigate this dynamic and complex environment, you’re expected to focus relentlessly on operational efficiency, cost effectiveness, productivity, customer connection and innovation. And that’s not all.

Amid the turbulent and increasingly complex forces shaping businesses in today’s always-on global marketplace is the rise of Big Data—considered both a blessing and a curse due to its potential to transform business insight on one hand, and become unwieldy on the other.

Organizations today collect a broader variety of data at a greater velocity than ever before. The livelihood of any business relies on effective processing of often millions or billions of transactions. These not only include traditional accounting transactions—like payroll, T&E and P-card monitoring—but also transactions deep within your business processes and controls where information is exchanged between critical systems and applications. Putting a magnifying glass over transaction data (and the controls that manage that data) allows you to identify fraud, errors, abuse and inefficiency.

As it happens, someone just down the hall is already expert in this. Constantly faced with various projects, platforms and geographies, your internal audit team can efficiently scrutinize business transactions with a magnifying glass that is nimble enough to analyze any data, anywhere, anytime.

So, how do internal auditors do it? And, more importantly, how can you?

In this eBook, we’ll explore lessons learned from audit teams on how every area of the organization can leverage specialized data analytics from ACL to:

- identify and mitigate risk
- protect profits
- accelerate performance across all lines of business

...So you can hear what your data is trying to tell you and build a stronger, more competitive, more effective department and business.
BIG ISN’T ALWAYS BETTER

What am I supposed to do with all this data?

Before we drop everything and pour millions of dollars into collecting, storing and organizing petabyte-scale volumes of data, business leaders must focus on what matters: finding the business value hidden in the data. And for most companies, transactions are where business happens and where the facts live.

Access to data alone doesn’t help a company improve. Today’s culture of prolific data creation, collection and consumption has created a worldwide “infobesity” pandemic—a condition in which individuals and businesses alike are bloated with data, yet starved for insight that enables effective decisions.

What’s the cure for infobesity? A combination of selective info-consumption with accessible analytics tools that make information easy to understand and easy to act upon.

CEOs are putting immense pressure on operational managers to control costs while simultaneously creating value and contributing to growth.

This drives the need for precision and speed. Business leaders need to make quicker decisions based on self-service access to relevant information.

Right-sizing Big Data:

According to IDC’s latest Digital Universe study, the amount of data we produce by 2020 will grow by a factor of 300; expanding from 130 exabytes in 2005 to 40,000 exabytes or 40 trillion gigabytes. By 2020, 1.7MB of new information will be created for each and every human being on the planet—every second of every day.
Analytics tools have traditionally been reserved only for the dedicated data analysts within organizations and internal audit departments. The problem with this model is that these exclusive few are distanced from the operational management of day-to-day business.

Organizations with the foresight to place analytics tools directly in the hands of frontline employees have a strategic advantage over traditional businesses where all the analysis was typically done by the “exclusive few.”

A new generation of managers is much more technologically savvy and information curious. Combine this with the post-Sarbanes Oxley demand for much greater individual accountability for risk management in their business process areas, and it becomes clear why operational managers are demanding more from their data.

Waiting for a report to make its way through an IT queue is no longer an option as the pace of business continues to increase. Managers now demand self-service access to analytics in order to stay on top of market trends and react quicker to threats and opportunities.

The good news is that analytic tools are now readily available to a wider, non-technical audience.

[Pssssst...that’s you!]
THE DEMOCRATIZATION OF DATA, ANALYSIS AND ACCOUNTABILITY

What happened to someone else being accountable for my controls?

The buck stops here. Internal audit has likely been auditing your business area for years, maybe even finding holes in your controls. That’s what they do, after all: assure that business controls are working.

Organizations now want more transparency and more eyeballs watching for issues. They are accomplishing it by arming more of their people with data analytics—so that everyone can have a hand in mitigating risks, addressing issues and making well-informed decisions.

Internal audit knows controls best. Constantly faced with various projects, platforms and geographies, they need tools nimble enough to analyze any data, anywhere, anytime. Their “secret sauce”? Data analysis.

Controls experts in 85% of Fortune 500 companies have been using ACL’s data analysis technology for years.

Why cobble together technologies not designed for nimble controls analyses, when you can use what the experts in the world’s leading organizations are using?

It’s time to take control of your own controls.

Specialized data analytics are uniquely powerful in allowing internal auditors—and you—to:

• Examine vast numbers of transactions to find fraud, errors, abuse and inefficiency
• Easily create valuable reports by combining data from different sources in ways that are expensive and complicated to do with BI tools and other software
BOTTOM LINE TAKES THE SPOTLIGHT

Over the past 10 years, top line emphasis has shifted to a focus on bottom line accountability and controls. Yet, many are still trying to wring this new type of information from traditional management tools such as decision support systems, data warehouses, and business intelligence (BI) tools—all great solutions for top-line analysis, but not ideal for controls and other detailed analyses.

Data analytics to save your bottom (line)

Specialized business-focused analytics makes extensive use of data, statistical and quantitative analysis, and fact-based management to drive these types of business advantages.

With over 14,000 customers worldwide in more than 150 countries, ACL's flagship analytics products are the most widely used data extraction tool used by internal auditors.

ACL’s powerful data mining technology and data visualization tools drive team efficiencies, improve quality, promote best practices and provide the visibility required to turn insight into action.
REBALANCING THE RISK PENDULUM

Corporate scandals, the rise in new regulations and the economic downturn created a business climate driven by fear and prevention.

As such, the risk pendulum began to swing too far as the focus shifted to protecting existing assets, often at the expense of future growth.

Finding the equilibrium requires that organizations combine corporate governance with risk intelligence.

Catch-22 of the Day

At once, we are challenged with processing millions of transactions through multiple business processes...and needing to somehow avoid fraud, errors and inefficiencies.

Controls to limit exposure to these risks are never bulletproof and, as business managers, you don’t want to control the heck out of everything. Your challenge, if you choose to accept it, is to be able to look at vast numbers of transactions and find the stuff that shouldn’t happen.

This results in reduced risks and better, more efficient control mechanisms.
WHY DATA MATTERS WHEN IT COMES TO CONTROLLING RISK

There are inherent controls in core business operations that, if not properly managed, present key risks for an organization.

For example:
- Payroll errors including overtime and absenteeism
- Misuse of corporate credit cards
- Duplicate vendor invoices/payments
- Inaccurate sales order processing
- High error rates in order fulfillment
- ‘Rogue’ sales practices that may involve excessive discounts or unapproved credit extensions

All of which contributes to valuable revenue leakage. And, let’s be frank. None of us can afford to leave money on the table or worse, lose it to fraud, waste or inefficiency.
Data analysis provides answers from three perspectives: historical, current and future. Individually, these data sets provide little more value than an interesting “did-you-know” quip at the water cooler. Combined however, they provide decision makers with powerful intelligence derived from hindsight, insight and foresight.

Data analysis supports dynamic risk-focused business planning and strategic growth initiatives.

**Analytics help users ask questions such as:**
- “What happened, and why?”
- “Where is the problem, and what actions do I need to take to solve it?”
- “What will happen if these trends continue?”
- “What’s the best/worst or most likely to happen next?”

And finally, and perhaps most importantly:
- “What actions should be taken to get the optimal results?”

**Spinning Business Data into Gold**

How can you more effectively use analytics at the center of growth initiatives? When applied to assessing controls in your organization, data analytics can help…

- Increase competitive advantage
- Improve efficiency and do more with less
- Identify and respond to risk more effectively
- Improve customer interaction and satisfaction
- Make better-informed business decisions
- Quicken “speed to resolution” of potential issues
THE PROOF IS IN THE PARABLE

Dramatic examples of the bottom line benefits that analytics provide can be found across industries, departments and geographies.

“As a large multinational organisation, our internal audit process is under scrutiny from multiple global and local authorities. It was essential for us to find a solution which allowed fast processing of financial data, was scalable to our needs and streamlined the entire process to increase overall efficiency. ACL met every one of our needs.”

Aude Tanniou
Responsable Outils, Méthodologies et Support Informatique de l’IG, l’Inspection Générale
BNP Paribas

“The IT and Senior Management team was impressed with the additional level of control and analysis that the ACL solution provided; as well as the ability to directly and efficiently access the data.”

Arnold Mendoza
IT Internal Audit Manager
GE Capital Australia and New Zealand

“In business today, information confidence is extremely important. ACL technology is not just for field auditors. It’s a continuous monitoring solution that helps us make better business decisions and protect our loan collateral.”

Michael Ganung,
Vice President Project Management
Wells Fargo Foothill

“ACL technology has transformed how we assess risk in our organization. ACL is here to stay and will continue to make substantial contributions to our improved performance in the months and years ahead.”

David Riddell,
Automated Audit Solutions Manager
Fidelity National Financial
FROM BIG DATA TO BIG DOLLARS

Using ACL data analytics, thousands of customers in a range of industries have uncovered significant savings:

- **$2B+** reduction in potential FCPA fines for Siemens AG, supported by proactive P2P monitoring by Baystate Health Inc.
- **$18M** saved in cost avoidance by Baystate Health Inc.
- **$17M** in findings of duplicate payments at HCA.
- **$60M** in avoided revenue leakages at MTN Nigeria.
- **$4M+** in missed billings by Canada Post.
- **$100K** yearly funds leakage identified by RLI Insurance.
- **$60K** annually saved in recovery fees for duplicate vendor invoices identified by The Westfield Group.
- **$100K** yearly funds leakage identified by RLI Insurance.
- **$2.1M** in contractor overbillings identified in Los Angeles Unified School District.
- **€85M** in missed tax revenues recovered by Austrian Ministry of Finance.
- **$60M** in avoided revenue leakages at MTN Nigeria.
- **$3.9M** cost recovery opportunity in excessive overtime identified by Canada Post.
- **400%** annual ROI by RLI Insurance.
- **$60K** annually saved in recovery fees for duplicate vendor invoices identified by The Westfield Group.
- **$4M+** in missed billings by Canada Post.
- **$100K** yearly funds leakage identified by RLI Insurance.
- **$2.1M** in contractor overbillings identified in Los Angeles Unified School District.
- **€85M** in missed tax revenues recovered by Austrian Ministry of Finance.
# AND, THAT’S JUST THE BEGINNING...

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<th>Line of Business</th>
<th>Benefits</th>
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| **Finance**      | - Monitor manual journal entries and identify exceptions that require correction or resolution  
                   - Reduce manual efforts to perform or follow-up on account reconciliations  
                   - Combat internal and external financial fraud with timely detection and prevention of questionable transactions | One of the U.S. largest banks used ACL data analytics to automate manual sampling procedures for General Ledger Reconciliation. Using ACL software, the bank reduced the time it took employees to create sample testing from 20 hours to only two hours, allowing employees to focus on more strategic tasks. Automating the process also reduced inaccuracies and boosted morale of employees performing this procedure by streamlining their efforts and allowing them to spend time doing more important tasks. |
| **Business Process Owners** | - Monitor business processing systems to verify that business process controls are working as designed  
                               - Use analytics as an objective, automated and consistent way to measure and improve business controls over time | Upon implementing ACL data analytics for a case review of materials inventory at a large company, a government audit found that 30% of the materials balance sheet value had not been counted in one year—totalling $80 million in inventory they never knew they had. |
| **IT**           | - Simplify self-service data access for business leaders, while maintaining data security  
                   - Better understand system controls and operations  
                   - Identify data quality issues in the business | The IT department at a large wealth management consulting firm used ACL data analytics to automate the tasks of validating IT request forms for privileged user access across multiple application systems. As a result, they gained confidence in accuracy of user validation and eliminated hours of manual labor. |

What might you find (or be missing out on!) in your data?
Spreadsheet tools are too weak and BI tools are too bloated and inflexible to race through the mountains of transactional data generated by today’s organizations.

ACL data analytics are agile enough to quickly access data in every corner of various systems, flexible enough to drill down into the data you want to look at – and secure enough to cut through the obstacles that come with IT-controlled data warehouses by analyzing source data directly.

YOU’RE IN GOOD COMPANY

Are you on the list?

Commercial

- Global 500: 70%
- Fortune 500: 89%
- Fortune 100: 98%

Public Sector

- 200+ departments in 37 national governments
- 1000+ regional, state and local governments

Influencers

- Big 4 public accounting firms
- 100s of educational institutions

View ACL customer case studies at www.acl.com/customers >
WHERE DO I START?

While generic analysis software can get you started, purpose-built packages will support more complex and value-added testing and issue management, and longer-term sustainability.

By embracing recent enhancements in data mining technology and data visualization tools, business analytics holds incredible promise to deliver results more dynamically in response to risk, dive deeper into organizational data, and deliver profound fact-based insights.

Key to delivering on this is to:
- Ask the right questions
- Embed analytics into the culture of management
- Equip your people with accessible analytics so they can keep an eye on their own area of the business and address issues in a timely manner (long before the audit team gets there!)
- Align the analytics implementation with the planning process and overall organizational, operational and strategic objectives

**Design a Data Analytics Process**

Gather your team (and perhaps a member of your friendly, neighborhood audit team—who’s probably eager to help you get started!), and begin by identifying the following:
- What is the objective of the analysis?
- What organizational data do you need to collect?
- When and how will the organizational data be obtained?
- What analytic procedures will you use?
- How often will the analysis be performed?
- Who is responsible for automation procedures?
- Who is responsible for reviewing results and responding to issues identified?
- How will findings and recommendations be reported?
- What are the standards for tracking the timeliness and effectiveness of remedial actions?
Don’t be shy.

Talk to your internal audit team about how you can partner with them to explore opportunities in using this ubiquitous tool to run a better department and business.
CONCLUSION

With data analytics, success comes from applying sustainable technology across broad financial, operational and business systems.

The truth is in the transactions—as is the information you need to make great decisions. By putting data analytics directly into the hands of the business, control gaps can be plugged and problem transactions can be repaired immediately. Business process owners can quickly identify and resolve key control exposures and risk areas that impact bottom-line performance. Better yet, business process optimization can be implemented in a timely manner to quicken “speed to resolution”—before controls problems escalate.

By combining accessible, easy-to-use data analysis software with management’s responsibility to monitor risk and controls, forward-thinking organizations can transform data—and risk—into business advantage.

Contact ACL to find out how this remarkable technology is being used by your organization today.

Call 1-888-669-4225 or email solutions@acl.com
ABOUT ACL

ACL delivers technology solutions that are transforming audit and risk management. Through a combination of software and expert content, ACL enables powerful internal controls that identify and mitigate risk, protect profits and accelerate performance.

Driven by a desire to expand the horizons of audit and risk management so they can deliver greater strategic business value, we develop and advocate technology that strengthens results, simplifies adoption and improves usability. ACL’s integrated family of products—including our cloud-based governance, risk and compliance (GRC) solution and flagship data analytics products—combine all vital components of audit and risk, and are used seamlessly at all levels of the organization, from the C-suite to front line audit and risk professionals and the business managers they interface with. Enhanced reporting and dashboards provide transparency and business context that allows organizations to focus on what matters.

And, thanks to 25 years of experience and our consultative approach, we ensure fast, effective implementation, so customers realize concrete business results fast at low risk. Our actively engaged community of more than 14,000 customers around the globe—including 89% of the Fortune 500—tells our story best. Visit us online at www.acl.com

ACL technology enables the comprehensive examination of data, which is the evidence of what has occurred in an organization’s processes. Achieve immediate, significant financial payback by improving cost management and reducing revenue leakage. Apply data analytics to effectively monitor and assess the effectiveness of your organization’s risk management and control procedures.

For advice on how to mine your data for strategic advantage...

call 1-888-669-4225 or email solutions@acl.com
What You Don’t Know Can Hurt You