

The Future of Continuous Assurance & Risk Management

Continuous Auditing ≠ Continuous Assurance

prepared for:

**Ninth World Continuous Auditing &
Reporting Symposium
St. Julian, Malta**

prepared by:

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Chief Methodology Officer



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Business accountability solutions.

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Speaker Profile

Tim J. Leech, FCA·CIA, CCSA, CFE, MBA



Tim J. Leech is Principal Consultant & Chief Methodology Officer with Paisley Consulting, the world's leading provider of integrated business accountability software and training solutions. From 1991 to 2004 Tim was CEO and founder of *CARD[®]decisions*, a global pioneer in the ERM and CRSA areas. Paisley acquired *CARD[®]decisions* in June of 2004. Other positions he has had include Managing Director of a subsidiary of the Hambros Bank, Director Control & Risk Management Services with Coopers & Lybrand Consulting, and a range of comptrollership and internal audit roles with Gulf Canada. Tim was elected Fellow of the Institute of Chartered Accountants Ontario in 1997 in recognition of distinguished service to the auditing profession.

Leech's responsibilities include providing design advice on all Paisley software products; consulting and training services related to Sarbanes-Oxley, Basel operational risk management, enterprise-wide risk and assurance management; Collaborative Assurance & Risk Design™ ("CARD[®]") training and software development; control and risk self-assessment ("CRSA") training and implementation services; specialized litigation support services; business ethics advisory services; internal audit training and consulting; and control/risk governance consulting services. He has provided training for public and private sector staff located in Canada, the U.S., the EU, Australia, South America, Africa and the Middle and Far East. Leech has received worldwide recognition as a pioneer and thought leader in the fields of enterprise risk and assurance management and control and risk self-assessment.

Some of Leech's experiences and achievements include:

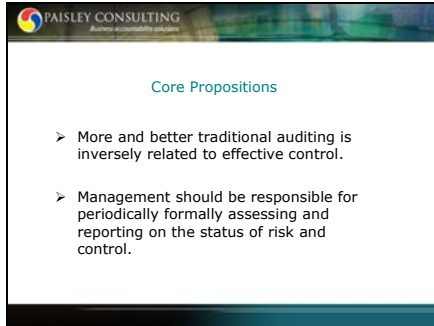
- pioneering and developing a integrated, enterprise-wide risk and assurance management and reporting approach that has been recognized globally as a leading edge corporate governance best practice;
- developing workshops and e-learning training modules on ERM, Sarbanes-Oxley, Basel and Internal Audit skills used by major public and private sector organizations around the world;
- numerous T.V. appearances, a national radio show, and a scores of articles in professional journals on risk management, internal control, business ethics, and fraud related topics;
- authoring technical papers in response to exposure drafts of risk and control governance studies in the U.S., the U.K., and Canada including Sarbanes-Oxley regulations in the U.S. and Canada and reports by the Treadway Commission, COSO, Cadbury, and CoCo internal control research projects;
- developing technical material for research studies on CSA/CRSA including the IIA report CSA: Making the Choice, the IIA research study CSA: Experience, Current Thinking and Best Practices and a text published by John Wiley titled "Control Self-Assessment for Risk Management and Other Practical Applications";
- delivery of expert witness services and testimony during civil and criminal actions related to fraud, secret commissions, conflict of interest, breach of contract, and officer/director due diligence;
- developing risk and control assessment training tools that have proven effective in a wide range of nationalities and cultures and in virtually all business sectors;
- member of the I.I.A. Enterprise Risk & Self-Assessment Advisory Panel and author of a IIA CCSA practice exam;
- primary author of *CARD[®]map* software - the world's first Collaborative Assurance and Risk Design™ groupware. At Paisley Tim has responsibility for providing input and advice on the design and features available in all Paisley software and training products including the company's flagship product, Risk Navigator, as well as *CARD[®]map*, Focus, and Auto Audit; and
- served as a board member of the Canadian Centre for Ethics and Corporate Policy, authored a column titled Duty of Care and has written a wide range of articles and made presentations on ethics related issues.

THE FUTURE OF CONTINUOUS ASSURANCE & RISK MANAGEMENT

CONTINUOUS AUDITING ≠ CONTINUOUS ASSURANCE

NOTES

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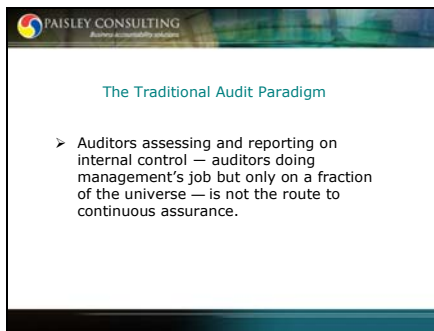


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Core Propositions

- More and better traditional auditing is inversely related to effective control.
- Management should be responsible for periodically formally assessing and reporting on the status of risk and control.

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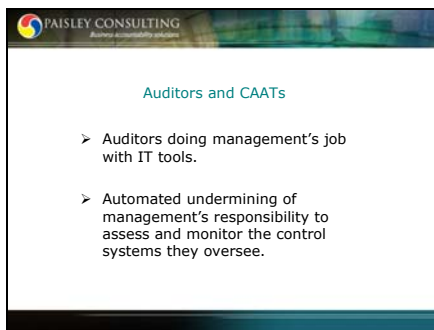


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The Traditional Audit Paradigm

- Auditors assessing and reporting on internal control — auditors doing management's job but only on a fraction of the universe — is not the route to continuous assurance.

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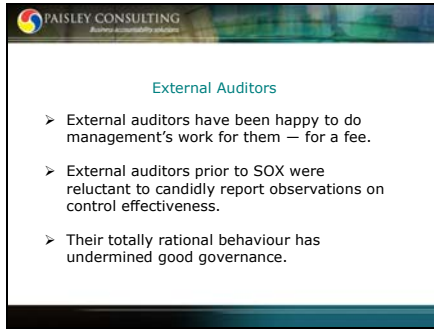
Auditors and CAATs

- Auditors doing management's job with IT tools.
- Automated undermining of management's responsibility to assess and monitor the control systems they oversee.

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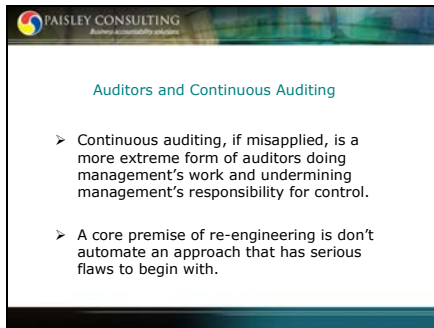


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External Auditors

- External auditors have been happy to do management's work for them — for a fee.
- External auditors prior to SOX were reluctant to candidly report observations on control effectiveness.
- Their totally rational behaviour has undermined good governance.

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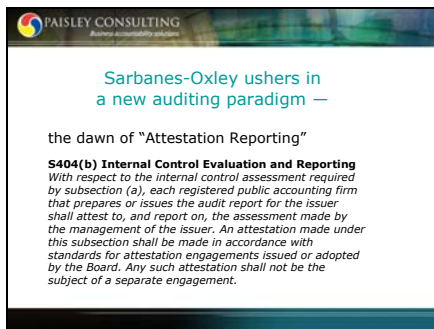


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Auditors and Continuous Auditing

- Continuous auditing, if misapplied, is a more extreme form of auditors doing management's work and undermining management's responsibility for control.
- A core premise of re-engineering is don't automate an approach that has serious flaws to begin with.

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Sarbanes-Oxley ushers in a new auditing paradigm —

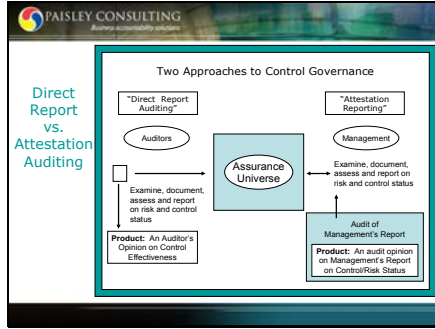
the dawn of "Attestation Reporting"

S404(b) Internal Control Evaluation and Reporting
With respect to the internal control assessment required by subsection (a), each registered public accounting firm that prepares or issues the audit report for the issuer shall attest to, and report on, the assessment made by the management of the issuer. An attestation made under this subsection shall be made in accordance with standards for attestation engagements issued or adopted by the Board. Any such attestation shall not be the subject of a separate engagement.

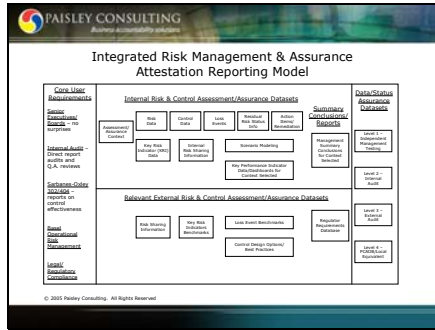
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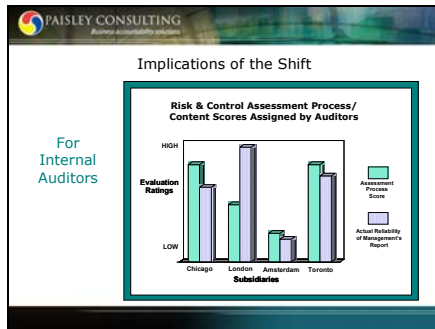
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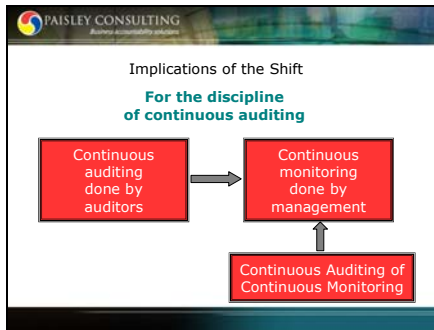
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Implications of the Shift

For External Auditors

They are being pushed by law makers towards an integrated audit of the financial statements — but this will only happen after experience is gained and serious pressure exerted by the SEC and PCAOB to modify their auditing methods and tools.

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Implications of the Shift

For Management a New Era of Disclosure

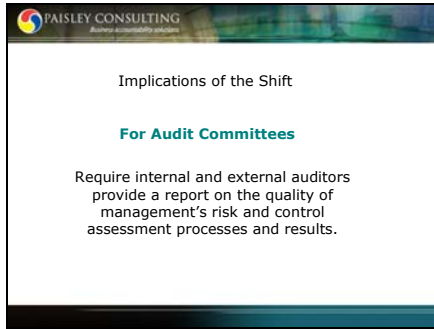
We are:

- Really, really confident the numbers are good
- Fairly confident the numbers are good
- Hopeful the numbers are mostly right
- Relying more on good luck
- Fairly confident the numbers are wrong but we think we can get away with it

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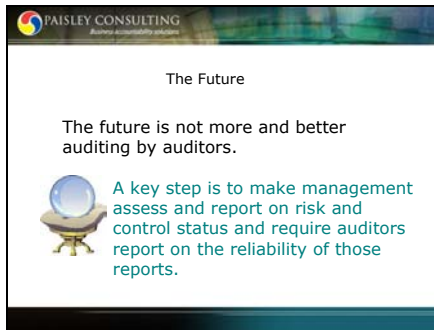
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Implications of the Shift

For Audit Committees

Require internal and external auditors provide a report on the quality of management's risk and control assessment processes and results.


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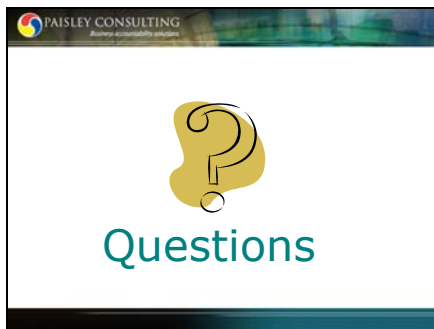
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The Future


The future is not more and better auditing by auditors.

 A key step is to make management assess and report on risk and control status and require auditors report on the reliability of those reports.

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Questions
