ECB new pan-European Supervision (formalization)

- Integrated documentation
- Compliance and Risk Communication
- Extended Process Auditing
- Monitoring and Continuous Auditing
Key Point

- Europe and US have been moving in opposite directions in relation to controls (contre rôle, alias, double entry bookkeeping)

Process Formalization vs. Technology solutions

- In Europe (ECB), process-formalization 1st ➕ technology apps;
- In USA, technology apps 1st ➕ process-formalization;
Integrated Documentation

1. Business Process integrated documentation (TUNE©)
   - microprocess operational flow;
   - Operational Risk info (Basel 2);
   - Internal/External Compliance (confetti);
   - Integration with Corporate Structure info.

2. Maintenance Workflows (e.g. SharePoint)
   - Benchmark documentation (see pls. Göthe hand-out);
   - Updates approvals cycle;
   - Compliance confetti cycle;
   - Operational Risk values cycle;
Compliance and Risk Communication

1. **Compliance to external sources**
   - By “confetti” attached to each applicable µicroprocess;

2. **Compliance to internal sources (applicable Corporate Structure info)**
   - On top of each µicroprocess;

3. **Compliance to internal sources (Corporate Policies and Core Values)**
   - Grouped in µicroprocess n° 0 on each TUNE®;
   - By “confetti” attached to each applicable µicroprocess;

4. **Operational Risk self-assessment**
   - Placed on top of each applicable µicroprocess.
Extended to risk Process Auditing

1. Traditional Process Auditing
   - Looking (backward) at all aspects, except risks;
   - Reduction of auditing costs by efficiency;
   - Work papers automation;
   - Reporting transparency.

2. Extended to risk Process Auditing (EPA)
   - Looking (forward) also at risks and compliance field evidences (ex post);
   - Linking to quantitative Monitoring (KPIs, RAlS, POIs);
   - Linking to Continuous Auditing;
   - Reporting covers past and future trends;
   - Linking to Internal Control System Attestation (AICPA and SarbOx).
μProcesses as wrappers of the data they flow

μProcessi quali involucri dei dati che in essi fluiscono
Systematic quantitative Monitoring

1. Systematic quantitative monitoring
   • KPIs (Key Performance Indicators)
     • Supervisor requests;
     • Best practices;
   • RAI's (Risk Analytical Indicators)
     • Computed where audit trails are positioned;
     • Validated by field audit evidences ☞ data quality;
   • POIs (Process Owner Indicators)
     • Computed on data marts /cubes already validated (data quality) by RAI's.
Continuous Auditing
(when conclusive)

1. That is: a number of audit planes must be reconciled:
   1. Large enough to be considered exhaustive
      • By external Auditor;
      • By fiscal Authorities;
      • By banking Supervisors (ECB);
      • By Stakeholders;
   2. Results must match with:
      • Supervisor’s “evidenze cartolari”;
      • Feed-back from Stakeholders;
   3. Evolution f(t).
Business Continuity
Hands in Ferrara
Hands in Ferrara
Hands in Ferrara
Hands in Ferrara
Hands in Ferrara
Hands in Ferrara

Cosmè Tura e Francesco del Cossa
L’arte a Ferrara nell’età di Borso d’Este