



# Continuous Auditing

## A Maturing Focus

Presented by:

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# Growing Up

“the CCM market has grown at double-digit rates during the past year, with some of the smaller best-of-breed vendors reporting a doubling of software license revenue.”

Gartner Magic Quadrant for CCM 2010

**Gartner**

# Change in Focus

## Newbies



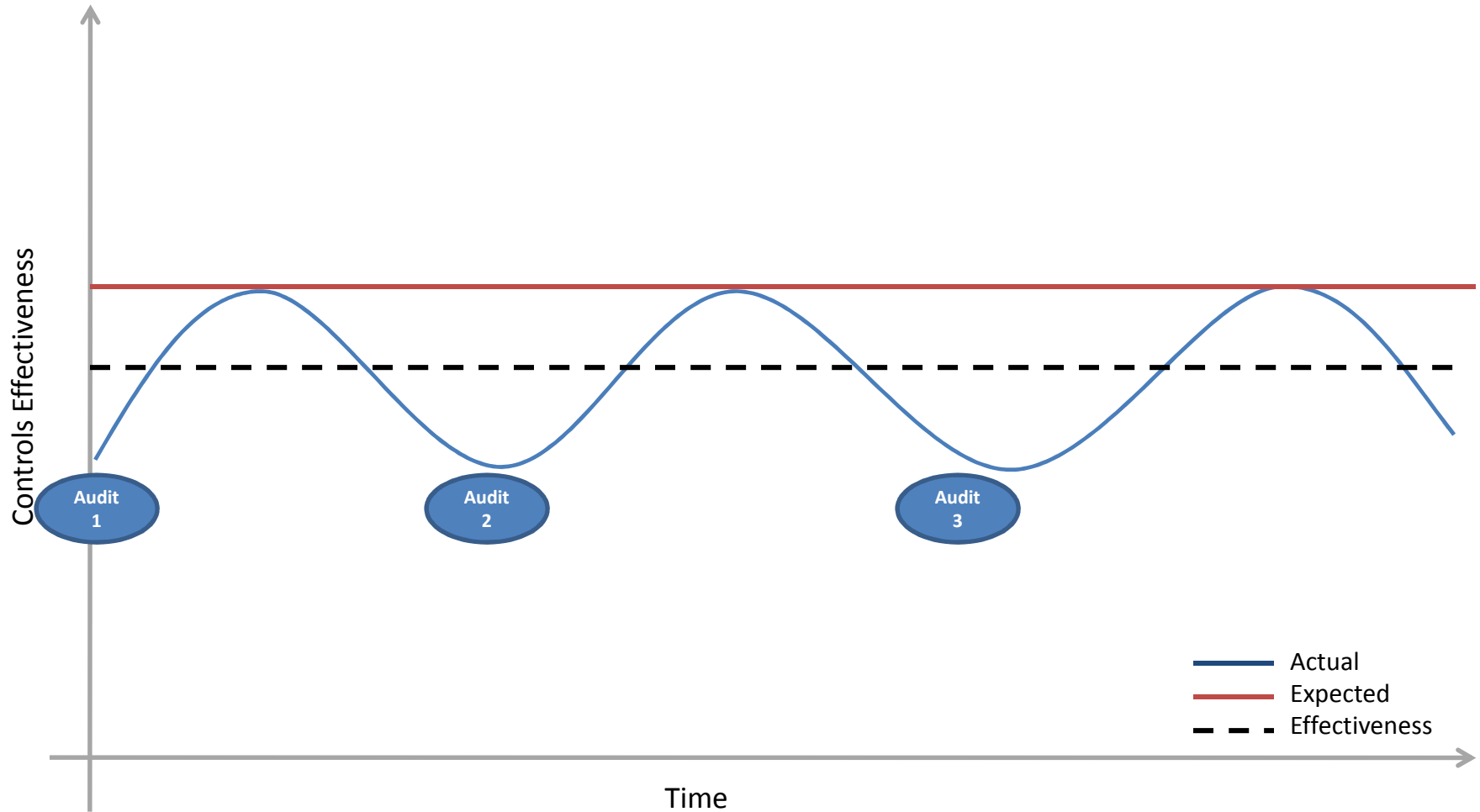
- Greatest challenge was convincing auditors to try a different approach
- Fascinated with everything continuous
- Impressed with the results
- Basking in new found relevance in the organization

## Seasoned



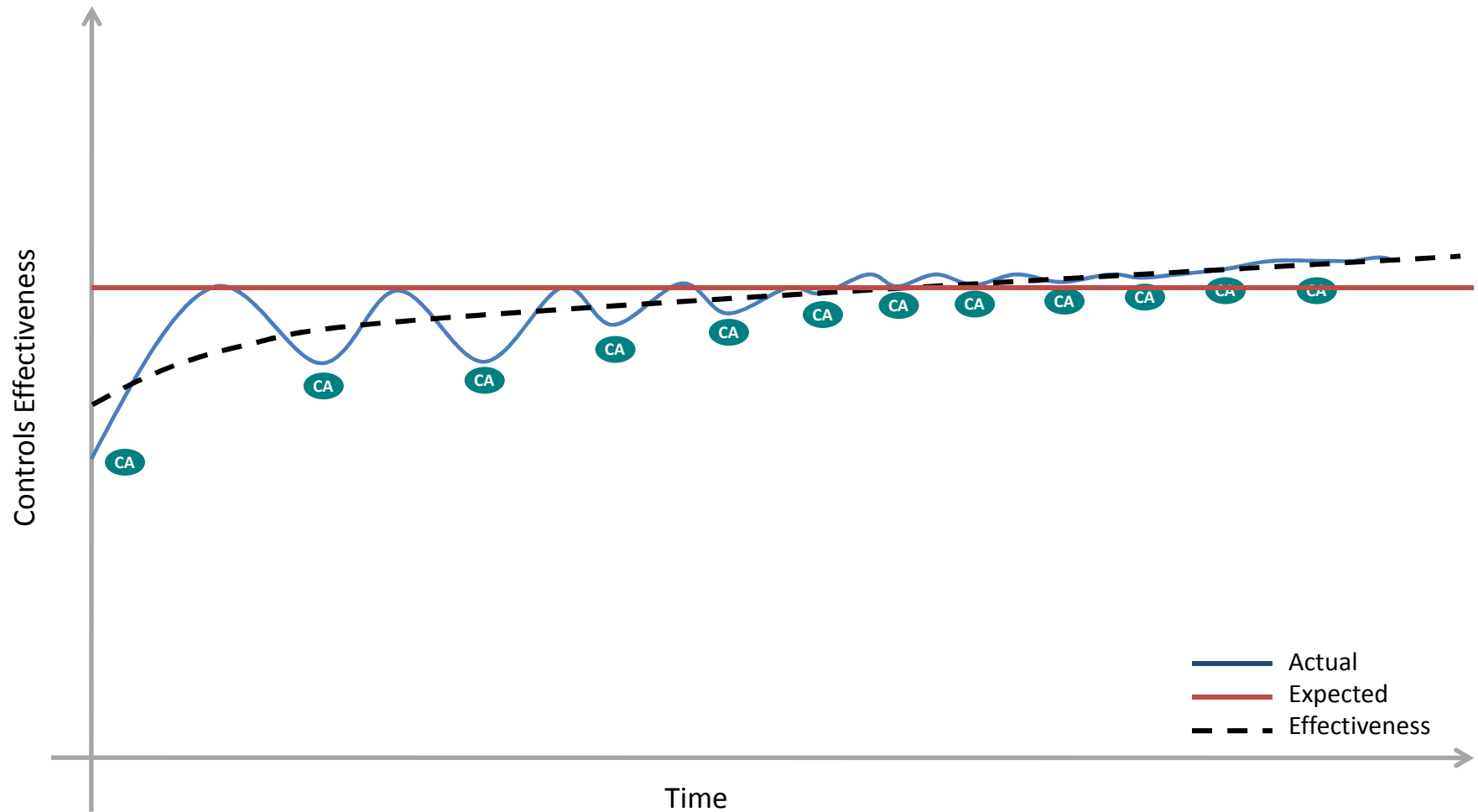
- Sustaining the effectiveness of internal controls
- Greater focus on ROI
- Completeness of monitoring to include manual controls
- Audit's role in a wider monitoring framework

# Periodic Audits



Source: Continuous Auditing From a Practical Perspective, Kevin Handscombe

# Continuous Audits



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# Sustaining Control Effectiveness

- Make Continuous Auditing a part of the core business process
- Expand the scope of controls testing and monitoring gradually
- Get greater buy-in from management
  - Demonstrate that Controls save money and can be used as metrics by the business
- Include the process in other controls initiatives in the company e.g. COSO, SOX/SAS automation, etc

# Determining Value

## **val-ue** *n.*

1. An amount, as of goods, services, or money, considered to be a fair and suitable equivalent for something else; a fair price or return.
2. Monetary or material worth.
3. Worth in usefulness or importance to the possessor; utility or merit.
4. A principle, standard, or quality considered worthwhile or desirable.

## *tr. v.* **val-ued, val-u-ing, val-ues**

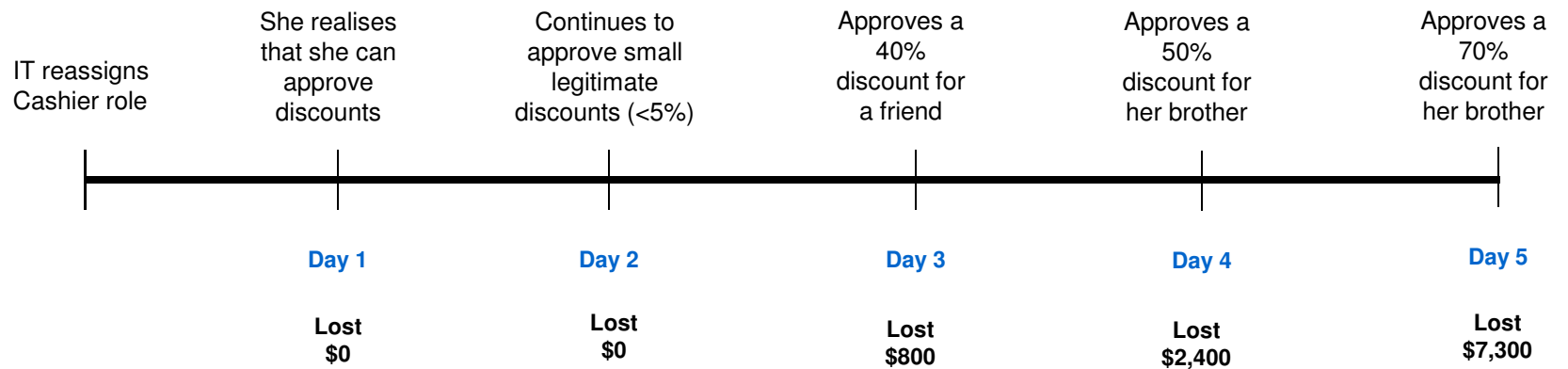
1. To determine or estimate the worth or value of; appraise.
2. To regard highly; esteem.
3. To rate according to relative estimate of worth or desirability;
4. To assign a value to (a unit of currency, for example).

# Consider the Following

- A Cashier was acting as a Supervisor last week
- She had access to discount, change prices, etc
- This week, IT reassigned the Cashier role to her, but the Supervisor role was not removed
- She can now do both Cashier and Supervisor functions
- Normal discounts are below 5% and amounts are below \$100
- She enters and approves excessive discounts at the point of sale for friends and family
- In 5 days the company loses US\$7,300
- This is a good example of how Controls Monitoring is an integral facet of Revenue Assurance



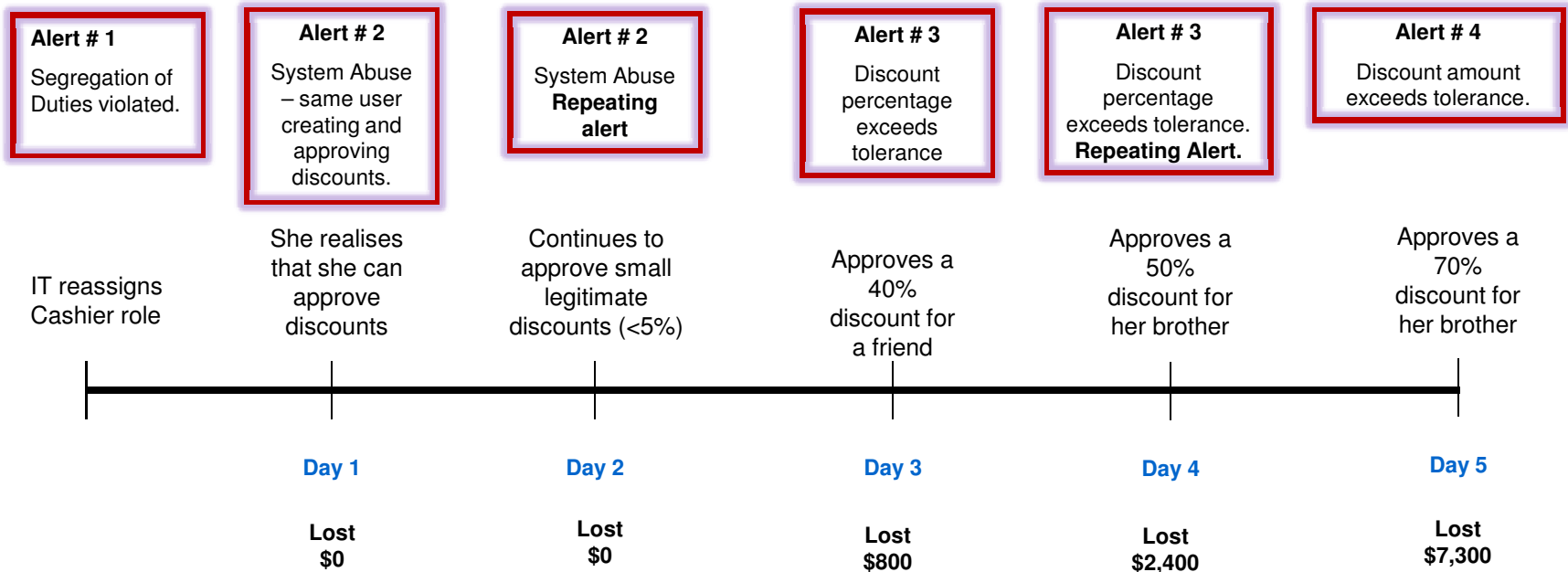
# The Timeline



# Continuous Auditing

Escalated to:  
Audit Department

Assigned to:  
Store Manager



# Measuring Value

- If detected at Day 1 how much money was saved? Is it \$7,300?
- What happens if the losses were not detected for a year?
- Should we anticipate further losses?
- Should we consider the impact of the company's reputations if this became public?
- If detected at Day  $n$  how much is recoverable?
- If the cashier is to be replaced what is the cost of replacement?
- **If no controls were breached – what is the value?**

# Approaches

- Balance between accuracy and transparency
- Most organizations must be able to grasp the logic or they won't accept the metrics
- Use a baseline at the time of implementation
- For more complex considerations request user input
- Design metrics that are flexible and allow the business to adjust



# One Version of the Truth



Monitoring Manual Controls



# Getting the Complete Picture

- If manual controls are not monitored then how do we get the complete picture of the state of internal controls?
- For example there are tons of Excel spreadsheets that provide key internal controls in businesses, from storing sensitive rate tables to performing critical reconciliations
- We can electronically monitor the automated control but if the manual control fails the process is compromised



# Approaches to Consider

- Integrate existing approaches to risk and control measurement for manual controls
- Feed the measures and statuses of these manual controls into the CA/CM system
- Where manual controls (i.e. spreadsheets) bridge the gap between systems, validate that the output from one system matches the input to the other system
- Maintain one version of the truth



# In Summary

- The CA and CM markets are growing rapidly
- Customers are maturing and allowing the business to manage the controls while giving audit oversight
- Manual controls are still an issue but manageable if looked at from the business process perspective
- More and more, companies want to find the ultimate electronic source of manual controls and automate them



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