

# **Implementation Issues in CA**

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# *Agenda*

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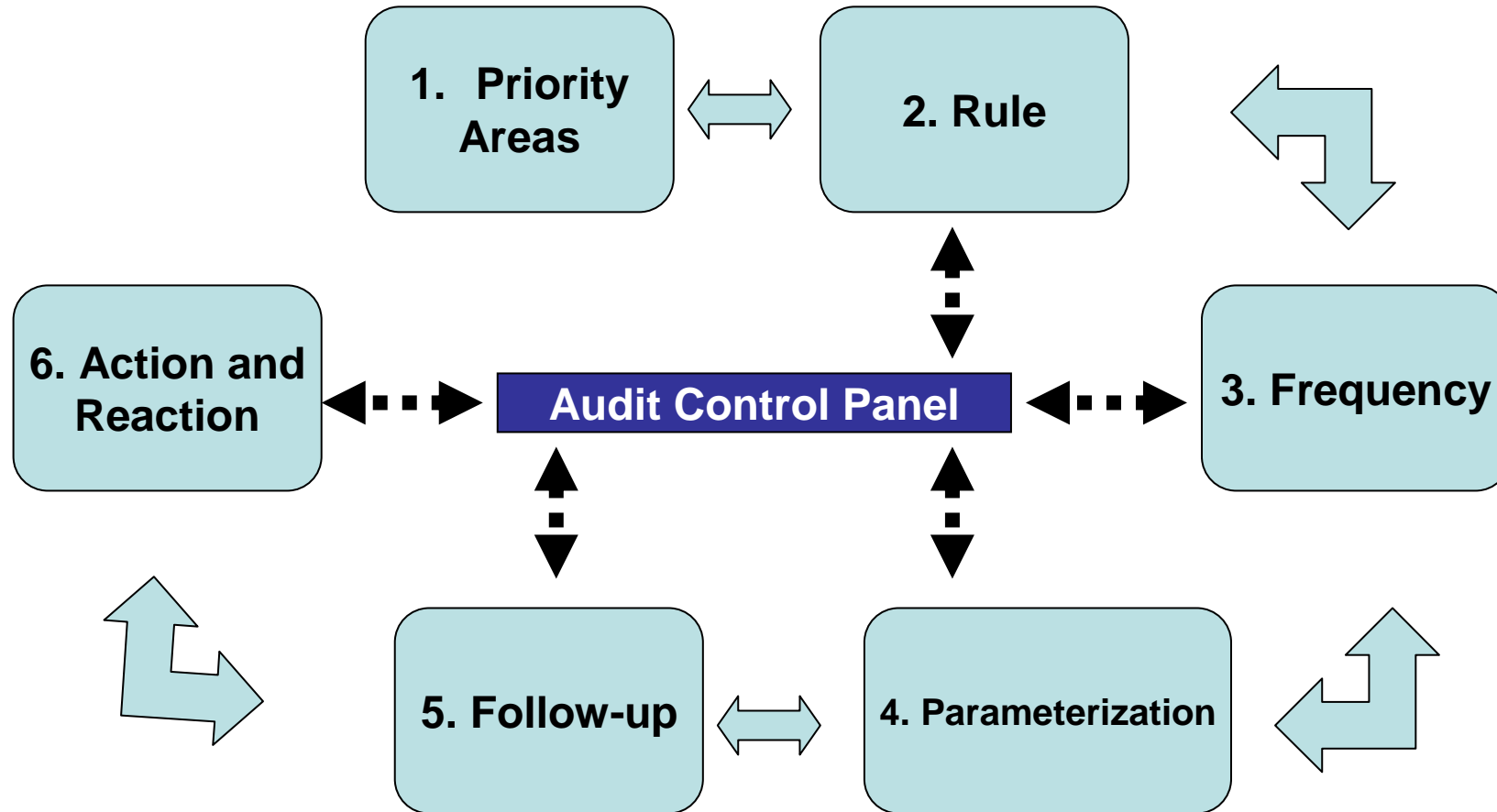
- **Background**
- **6 key steps**
- **Organizational issues**
- **Workforce**
- **Conclusions**

# *Background*

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- While technologies of continuous audit have been extensively discussed and are progressively emerging the more mundane issues of their implementation in a socio-technical environment have been neglected
- This paper discussed the issues around continuous audit process implementation

# Six steps of process implementation



# *1. Identification of Priority Areas*

- Modularize risk areas, rate these risks and evaluate the cost x benefits
- Identify the basic audit objects
- Choose critical business processes that will be the focus of continuous audit (low hanging fruit)
- Identify key data in for the implementation of Continuous Audit in the mapped processes
- Political Considerations

# *Key Objective of Audit Procedure*

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- **Detective**
- **Deterrent**
- **Financial**
- **Compliance**

## 2. *Rules of Monitoring and Auditing*

- Once an area of CA is chosen the “rules” of monitoring, alarming, and assurance must be established
- These must take into consideration the legal and environmental issues as well as the objectives of the particular process
- The CA process is established adopting certain rules, frequencies, and parameters.
  - e.g. we will monitor bank accounts in overdrafts or in excess limits

# 3. *Frequency*

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- The natural rhythm of the process
  - Timing of computer processes
  - Timing of business processes
- Cost benefit considerations
- Nature of procedure objectives
  - Deterrence
  - Prevention



# 4. *Parameterization*

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- Define parameter to analyze in accordance with the risk
- eg.: Monitoring all accounts in overdrafts nightly, that have a balance of debt 20% larger than its limit of loan and bigger than 1000 USD

# 5. *Follow-up*

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- **Who will receive the alarm?**
  - Management?
  - Audit leadership?
  - Immediate superior of the responsible for the data
  - The timing of the follow up
    - Pass the alarm along immediately
    - Reconcile the alarm prior to follow up
    - Wait for 3 sequential days of similar alarms to follow up
  - Escalation guidelines
    - E.g. after three days send to the immediate superior's superior or wait for 3 days prior to the re-escalation

# 6. *Action and Reaction*

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- Guidelines for dealing with auditees
  - Lack of bias
  - Consistency of response
  - Guidelines for individual factor considerations
  - Concern with collusion

# *Organizational Structure for CA*

- **Is CA a part of the audit function or of management?**
  - Its part of the audit function
- **Should there be a separate continuous audit group?**
  - Yes, to facilitate its implementation progressively in the many areas of continuous audit

# *Workforce Effects*

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- What are the workforce effects?
  - Progressively labor requirements for the traditional audits supported by CA will reduce and deeper audit will become possible
  - Rebalancing of workforces
  - High technological competencies needed

# Conclusions

- Attention must be paid to the organizational processes that implement continuous audit
- There are 6 key steps to progressively implement a CA program module by module
- The CA process is dynamic and CA management will change schedule and parameters of each process
- The organization of the audit process must be evolved progressively

**Thank You!**

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