

# ROBOTIC PROCESS AUTOMATION (RPA) - The Impact on Internal Audit





- Introduce RGP and Presenters
  
- Objectives of the Session
  - Understand Robotic Process Automation (RPA)
  - Summarize the Opportunity Areas & Value Drivers of RPA
  - Identify Current RPA Solution Providers
  - Understand the Criteria for Scoping & Prioritization of RPA Opportunities
  - Provide an Example of RPA Utilization
  - Understand How RPA Applies to Internal Control
  - Understand the Risks of RPA
  - Understand the Impact of RPA to Internal Audit



## Our Company

- Founded in 1996 as part of Deloitte
- Management buy-out (1999) and initial public offering (2000). NASDAQ: RECN

Program Management ▪ Project Management ▪ Change Management

Finance &  
Accounting

**Governance,  
Risk &  
Compliance**

Information  
Management

Human Capital

**Procurement  
& Supply Chain**

Legal &  
Regulatory

4,000+  
Consultants Globally

72 locations worldwide



87 of the Fortune 100  
Have Been Clients



## What is RPA ?

- RPA is not a **physical “robot”** but a **configurable software**, that **sits on top of a company’s existing IT infrastructure**, pulling data, performing algorithms, and creating reports.
- The “robot” is configured to complete the same process steps, follow the **business rules**, and **use the same systems that a human does** today.
- RPA makes the most significant impact on **manual work processes**, that are **repetitive and recurring**, and often have **high human error rates**.
- A single “robot” can be configured to performed a variety of processes enabling **multi-use** robots, and **variability as your business needs change**.
- The initial implementation of RPA can happen in weeks and typically delivers an **ROI of greater than 5:1**, often recouping the investment in the first year.





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## 1. Current State

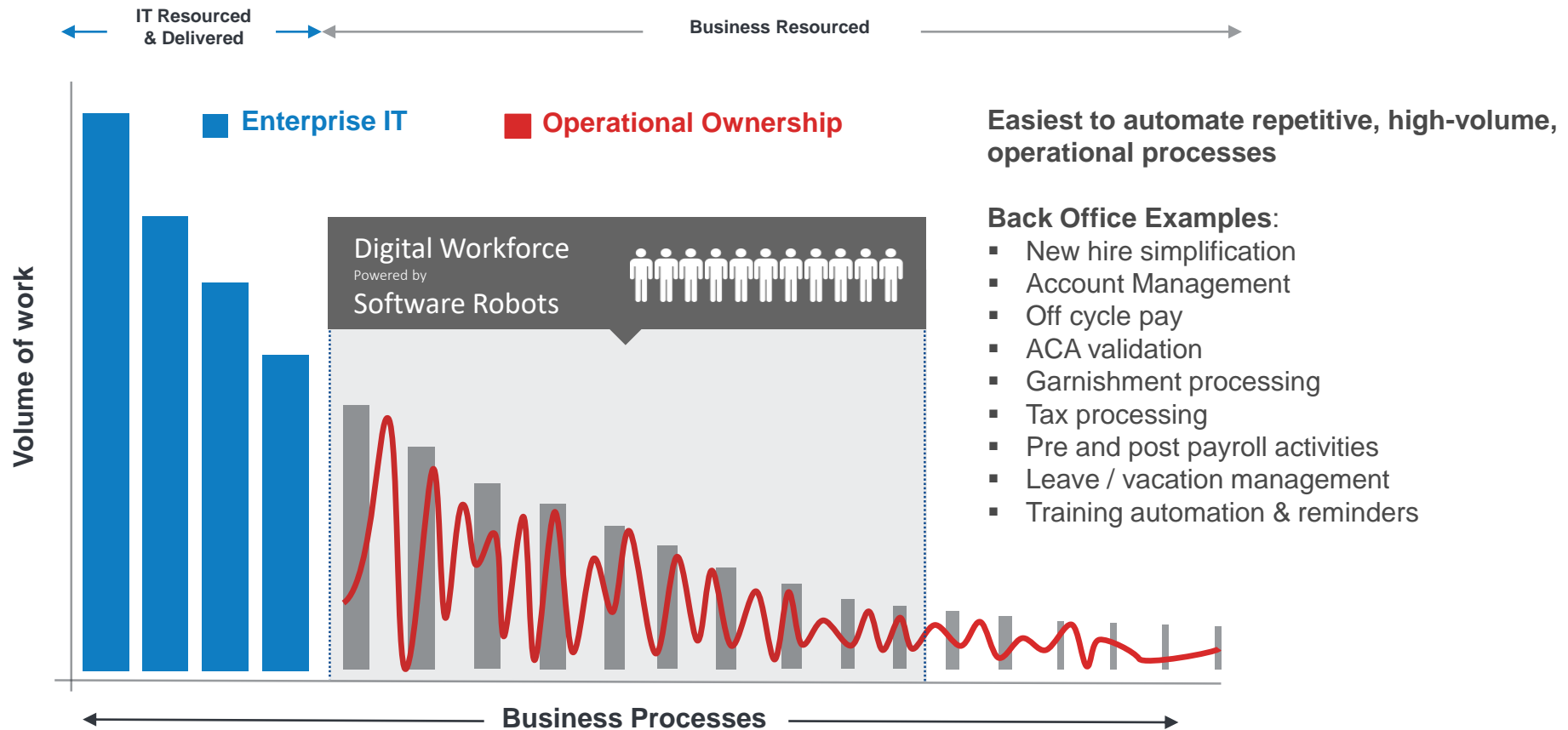
- The automation journey is prevalent across all industries and functions
- A classic candidate for RPA would be one where three characteristics are present:
  - The tasks or actions are consistent, with the same steps being performed repeatedly
  - The process is template driven, with data being entered into specific fields in a repetitive manner
  - The process is rules-based, to allow decision flows to alter dynamically

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## 2. Predictions (2018 – 2020)

- In 2018, digital workers (bots) will replace/ augment 311,000 office and administrative positions and 260,000 sales and related positions
- By 2020, automation and artificial intelligence will reduce employee requirements in business shared-service centers by 65%
- 110 -140 million FTEs could be replaced by automation tools and software by 2020
- During the next three years, more than 50% of service automation projects will be abandoned or will fail to deliver anticipated benefits

# What Do We Automate?







# What are the Key RPA Value Drivers?

## CXOs: "We Need to..."

*"Reduce operating costs and processing costs while increasing security"*

*"Deliver value by increasing margins, reducing costs and operating more competitively"*



**COO**

**CFO**

**CHRO**

**CIO**

**CEO**

*"Increase productivity / deliver better services faster"*

*"Hire, train and deploy workforce that is agile and flexes to business needs"*

*"Provision a compliant, scalable, resilient and flexible digital workforce to the operation"*

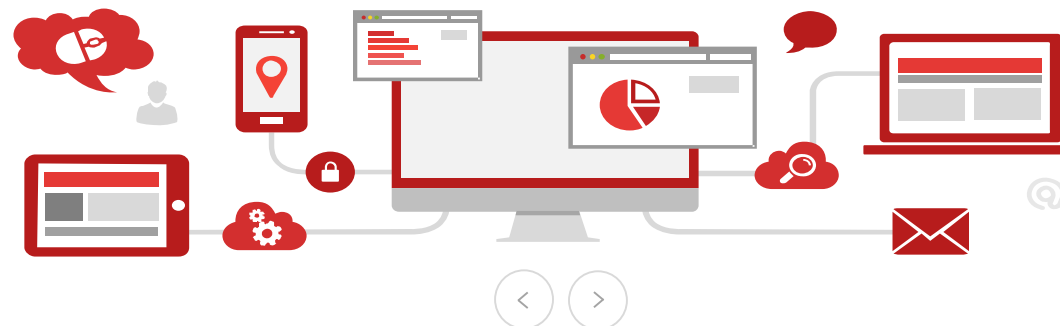


-  **Reduced Costs**
-  **Improved Quality**
-  **Increased Security**
-  **Improved Compliance & Reporting**
-  **Upgraded Analytics**
-  **Increased Employee Satisfaction**
-  **Improved Operational Control**





- Opening email and attachments
- Logging into web/enterprise applications
- Moving files and folders
- Copying and pasting
- Filling in forms
- Reading and writing to databases
- Scraping data from the web
- Making calculations
- Connecting to system API's
- Extracting structured data
- Collecting social media statistics
- Following "if/then" decisions/rule



# Potential Applications of RPA



## Sales/Services

Order to Cash, Account Setup, 24/7 Customer Service Support, Customer Complaint Tracking



## Procurement

Vendor Setup, Requisition to Purchase Order, Invoice Processing



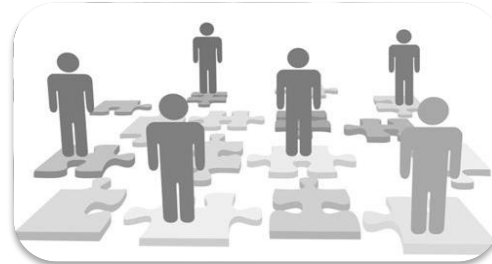
## Finance, Risk & Audit

Accounts Payable, Accounts Receivable, Payments Processing, Risk Management, Audit Sampling



## Tax

Sales and Use Reconciliation, Tax Master Data, Monitor / Renewal Processing



## HR

On-boarding / Off-boarding, Payroll, Resume Screening / Matching



## IT

Account Setup and Maintenance, Internet Checks & Processing, Database Checks & Clean-up

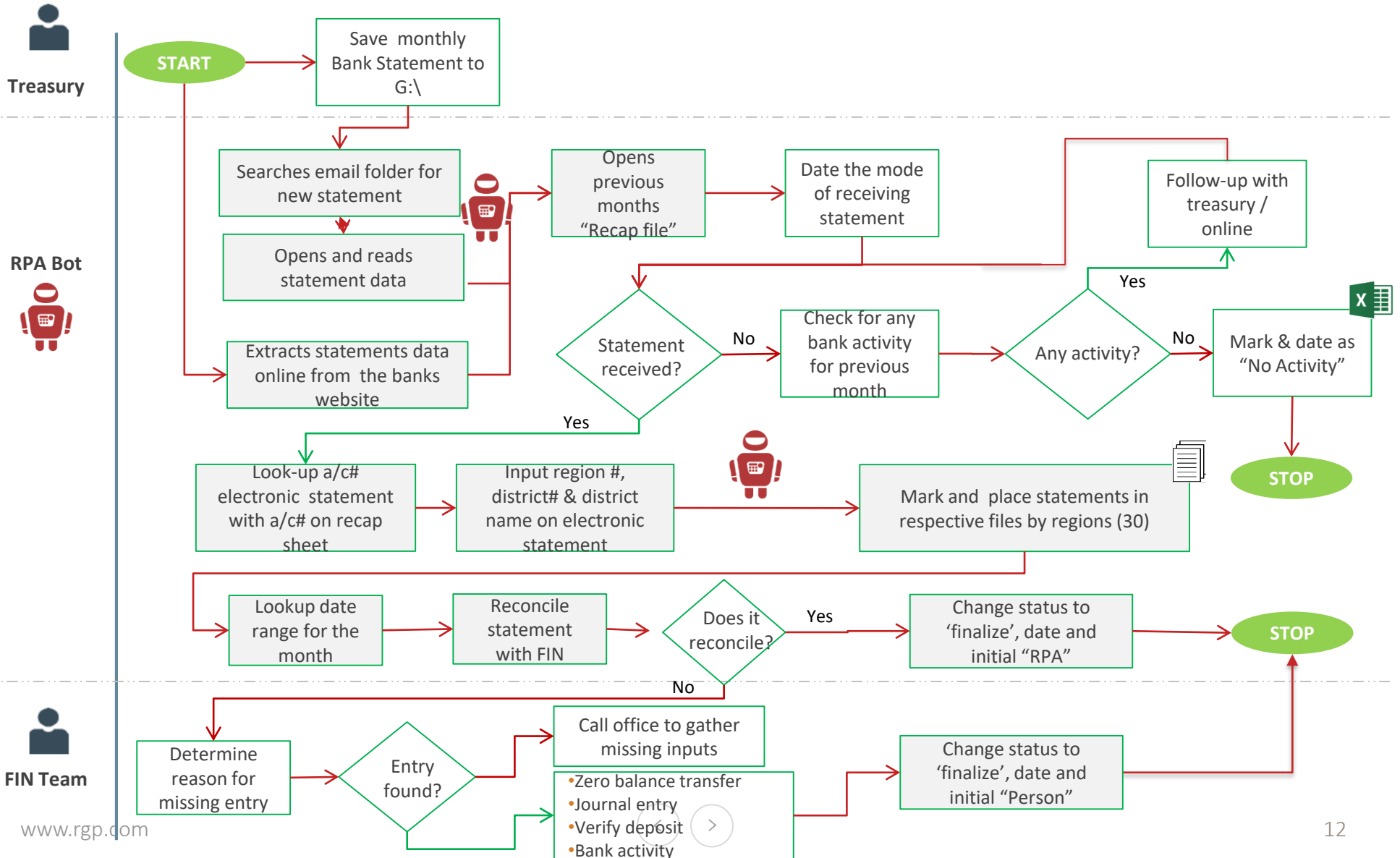


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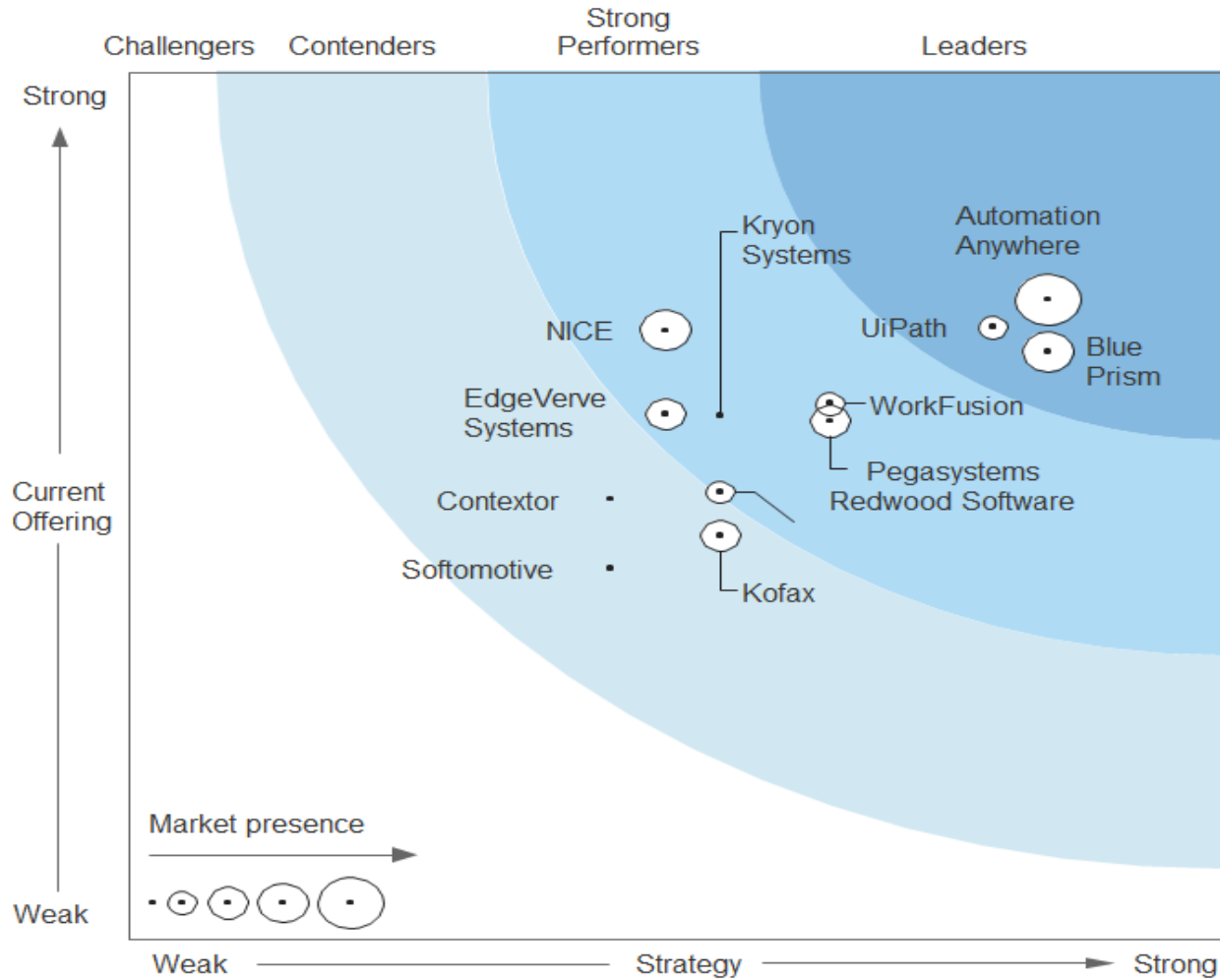
# RPA Video Demo

## Sales & Use Tax Reconciliation

# Example of RPA Utilization In Bank Reconciliation

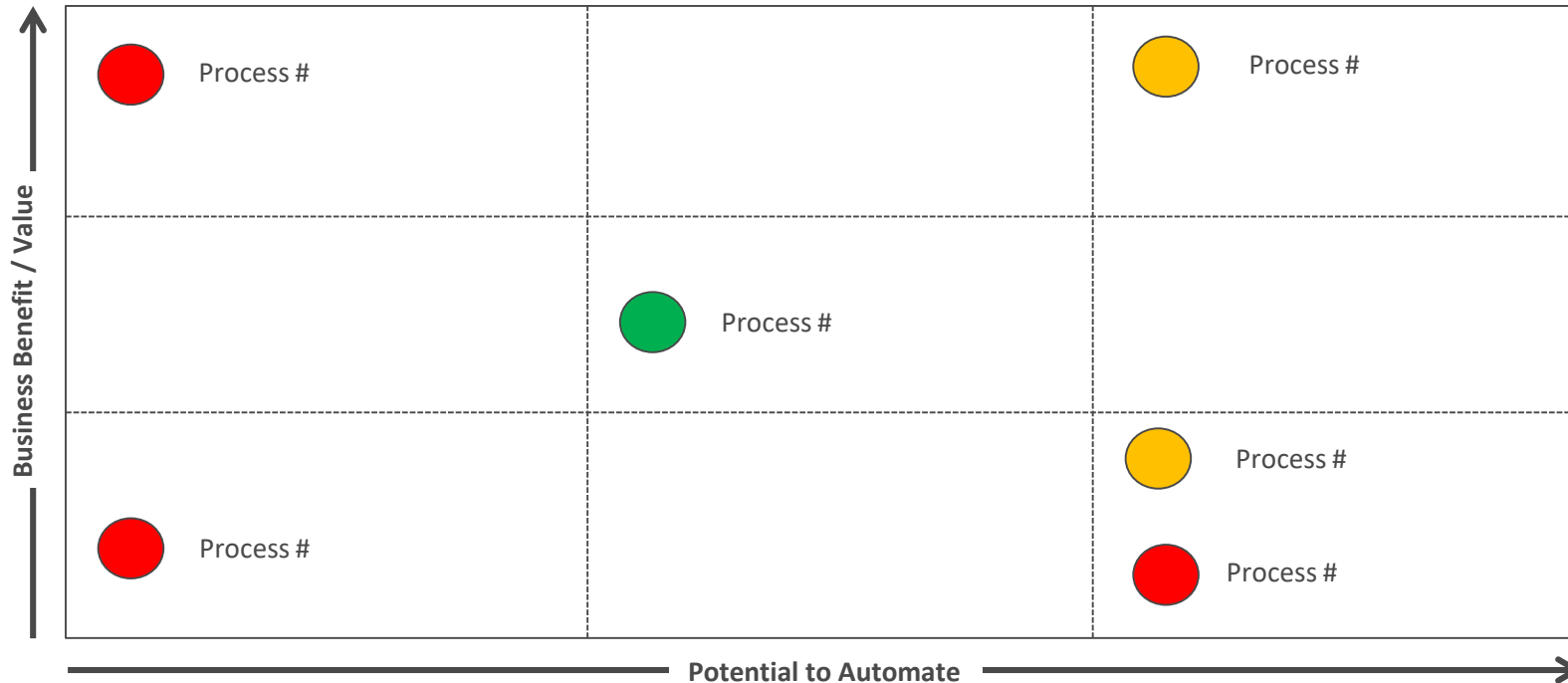


# Leading RPA Software Providers






\* Source: The Forrester Wave Robotic Process Automation

# Opportunities Mapping by Process



## KEY:

-  Green indicates those processes that have **low risk** associated with moving them into an automated state.
-  Amber indicates those processes that have **some risk** associated with moving them into an automated state.
-  Red indicates those processes that have **high risk** associated with moving them into an automated state.

**PURPOSE OF DOCUMENT:** This will be the output document following the Process Maturity and Impact Assessment. It will highlight, in a clear way, the processes most suitable for automation, as well as those with the highest risk associated. For example – A process may have high value to automate, but will cause significant impact and has high risk associated with the transition. It might be better to consider moving lower risk processes across first to win trust and demonstrate potential value.



## How Can RPA Be Applied to Internal Control?



RPA can be applied where there is a high volume of routine, labor intensive and mundane activities performed on a day to day basis by the 3 lines of defense:

- Operate a control based on a predefined frequency, acting as a Control Operator, and evaluate a control's operating effectiveness by performing periodic control self-evaluations, acting as a Control Owner (**1st line of defense**).
- Evaluate a control's operating effectiveness by performing periodic management testing of control effectiveness, acting as an Internal Control Tester (**2nd line of defense**).
- Evaluate a control's operating effectiveness by performing periodic independent testing of control effectiveness, acting as an Internal Audit Tester (**3rd line of defense**).

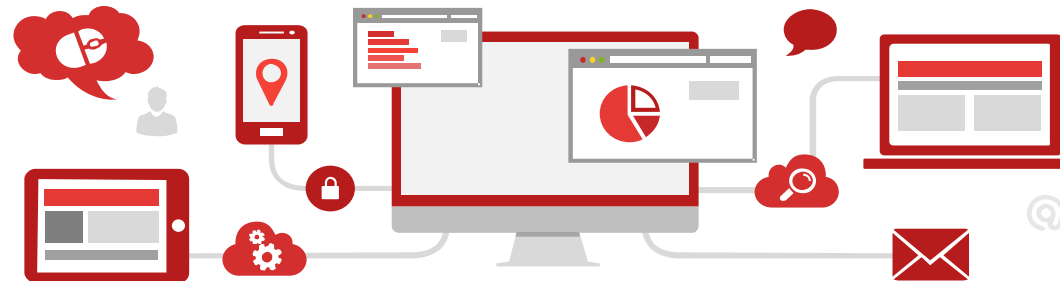


# This All Sounds Good But What About the Risks?



We can't just ask "how can we utilize RPA?", we must also ask "how does RPA impact our risk profile?"

- Data Governance and Controls Standards
- Privacy and Data Protection
- Regulatory Considerations
- What Could Go Wrong

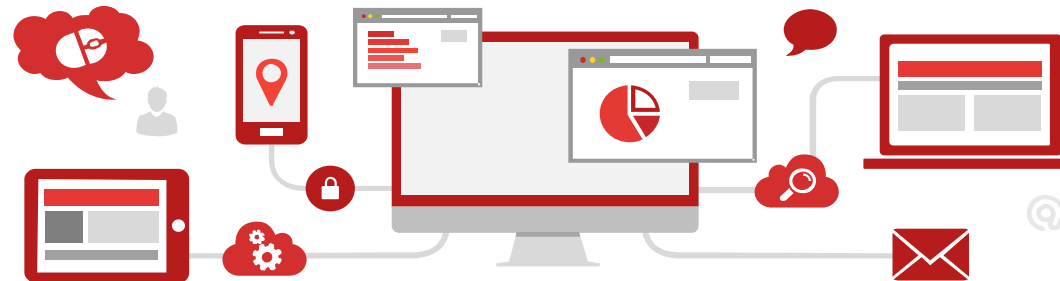


# What are the Data Governance and Control Standards?



RPA needs a **digitization strategy**; prioritize the right processes, governance approvals, and development, testing & deployment protocols. It also needs an **infrastructure to manage the new robotic workforce**, and support future RPA changes.

- Overarching governance framework for adoption of RPA and alignment to risk, compliance and IT/data frameworks
  - Have we selected the right processes?
  - Have we optimized processes before we automated?
  - Are all upstream & downstream linkages known?
- Management and ongoing support and maintenance of robots
  - Who will oversee robot operations?
  - How do we manage changes?
  - Have we developed a recovery plan?



# What about Privacy and Data Protection?



Privacy and Data Protection need to be considered for RPA, especially if the task involves the processing of personal information

- Heightened risk of privacy breaches that occur through technology innovations
- Currently, no specific guidance on RPA companies
- Take reasonable steps to implement practices, procedures and systems that will ensure privacy compliance
- What vendor management provisions will you establish and maintain to verify how data might be accessed?

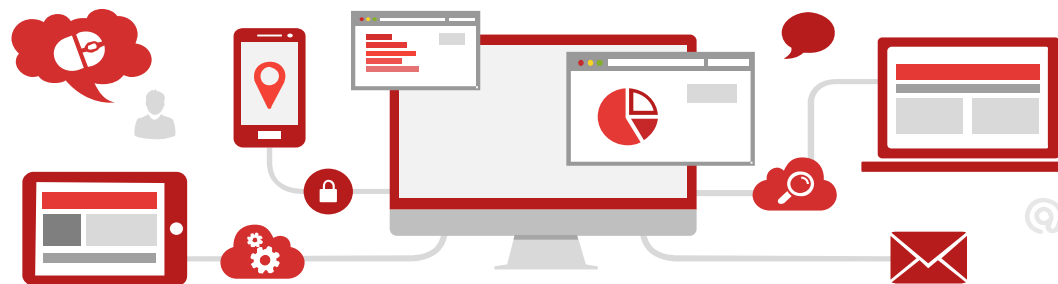


# What are the Regulatory Considerations?



Given that RPA is an emerging technology, there are no standards or formally agreed upon industry controls specific to RPA

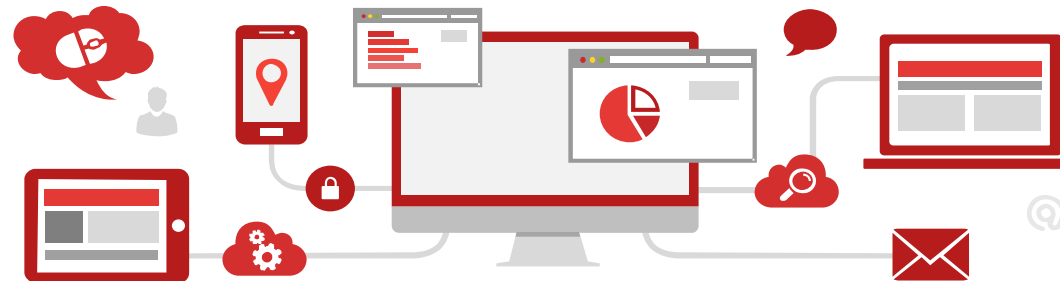
- RPA adoption is business driven but control functions must ensure control standards
- Critical to ensure that control standards are deployed for the rollout & management of RPA
- Does this automation affect financial reporting processes and Sarbanes-Oxley controls?
- Understand cross border rules governed by regulatory bodies like FINRA and the SEC





## Need a post-deployment review to ensure the processing and decisions made by the robot align with expectations

- Risk of missing rules
  - Basic RPA can only do what it's been told to do. Often humans follow innate rules that are without conscious thought applied, decisions just make natural sense to the human operator and aren't documented.
- Processes are not mapped correctly
  - Automated activities may be incorrectly performed or incomplete. Automating an inefficient or poorly controlled process only amplifies the issue.
- Natural human safeguards removed
  - Where there are many transactions and many users, errors may often not be widespread across the business process. With automation, if you get it wrong, you consistently get it wrong.





# What Are the Impacts to Internal Audit?



- Need to understand the technology
- Promote RPA governance
- Opportunity to influence control design
- Potential to increase audit efficiency
- Free up capacity to focus on higher priorities
- Enhance ability to add valuable insight
- Need to develop new testing approaches
- Consider need for changes to IA staffing model





THANK YOU  
QUESTIONS?





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