



GLOBAL KNOWLEDGE BRIEF

# AUDIT LIFE BALANCE

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Survey: Too much time spent on inefficient systems

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## About the Experts

### **Michael Levy, CIA, CRMA, CISA, CISSP, CDPSE**

Michael Levy is a finance and information technology professional with a focus on internal audit, business process optimization, and cybersecurity. He serves as the director of finance and internal audit for Student Transportation of America based in Wall, New Jersey. Levy is vice chairman of member services for The IIA's North American Board of Directors, and he previously served as an advisor to two technology company boards. Because of his knowledge of leading business practices and domestic and global experience in more than 20 countries, Levy is a recognized thought leader in the profession. Levy was a recipient of The IIA's Thurston Award and its Outstanding Contributor award. He was also included in NJBIZ's Forty Under 40 notables and was a co-author of the most recent Sawyer's Internal Auditing.

### **Julianne McGarry, MSc, CMIIA, CIA**

Julianne McGarry is a senior lecturer with the Governance and Assurance Hub at Birmingham City University (BCU) in the United Kingdom. McGarry joined BCU in 2021, following global roles at Tata Motors, Rolls-Royce plc, Jaguar Land Rover, Technicolor, and Molson Coors. McGarry is a chartered member of the British Institute of Internal Auditors and since 2007 has specialized in effective internal control frameworks and the U.S. Sarbanes-Oxley Act of 2002. During her nearly 20 years in internal audit across the public and private sector, McGarry has proven the effectiveness of the combined assurance of risk, controls, and internal audit through centralized reporting to the C-suite, globalized processes and software for internal audit, controls testing and monitoring, and risk management. McGarry also holds an MSc in Risk Management.

### **Dan Zitting**

As the managing director and CEO at Galvanize, a part of Diligent, Zitting is responsible for Diligent's Galvanize brand, including the success of its customers, the evolution of its products, and the overall growth of its business. He is also responsible for ensuring the successful integration of Galvanize and Diligent. With more than 18 years' experience in the technology industry, Zitting has extensive knowledge in enterprise software, entrepreneurship and growth, and corporate risk management and compliance. Prior to Galvanize, Zitting spent nearly 10 years in professional services before founding SaaS platform and New York City tech start-up Workpapers.com, the first enterprise cloud software for audit and compliance management. The company was later acquired by Galvanize (then ACL), combining cloud collaboration and big data analytics into one platform and brand.

# HOW'S YOUR AUDIT LIFE BALANCE?

## Experts address tasks holding internal auditors back

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### Diligent survey captures COVID-19's impact on internal audit

**The COVID-19 pandemic has changed** the way many organizations do business, prioritize technology solutions, and even how they look at risk. The global crisis upended industries dependent on face-to-face interaction, set off waves of layoffs, and exposed supply-chain weaknesses. It also accelerated trends that were already in motion, such as digitization, automation, disruptive innovation, and cybercrime. Moreover, it fundamentally changed views on the viability of remote work, even as some continue to see it as an obstacle while others perceive it as a benefit.

A survey of internal auditors called "How's Your Audit Life Balance?" by Diligent (formerly Galvanize), captures some of the changes and challenges brought on by the pandemic, including the switch to more remote work and ongoing technology challenges internal auditors face in trying to do their jobs. Responses to the online survey were collected from 351 internal auditors between Feb. 26 and June 10 of 2021 using the Survey Monkey tool. Survey participants who indicated their country of residence were mainly from Canada and the U.S., with a minority representing 14 other countries.

Some of the key survey findings are that many internal auditors are working longer hours, spending too much time on activities that could be automated, and encountering roadblocks from inefficient systems and processes, such as gaining access to data. A significant number worry that their audit work may be misaligned with the risks and business priorities identified by their organizations. Meanwhile, only about half report feeling strongly connected to peer networks. Some of these findings are directly related to the pandemic, and some of them may be persistent struggles internal auditors face within less mature organizations or functions.

### Remote work increases the internal audit workload

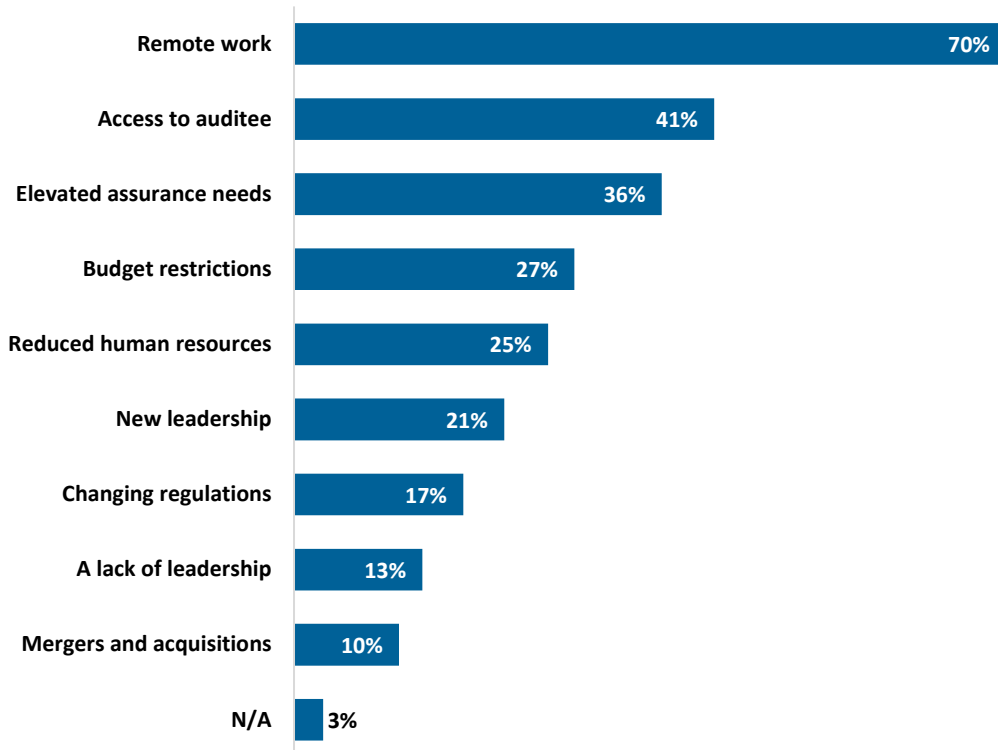
Nearly half of the survey respondents said their workloads "increased significantly" in 2020,<sup>1</sup> with 70% of internal auditors identifying remote work as the biggest reason for the change. Other factors tied to the increased workload include challenges in accessing auditees (41%), elevated assurance needs (36%), and budget restrictions (27%) (see Exhibit 1). Regarding average hours worked, more than 60% of the survey participants said they worked between 41 and 50 hours, almost 16% reported working between 51 and 60 hours, and nearly 4% worked 61 hours or more a week. Only about 20% of respondents worked 40 hours or less.<sup>2</sup>

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1. Q2: My workload has \_\_\_ over the past year (increased significantly, stayed the same, reduced in scope and size).  $n = 351$ .

2. Q1: On average, how many hours per week do you work?  $n = 351$ .

### Exhibit 1: Factors That Most Effect Workload



Note: Q3: What factors had the most effect on your workload over the past year? (Select all that apply.) *n* = 351.

There are many reasons remote work is increasing the workload for internal audit, points out Julianne McGarry, senior lecturer in governance and assurance for Birmingham City University in the United Kingdom. Some difficulties with remote work may have to do with inadequate technology tools or even limitations in the local infrastructure where people live. “Not everybody is on Office 365; not everybody uses SharePoint; not everybody has a GRC system,” says McGarry. “There’s huge swathes of the U.K. where people live out in the countryside. They have really patchy access to networks, to mobile phone masts, to data. And well — they chose to live there when they would go to the office five days a week. The moment you’re not, you’ve got new challenges.”

Along those lines, while 46% of respondents say they have the technology needed to do their jobs, more than half (54%) say they either somewhat have the necessary technology or do not have it.<sup>3</sup>

McGarry says the lack of face-to-face interaction is another major factor in remote work adding to internal audit’s work hours, particularly when it comes to auditees. “You don’t have the ‘water-cooler’ moments, and you don’t find out what’s happening, so I think from an internal audit perspective, the job is a lot harder,” she says. “We all hide behind screens, and not everybody switches their camera on. It’s harder to read body language.”

3. Q9: I have the tools and technology to do my job. *n* = 351.

Michael Levy, director of finance and internal audit for Student Transportation of America (STA) based in Wall, New Jersey, echoes the importance of such water-cooler moments to forge relationships and find out what is going on around the organization. “Internal audit is so much more than just the audit report. It’s all about the relationships, the discussions, the interaction, and the water-cooler talk that you hear,” says Levy. “I can’t tell you how many observations and advisory projects I picked up just from a hallway conversation that really wasn’t even part of a formal audit. Without that interaction, you have to force those conversations, and some people are better at that than others.”

Levy does see a possible upside to the increased hours, chalking up some of the extra hours reported in the survey to auditors strengthening their relationships with auditees and stakeholders. “I’m hopeful that is representative of people trying to do some of those things right, because instead of the in-passing conversations, now you’re having to schedule a meeting or give people a call,” he says.

Levy also points out that many remote workers, including his own team, are pleased to be spending less time commuting, even if they are putting in more hours. “What I personally enjoy is I’m trading unproductive time for productive time. That is to me a net-positive.” Besides, says Levy, what the pandemic set in motion may not be easily reversed. “I do still believe that there’s value to in-person,” he says, “but I think this hybrid mode more globally is here to stay, and I think we need to learn to operate in that mode.”

# TECHNOLOGY PLUS RELATIONSHIPS

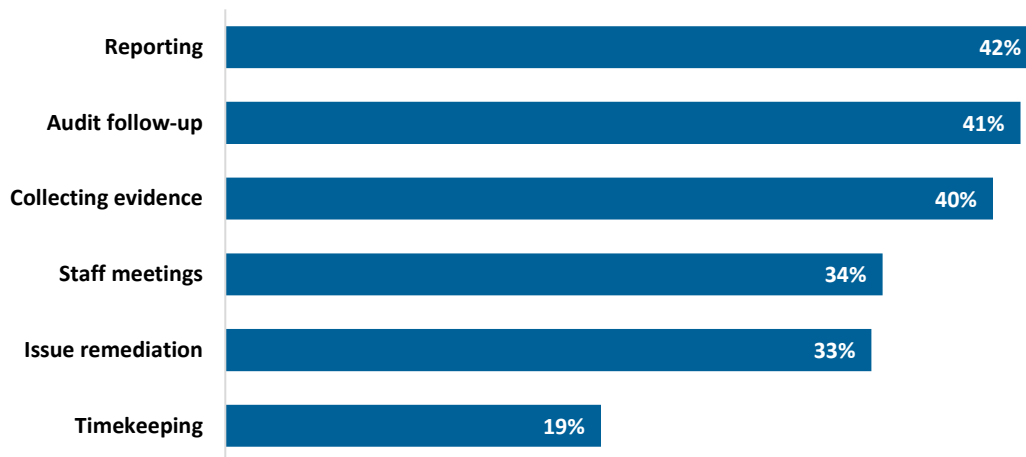
Audit experts offer advice on removing audit process roadblocks, the power of networking

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## Auditors spend too much time on procedural tasks

**About 40% of the respondents** in the Diligent survey said they were spending too much time on reporting, audit follow-up, and collecting evidence. Likewise, a third of the auditors said issue remediation and staff meetings were taking up too much of their day (see Exhibit 2).

**Exhibit 2: Tasks Taking Up 'Too Much Time'**



Note: Q5: I currently spend too much time on: (Select all that apply.) n = 351.

According to McGarry, the survey results indicate that there are still too many manual processes in the audit function.

“If you actually implemented more automated reporting, supported through things like GRC platforms, then management can take more ownership of the outputs and the remediation, monitoring, and tracking,” points out McGarry. “In my time, I’ve implemented off-the-shelf software that does that, and it is the manager who is the remediation owner, who is accountable for updating directly into the tool what actions they’ve taken, and also for providing the evidence of the actions they’ve taken. And internal auditors are then just reviewing the updates — which is an effective use of your time.”

For Levy, the pandemic and the reality of remote work — as well as his team stepping into a more advisory role — prompted his audit function to adopt new audit management software to automate some of these same processes.

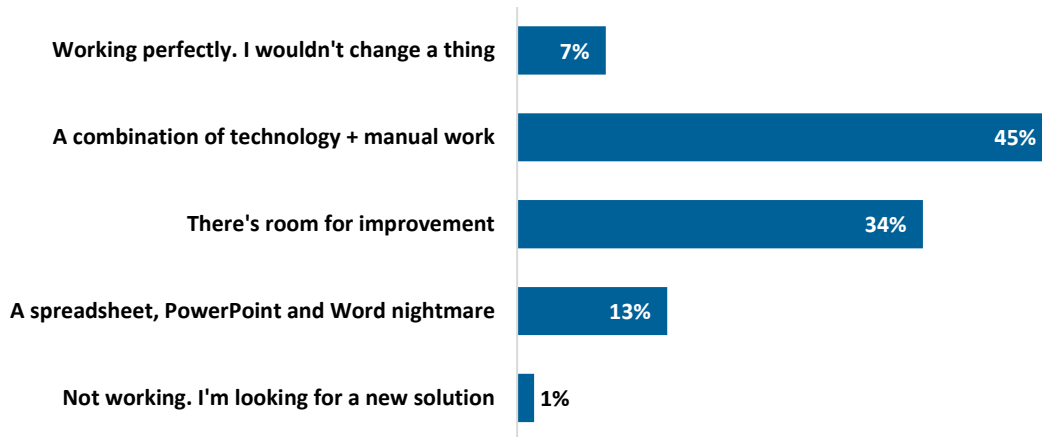
“It certainly created a desire to standardize and streamline a lot of the audit procedures,” explains Levy. “The constant follow-ups, the discussions — when we were in an in-person environment, some of that was a lot easier to do because if you needed something, you just got up and walked down the hall.” Levy says the new software will not only make the audit process more efficient for everyone, it also will give his team more time to offer advisory services.

Dan Zitting, managing director and CEO at Galvanize, a Diligent brand, says customers have replaced traditional audit reports with real-time dashboard reports, at least in some cases. “I think that’s one of the biggest steps that folks can push toward is to get away from traditionally compiled audit reports into a real-time dashboard that the audit committee and the CFO or a similar sort of executive has access to,” says Zitting. “Suddenly, those remediation and follow-up times tend to drop.”

In the survey, 43% of respondents said their audit reporting would be more productive if they could automate report generation.<sup>4</sup>

Similarly, when asked about their audit management workflow, only 7% of survey respondents said their workflow was “working perfectly” and they “wouldn’t change a thing.” Meanwhile, 45% described their workflow as a “combination of technology and manual work,” and 34% indicated there is “room for improvement.” (See Exhibit 3).

### Exhibit 3: Auditors Describe Their Audit Workflow

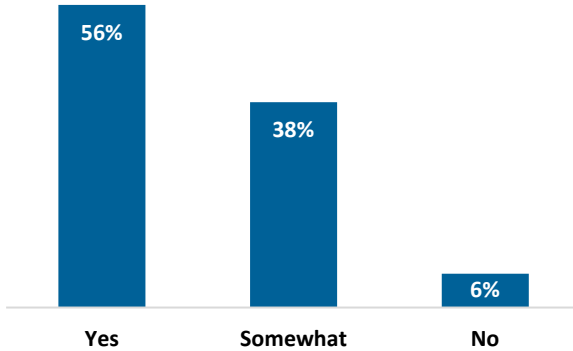


Note: Q19: My current audit management workflow is: *n* = 351.

4. Q15: Audit reporting would be more productive if we could: (automate report generation, other, reduce review of reports, only report on identified issues). *n* = 351.

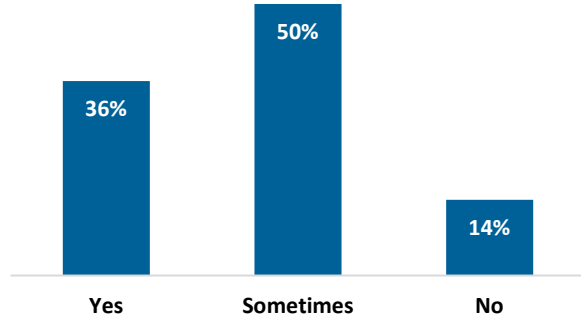


#### Exhibit 4: 'I Have Visibility into Risks'



Note: Q11: I have visibility into the risks faced by my organization and how they tie back to my audits. *n* = 351.

#### Exhibit 5: 'I Find it Challenging to Get Data I Need'



Note: Q12: I find it challenging to get the data I need to do my job. *n* = 351.

According to Levy, internal audit would have more credibility when it comes to handing out advice on process and technology improvements if it first improves its own processes.

“I’m a believer that if we’re going to recommend something to someone else, we should be walking the walk,” he explains. “If we’re just doing things in Excel or we’re saying, ‘You need to analytically review certain things,’ but we don’t know how to perform data analytics or we don’t know how to log into a system and look things up, that’s an issue, as far as I’m concerned. Audit teams need to be closing some of these competency gaps — whether that’s through bringing new people in that can help train the team, or sending people out to trainings, or learning from experience. There’s varying ways to accomplish that, but I think it’s really important that we’re functioning the way that we’re telling others to.”

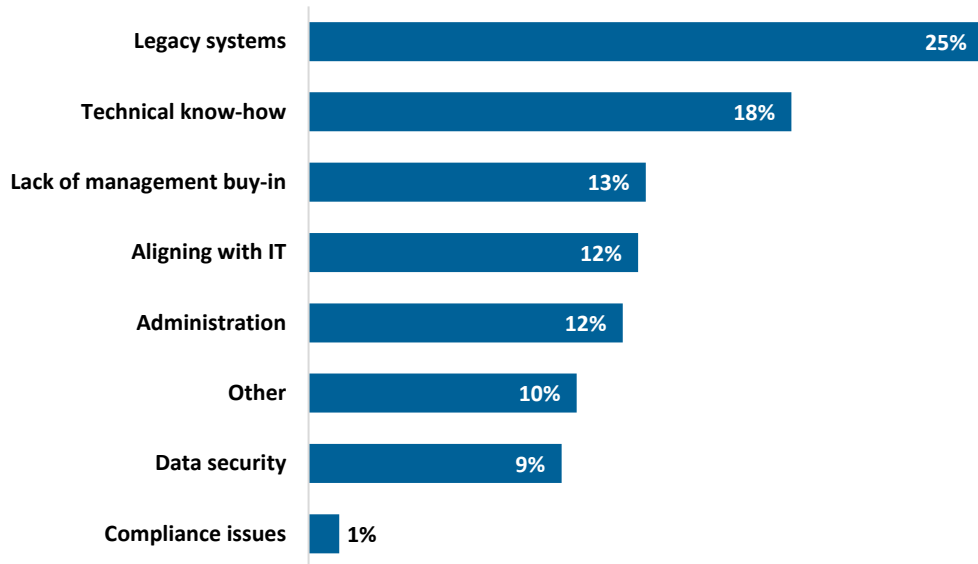
### Some auditors struggle with a lack of transparency, data

One perhaps worrisome finding is that 39% of internal auditors either do not feel confident they are auditing the correct part of the business or are at least unsure about it.<sup>5</sup> Meanwhile, 56% of internal auditors surveyed say they have visibility into the risks faced by their organization and how these risks tie back to their audits, but 38% say this is only somewhat the case, and 6% say they lack visibility (see Exhibit 4). Additionally, 36% of the respondents find it challenging to get the data they need to do their job and another 50% say they “sometimes” do (see Exhibit 5).

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5. Q10: I am confident I am auditing the correct parts of the business. *n* = 351.

### Exhibit 6: 'Biggest Blocker' to Getting Data



Note: Q13: The biggest blocker to getting access to data is:  $n = 351$ .

“It is concerning that 44% of people did not consider that they had full visibility to the risks faced by their organizations and that 86% still sometimes had issues obtaining data to enable them to execute audits,” says McGarry. “This really strikes me that we may still be operating in a world where the auditor is too reliant on the auditee to provide information, and that the auditor does not have the toolsets to obtain data from the source themselves.”

There are a number of reasons internal auditors struggle with access to data, according to the survey, but legacy systems seem to be the biggest impediment for one-quarter of the respondents. Other top reasons for lack of access to data include technical know-how, lack of management buy-in, and misalignment with IT (see Exhibit 6).

Having seen a variety of approaches to data collection within audit functions, Levy says access often comes down to good relationships.

“Some organizations are very hands-off, so you have to request something and then you get a report and you’re allowed to look at that report. Other organizations, if you have the right relationship with IT and the business owners, you can facilitate yourself getting access to the systems and frankly, to me, you can add a ton more value if you can poke around,” says Levy. “Usually it’s view-only, so you don’t accidentally make changes. But to be able to actually log in, pull your own data, look things up on an ad hoc basis, and live the life of an end-user in the system — usually it makes for a better audit and better procedures, and then sets you up to do more procedures on an ongoing basis.”

Zitting said one best practice in getting access to data is to develop “internal audit data governance charters” and share them with other departments — or even post them on an intranet page about internal audit. The charters outline the mandate of internal audit and why internal audit should have independent and objective

access to all data necessary to do its job. They also specify how the audit department will access the data, what it will use it for, and how it will keep it secure and private, says Zitting. Backing from the audit committee and board is also recommended. “The audit functions that invest a little bit of time in creating those kinds of charters and collaborate on that with their information security teams — actually seem to be the ones that end up much more frequently in the ‘yes’ group here,” he says.

## Peer networks influence audit’s risk understanding, its role as advisor

McGarry noted that less than half of the survey respondents strongly affirmed that they have a network of other auditors with whom to share ideas and best practices, whereas 38% said they agreed with the statement “somewhat” and 13% answered “no.” (See Exhibit 7).

As an educator of internal auditors, many of whom have been in the field for some time but are seeking additional education, McGarry says she has seen a tendency among some auditors to neglect networking opportunities.

“I find a lot of them aren’t looking outside their organizations for risks that could be impacting their organizations, so there’s a risk that — especially with lockdown and everybody working from home — we’ve become very insular, and your world shrinks,” says McGarry.

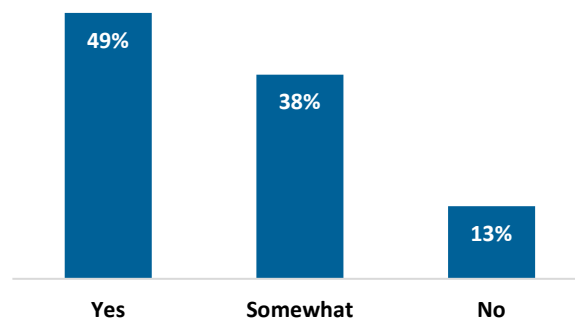
She points out this results in lost opportunities, both in terms of personal development and in the internal auditor’s ability to spot industry trends or risks. Being part of chapter organizations like The IIA and talking to peers at regional societies and conferences provide opportunities to share best practices, explains McGarry, adding that discovering new risk areas allows practitioners to assess whether those risks are present in their organizations.

Being aware of industry risks is also necessary for internal audit to take on an advisory role. Due in part to the pandemic, internal audit’s sphere of influence has expanded among internal audit functions that are prepared, according to Zitting.

“As a profession, I think we’ve been talking for years and years about audit taking a more strategic view of risk and getting involved in risk areas that matter to the business [beyond] the traditional focus in financial reporting and financial-related areas,” says Zitting. “While some teams have done a good job of that over the years, as a profession, we probably haven’t gone as far as we could have — but COVID-19 really changed that.”

Zitting points out that since the start of the pandemic, internal audit teams have been brought in to evaluate any number of things — including the impact of changes to controls on regulatory compliance, how new policies might impact employee and stakeholder safety, and decisions related to remote work, cybersecurity, and third-party relationships. “I think COVID really elevated the types of risk that audit gets involved with,” he adds.

**Exhibit 7: 'I Have a Network of Other Auditors'**



Note: Q6: I have a network of other auditors to share ideas and best practices with. *n* = 351.

For internal audit functions that are ready and able to provide more advisory services, the current risk climate has opened up opportunities. Levy's team is an example. "There are a lot of projects within the various departments of our organization. Frankly, we became a key part of the discussion because they were looking for another set of eyes and colleagues who could think about risks and positive and negative outcomes," says Levy. "For us, it really did change a lot of what we did and focused us more on advisory, process improvement, etc., within the organization. We were headed down that path already, but it sprinted us forward."

## About The IIA

The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The association's global headquarters is in Lake Mary, Fla., USA. For more information, visit [www.globaliia.org](http://www.globaliia.org).

## About Diligent

Diligent is a leading governance, risk, and compliance (GRC) SaaS provider, serving more than one million users from over 25,000 organizations around the globe. Diligent's modern GRC platform ensures boards, executives, and other leaders have a holistic, integrated view of ESG data, audit, risk, information security, ethics, and compliance across the organization. Diligent brings technology, insights, and confidence to leaders so they can build more effective, equitable, and successful organizations. For more information visit [www.diligent.com](http://www.diligent.com).

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*Global*

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