Integrating CA and CM into Audit, Risk and Compliance processes

26th WCARS
Rutgers University
January, 2013

John Verver
VP, Product Strategy & Alliances
ACL
CA and CM – Integration with A, R & C

- Enterprise Risk Management gaining momentum
- Increasing trend towards continuous risk and control assessment
- Internal Audit increasingly involved in assessment of effectiveness of ERM
- Technology is critical but under-utilized in Internal Audit and Risk Management
Audit & Risk Management

For almost four years now, I have been advocating that the internal audit profession embrace the challenge of providing assurance on the effectiveness of risk management. I believe it is the most significant opportunity for our profession in a generation.

Richard Chambers, President & CEO
Institute of Internal Auditors
CA and CM - An Integrated Approach

IIA Global Technology Audit Guide #3
CA and CM: Why is progress limited?

Consistent challenges

- Data access and acquisition
- Skills and knowledge of how to apply data analysis for audit objectives
- Alignment with risk management and control assessment
Best Practices

An integrated approach for technology in Audit, Risk and Control

- Technology and data analysis as an integral part of audit, risk and control strategy
- Risk and controls management systems in place
- CA and CM in operation
- Risk and controls management systems integrate with audit risk assessment and planning
Transforming Audit
Data-Focused Risk assessment and Audit Process

Corporate risks become visible in *ACTUAL* transactional corporate data

Core Value (Auditor)

Audit findings and transactional exceptions link *DIRECTLY AND VISUALLY* to corporate risks

Core Value (Executive)
Transforming Audit

High-Impact, Data-Focused Audit Process

Strategic corporate risks become visible in *ACTUAL* transactional corporate data.

Audit findings and transactional exceptions link *DIRECTLY AND VISUALLY* to strategic corporate risks.

Core Value (Auditor)

Core Value (Executive)

**FCPA Violation**

**FCPA Audit(s)**

1. Awareness
   2. Policies
   3. Spending Approvals

1. Policies ignored
   2. Ineffective approvals
   3. Disguised payments

1. Approval authorization
   2. Approval limits
   3. System controls

1. Test for suspicious key words
   2. Unusual payment patterns
   3. Check to politically exposed persons database

250 exceptions identified, 23 exceptions confirmed

Finding noted of 23 transactions totaling $4.5M
Transforming Audit
An End-to-End Integrated Product

Corporate Risks | Audits | Objectives | “What Could Go Wrongs” | Controls | Tests | Exceptions | Findings

Risk Assessment | Audit Management | Audit Analytics

Specialized, Problem-Specific Knowledge

Knowledge Content
Technology-enabled Audit “Puzzle”

- Risk Assessment
- Audit Management
- Specialized Knowledge
- Audit Analytics
Technology-enabled Risk Management “Puzzle”

Strategic Risk Assessment

Control Management

Specialized Knowledge

Risk & Control Analytics
ACL Technology Solution

Purpose-built, all-in-one cloud-based audit management designed for simple use, instantly increases productivity.

**ADD-ONS for ACL DESKTOP**

**AX** | AX® Exception
Automatically distribute exceptions found during data analysis testing to multiple business stakeholders

**LK** | ACL Direct Link
Enables secure, direct and seamless data selection and extraction capabilities for your SAP® ERP

**AC** | ACL Acerno
An add-in for Microsoft Excel® designed for working with data results produced by analytic systems

**IM** | ACL Importer
Enhances ability to analyze data trapped in static reports, PDF files, XML files and other content-rich data sources

**DT** | ACL Desktop
Access and analyze complete data populations with easy and 100% coverage for superior assurance

**AX** | ACL AuditExchange®
Server-based technology that lays the foundation to implement automated analytics and data sharing, remediation, reporting and continuous transaction monitoring

**DB** | AX® Dashboard
Visualize, widely share and act on information uncovered in analysis testing across the business

**EX** | AX® Exception
Automatically distribute exceptions found during data analysis testing to multiple business stakeholders

**ACL Risk Spring 2013**

**ACL** | Workpapers
Purpose-built, all-in-one cloud-based audit management designed for simple use, instantly increases productivity.

**MANAGE**

**INVESTIGATE / ANALYZE**

**REMEDIATE / REPORT**

**ACCESS / EXTRACT**

**TRANSFORMING AUDIT & RISK**

**Audit, Finance, Risk, Compliance & Line of Business Executives**

**Audit, Finance, Risk & Compliance Teams**

**Audit & Compliance Teams**

**Analytic Specialists**

**Visualize, widely share and act on information uncovered in analysis testing across the business**

**Automatically distribute exceptions found during data analysis testing to multiple business stakeholders**

**An add-in for Microsoft Excel® designed for working with data results produced by analytic systems**

**Server-based technology that lays the foundation to implement automated analytics and data sharing, remediation, reporting and continuous transaction monitoring**
RISK Scoring

Risk Score: 28
Risk Heat: 56%

Description:

Auditable Entities:

<table>
<thead>
<tr>
<th>City</th>
<th>Likelihood</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Mexico</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>New York</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Denver</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Russia</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>San Francisco</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>
ACL RISK
Risk Heatmapping
## All Controls (76)

The description of the control will appear here. If it is exceedingly long, part of it will be hidden, and revealed by clicking a link.

### Purchase to Payment (41)
- Split Payment (8)

### Duplicate Payment (21)
- Fuzzy Duplicates (19)
- Gap Analysis (7)
- Banford Variant (2)
- Another Control Test (0)

### Previous 30 Days

<table>
<thead>
<tr>
<th>Exceptions generated</th>
<th>Backlog</th>
<th>Average unresolved age</th>
<th>Average time to resolve</th>
<th>Confirmed</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>44</td>
<td>27</td>
<td>12</td>
<td>71</td>
</tr>
</tbody>
</table>

- 17 other people on working on this

### Exception Inbox

<table>
<thead>
<tr>
<th>Priority</th>
<th>Owner</th>
<th>Date</th>
<th>Status</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tom Larkin</td>
<td>Oct 24, 2012</td>
<td>New</td>
<td>$1075.80</td>
</tr>
<tr>
<td></td>
<td>Tom Larkin</td>
<td>Oct 24, 2012</td>
<td>New</td>
<td>$1044.97</td>
</tr>
<tr>
<td></td>
<td>Mac Enchees</td>
<td>Oct 24, 2012</td>
<td>New</td>
<td>$1103.45</td>
</tr>
<tr>
<td></td>
<td>Hobart Gifford</td>
<td>Oct 24, 2012</td>
<td>New</td>
<td>Paula Sanford</td>
</tr>
<tr>
<td></td>
<td>Hobart Gifford</td>
<td>Oct 24, 2012</td>
<td>New</td>
<td>Andrew Dupree</td>
</tr>
<tr>
<td></td>
<td>Hobart Gifford</td>
<td>Oct 24, 2012</td>
<td>New</td>
<td>Felix Wong</td>
</tr>
<tr>
<td></td>
<td>Hobart Gifford</td>
<td>Oct 23, 2012</td>
<td>Open</td>
<td>Megan Marpole</td>
</tr>
<tr>
<td></td>
<td>Amy Martin</td>
<td>Oct 23, 2012</td>
<td>Open</td>
<td>366</td>
</tr>
<tr>
<td></td>
<td>Amy Martin</td>
<td>Oct 23, 2012</td>
<td>Remediated</td>
<td>401</td>
</tr>
<tr>
<td></td>
<td>Tom Larkin</td>
<td>Oct 23, 2012</td>
<td>Under remediation</td>
<td>$12.05</td>
</tr>
</tbody>
</table>
### Manage Exceptions

<table>
<thead>
<tr>
<th>Priority</th>
<th>Owner</th>
<th>Date</th>
<th>Status</th>
<th>Payment Date</th>
<th>Amount</th>
<th>Invoice #</th>
<th>Part #</th>
<th>GL_ACC_ID</th>
<th>Username</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tom Larkin</td>
<td>Oct 24, 2012</td>
<td>New</td>
<td>Jun 10, 2011</td>
<td>22.33</td>
<td>13076</td>
<td>PT-17090</td>
<td>290</td>
<td>ALC_1000</td>
</tr>
</tbody>
</table>

Add a comment...

**Jonathan Smith** - Posted 1 week ago

Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat.

Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur. Excepteur sint occaecat cupidatat non proident, sunt in culpa qui officia deserunt mollit anim id est laborum.

**Hobart Gilford** - Posted 12 days ago

Okay.

**Hobart Gilford** - Posted 12 days ago

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur. Excepteur sint occaecat cupidatat non proident, sunt in culpa qui. Lorem ipsum dolor sit amet, consectetur adipiscing elit.
Contacts and information

john_verver@acl.com

www.acl.com

IIA GTAG’s #3 and #16