The Road to Continuous Assurance
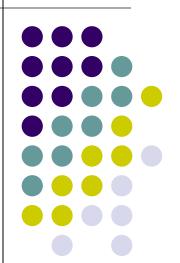
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Agenda

- Key Drivers for Successful Implementation
- Technology Tools -- Vital for Success
- Challenge Statement
- Continuous Controls Monitoring (CCM) Implementation
- Build the Bridge to Continuous Assurance
- Conclusions & Current Day Challenges

Key Drivers for Successful Implementation

- Define Continuous Auditing/Monitoring objectives
- Obtain support & commitment from Audit Committee and Management
- Continuous Auditing should complement the Audit Plan
- Identify key audit/monitoring topics
- Start small; build from success
- Automate/leverage from well-defined periodic audits

Key Drivers for Successful Implementation

- Migrate from testing of samples to testing of universe

- Timely evaluation of activity

- Define responsibility between continuous monitoring and continuous auditing

- Gain reliance by external auditors and add value

- Formalize continuous audit approaches and methodology

Technology Tools -- Vital for Success

- Embrace and invest in technology tools and solutions
- Data analytics is at the heart of 'Continuous'
- 'Continuous Assurance' is still possible with technology products even without 'Continuous' in the name!
- Optimize current data analytic scripts and schedule routines on a 'continual' basis

Challenge Statement:

Implement a CCM program for the Organization that offers <u>flexibility</u> in the <u>definition of analytics</u> that can be <u>custom tailored</u> to fit the needs and <u>changing parameters</u> of our business which includes a <u>workflow system</u> such that owners can update the status of exceptions via a <u>web-based interface</u> that provides real-time statistics and <u>transparency</u> across the Organization of open and closed items of which is readily <u>auditable</u> and can be relied upon by internal/external auditors.

CCM Solution Incorporated the Following:

- ACL Desktop
- ACL AuditExchange
- ACL AX Exception

CCM Implementation:

- Integrated CCM program design….'engine' calls analytics

- Open framework…custom defined 'engine' and analytics

- Cumulative versus Differential analytics

- Exception versus Alert analytics…dual purpose for CCM!

- Personalized Email notifications of new exceptions to owners

- Script change management logging and email notifications

- Master table change management and email notifications

- Entire data analytic process is mechanized; no manual intervention

- CCM routine publishes only new or changed exception items

CCM Implementation:

- Self validation of corrected exceptions & false positives

- Web-based customized Workflow process to handle exceptions…un-validated items require 4-eye approval

- Daily and Cumulative Reconciliations (analytic vs. website)

- Rollforward Summary (open + new items – closed items = outstanding items)

- Status Update reminders and tracking email notifications

- 'CCM engine' portability to other parts of the Organization
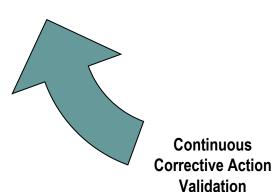
- Fully logged and auditable

Continuous Methodology

• Identify risks
• Identify key controls
• Identify impacts

**Continuous
Risk Assessment**

• Define topics/approach
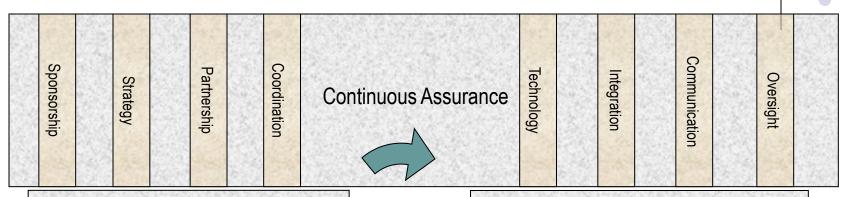• Define frequency/intervals
• Execute techniques

**Continuous
Techniques**

**Continuous
Corrective Action
Validation**

• Validate corrective action
• Evaluate effectiveness against new universe

Build the Bridge to Continuous Assurance

Sponsorship

Strategy

Partnership

Coordination

Continuous Assurance
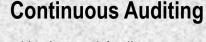
Technology

Integration

Communication

Oversight

Continuous Monitoring

- Owned by Management

- Is a Management activity

- May be preventive, detective and corrective in nature

- CM is a control itself

Continuous Auditing

- Owned by Internal Audit

- Is an Audit activity and responsibility

- Independent of the control; therefore should not be preventive in nature

- IA should evaluate CM activities, trending and change management

Continuous Assurance-
Built Upon the Two Pillars of
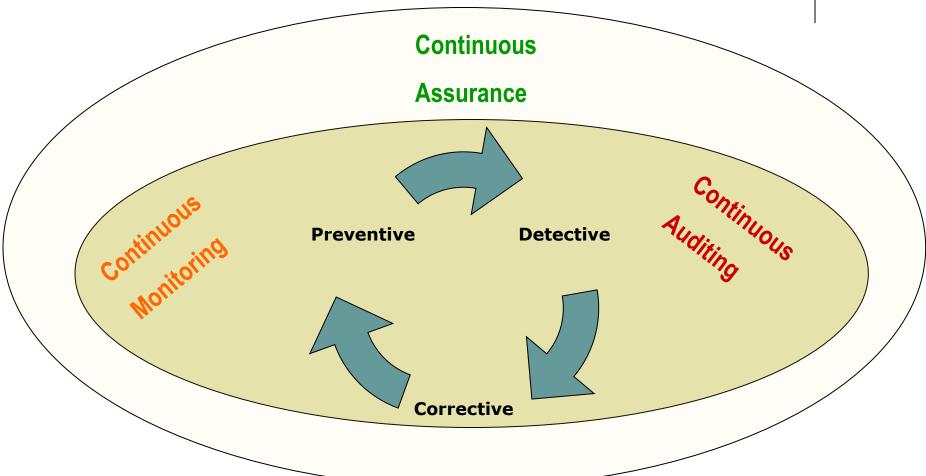Continuous Monitoring and Continuous Auditing

Continuous Assurance Attributes

Authorization	Data Completeness	Table Maintenance	Edit Checks	Calculation Verification	Data Integrity

Change Management
Trending & Analysis

Finding the Right Mix…

Continuous Assurance

Continuous Monitoring

Continuous Auditing

Preventive

Detective

Corrective

Conclusions & Current Day Challenges

- Implementation launch in Feb 2010 was a success with currently 45+ analytics in production!

- CCM was used in high profile project to satisfy auditors that remediation activity was successful and comprehensive

- Increased demand and utilization throughout business

- Requests for more analytics outweigh existing resources to develop new analytics

- Develop policy & procedures manual for CCM program

- Replace manual controls and manual SOX testing with CCM Analytics

- Achieve formality of external auditor reliance on CCM Program

Questions and Discussion…

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