

21st WORLD
CONTINUOUS AUDITING
& REPORTING Symposium

Operational Risk and Continuous Auditing
indicators by GPaolo Voarino



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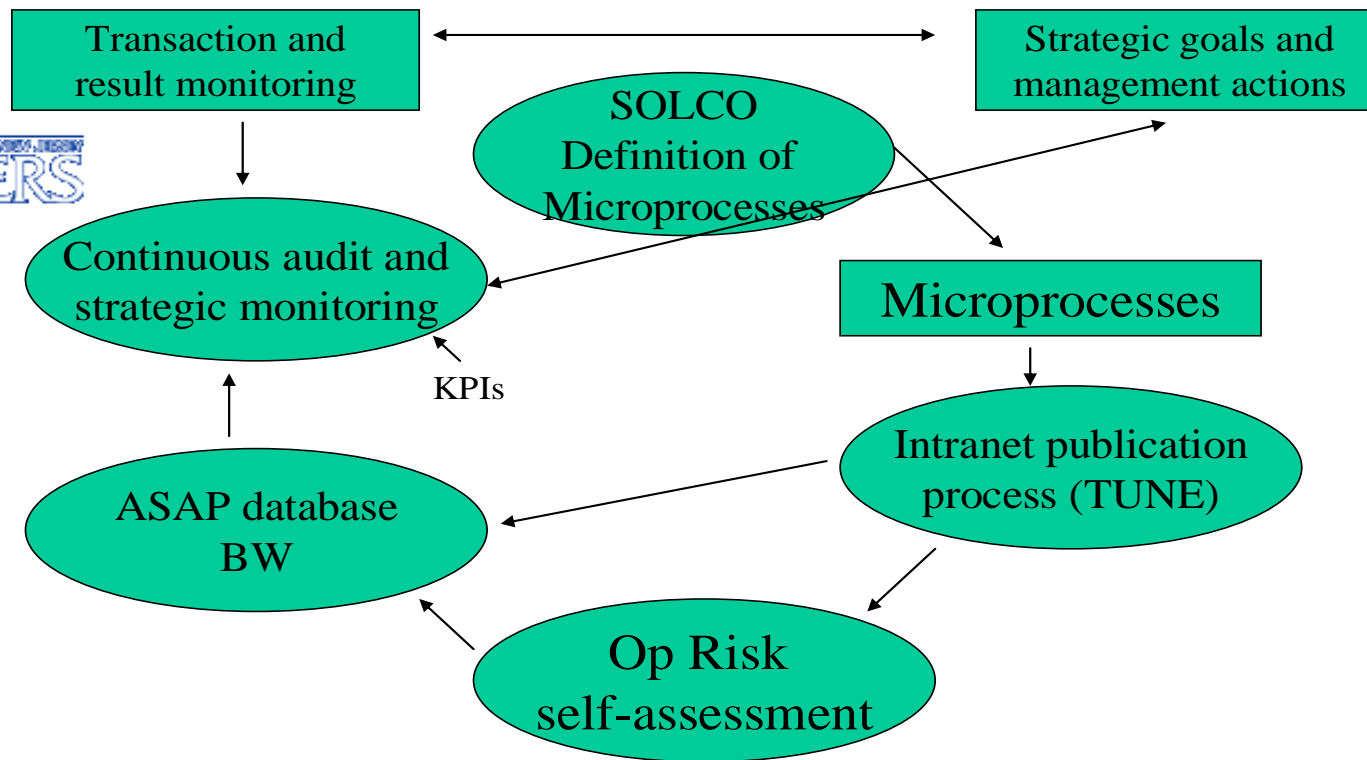
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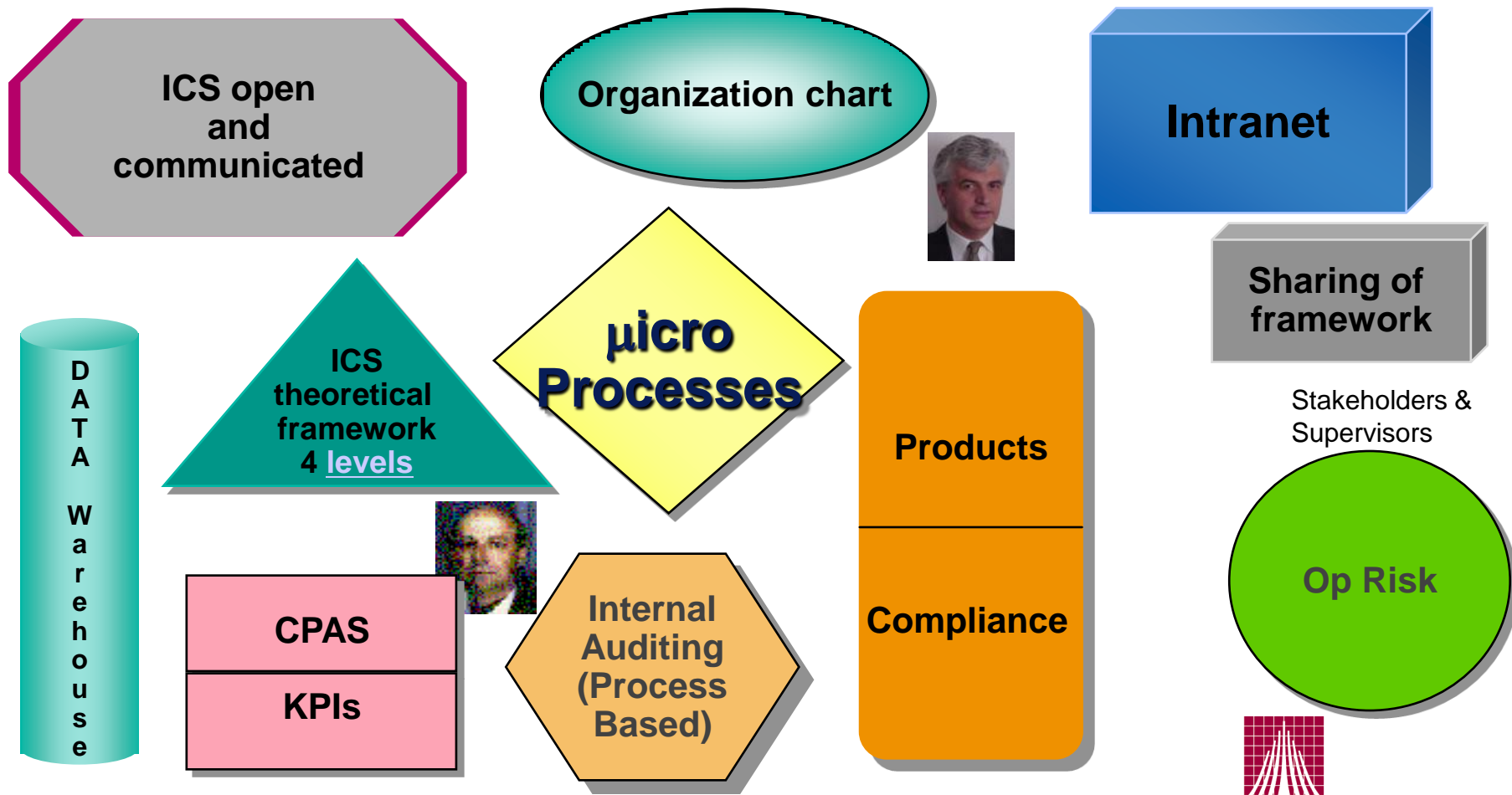
November 5-6, 2010 | Hosted
by Rutgers Business School |
Newark, NJ

Operational Risk historical approach

The years '90s Approach to Controls and Audit



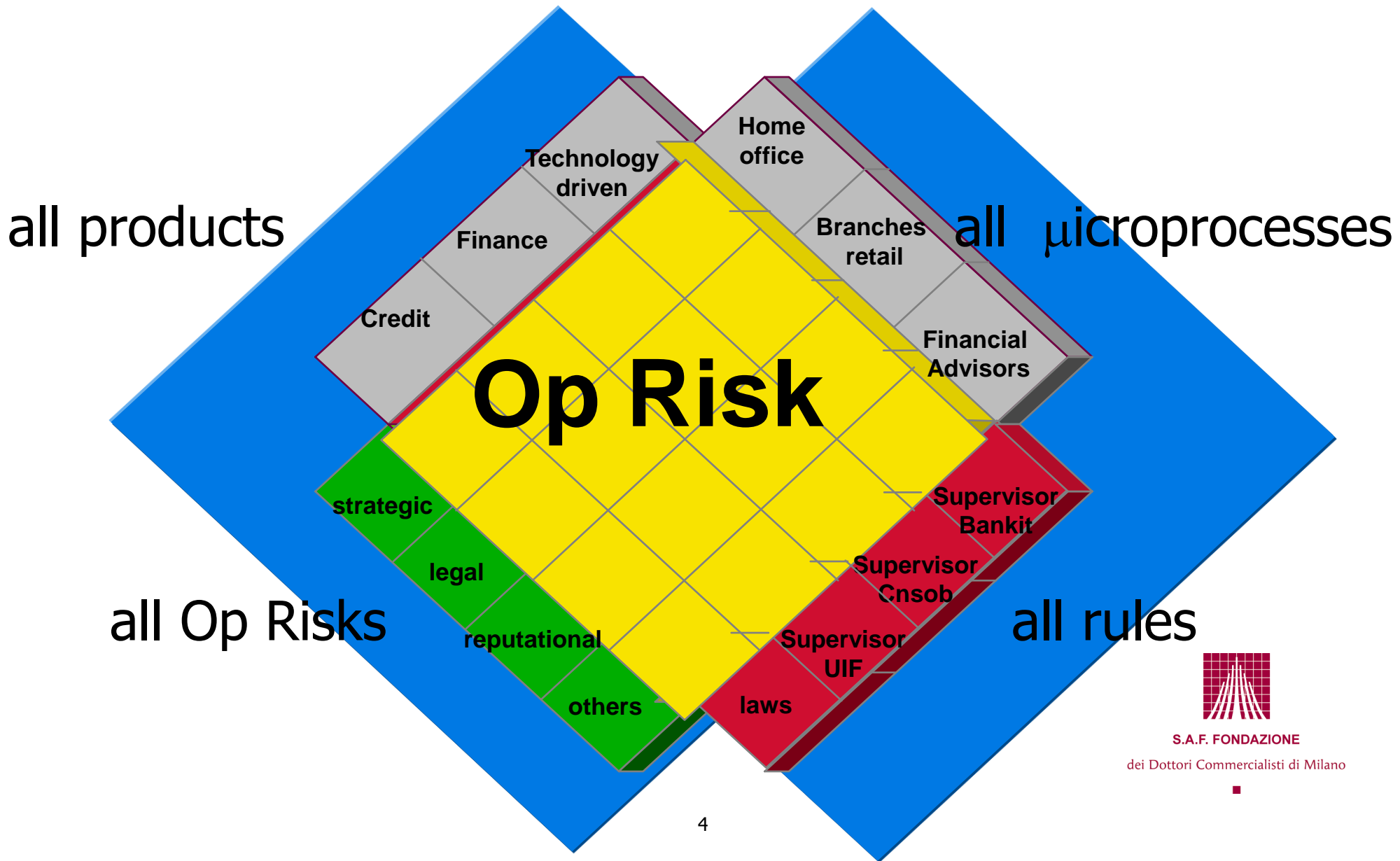
1999 framework



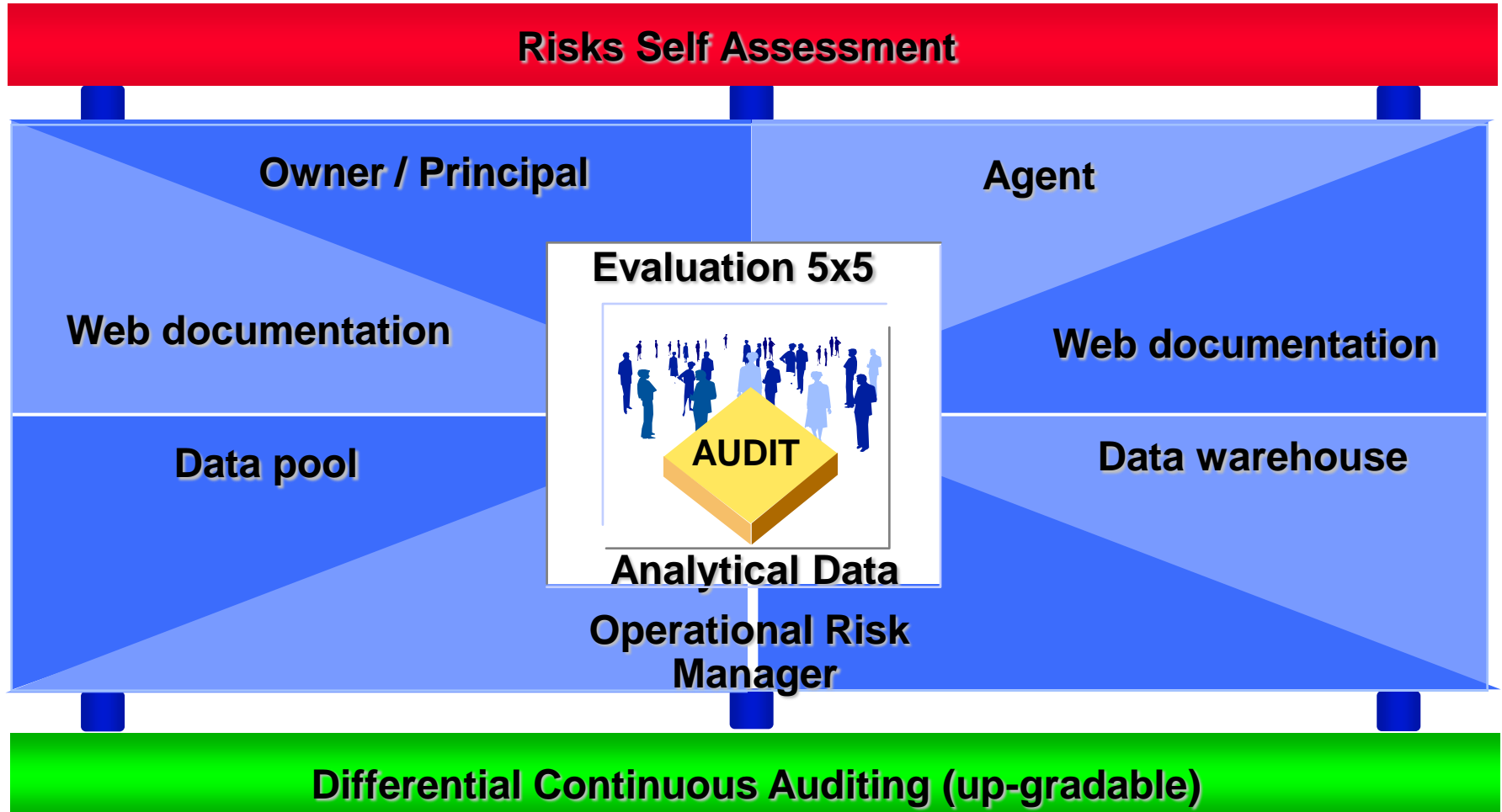
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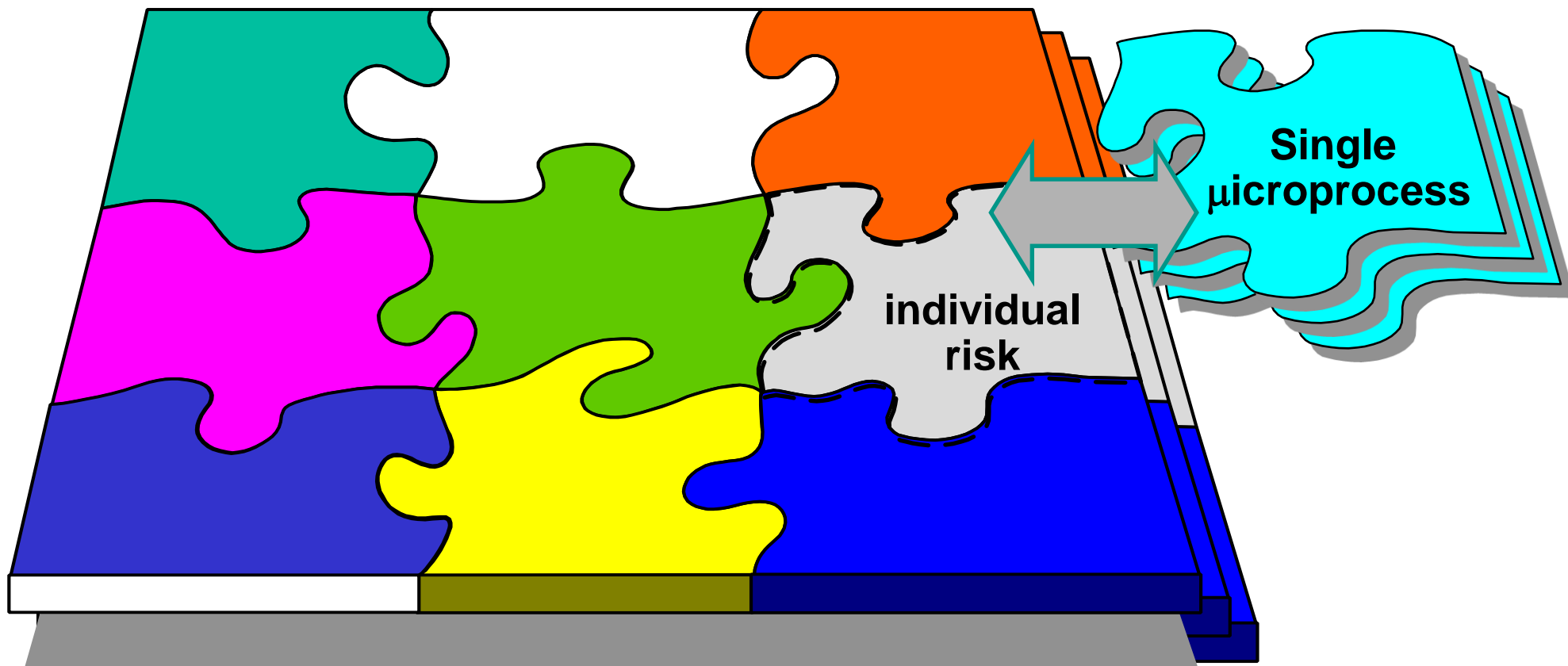
Integration of Risk management with ORGANIZATION and CONTROLS



Functionalities



Strong Theoretic design trough μ icroprocesses and risks



Mutually self-exclusive definitions



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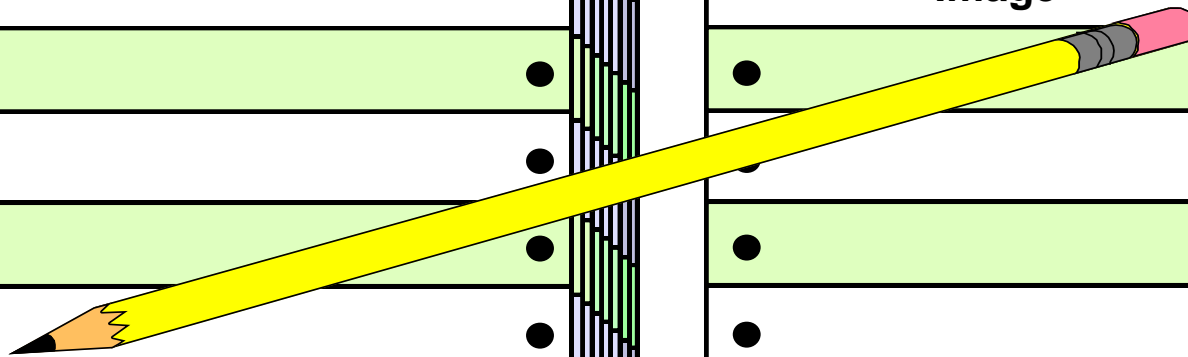


Synoptic of μprocesses

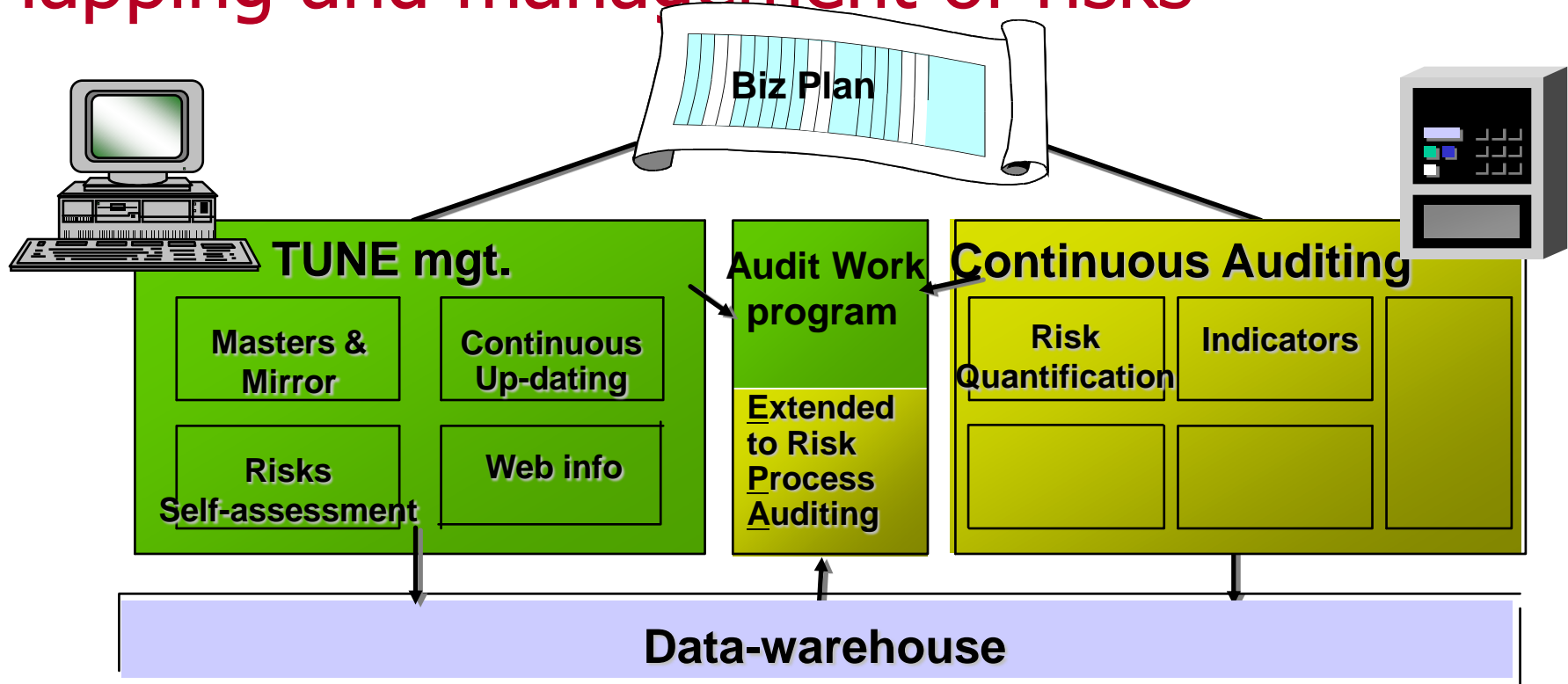
● Fixed Assets ●
● Immaterial (impairment tests) ●
● External documentation ●
● Papers & magazines ●
● Web info ●
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Prism of risks

● Legal ●
● Frauds ●
● Customers' complaints ●
● Litigations ●
● Reputational ●
● Brand ●
● Image ●
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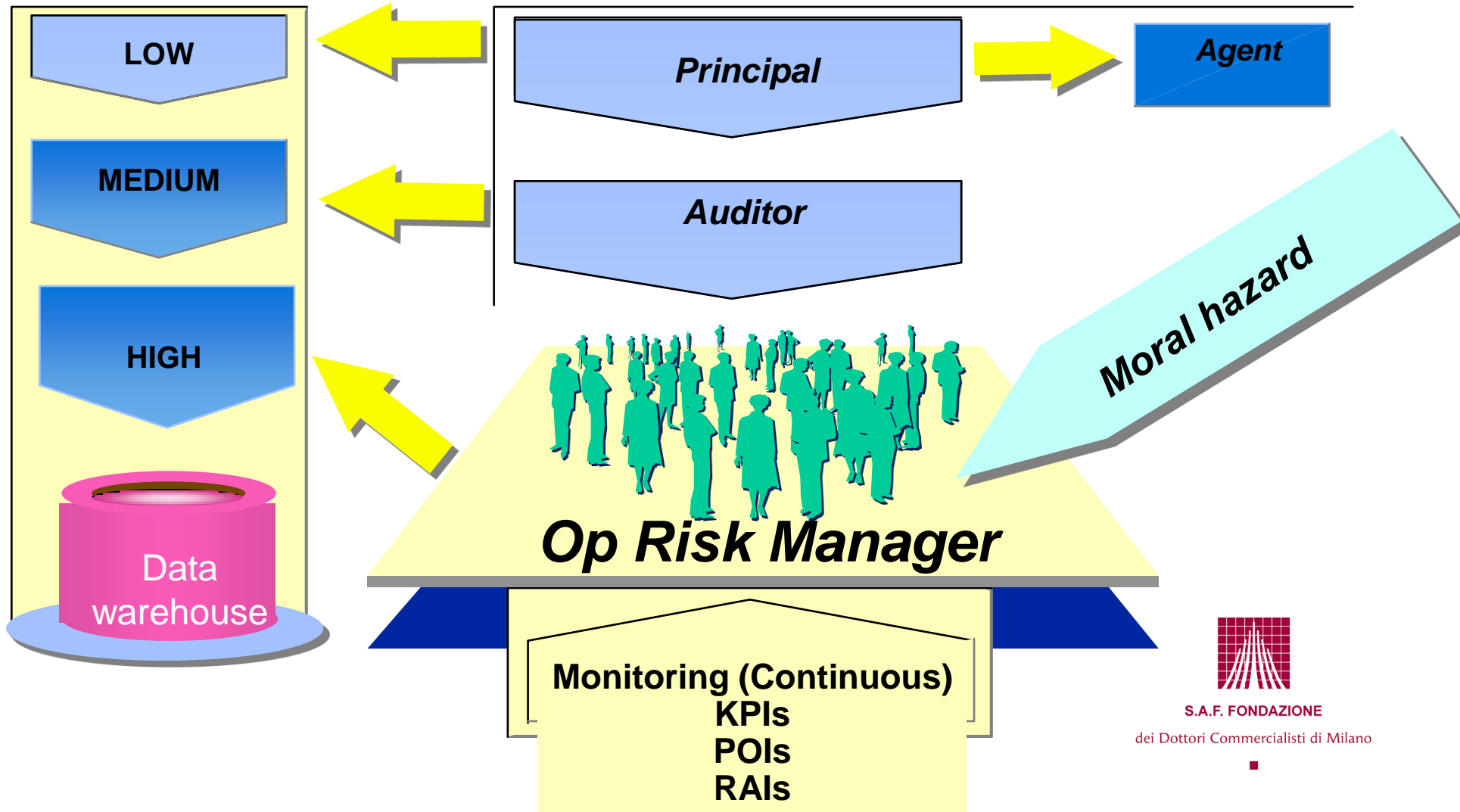
Mapping and management of risks



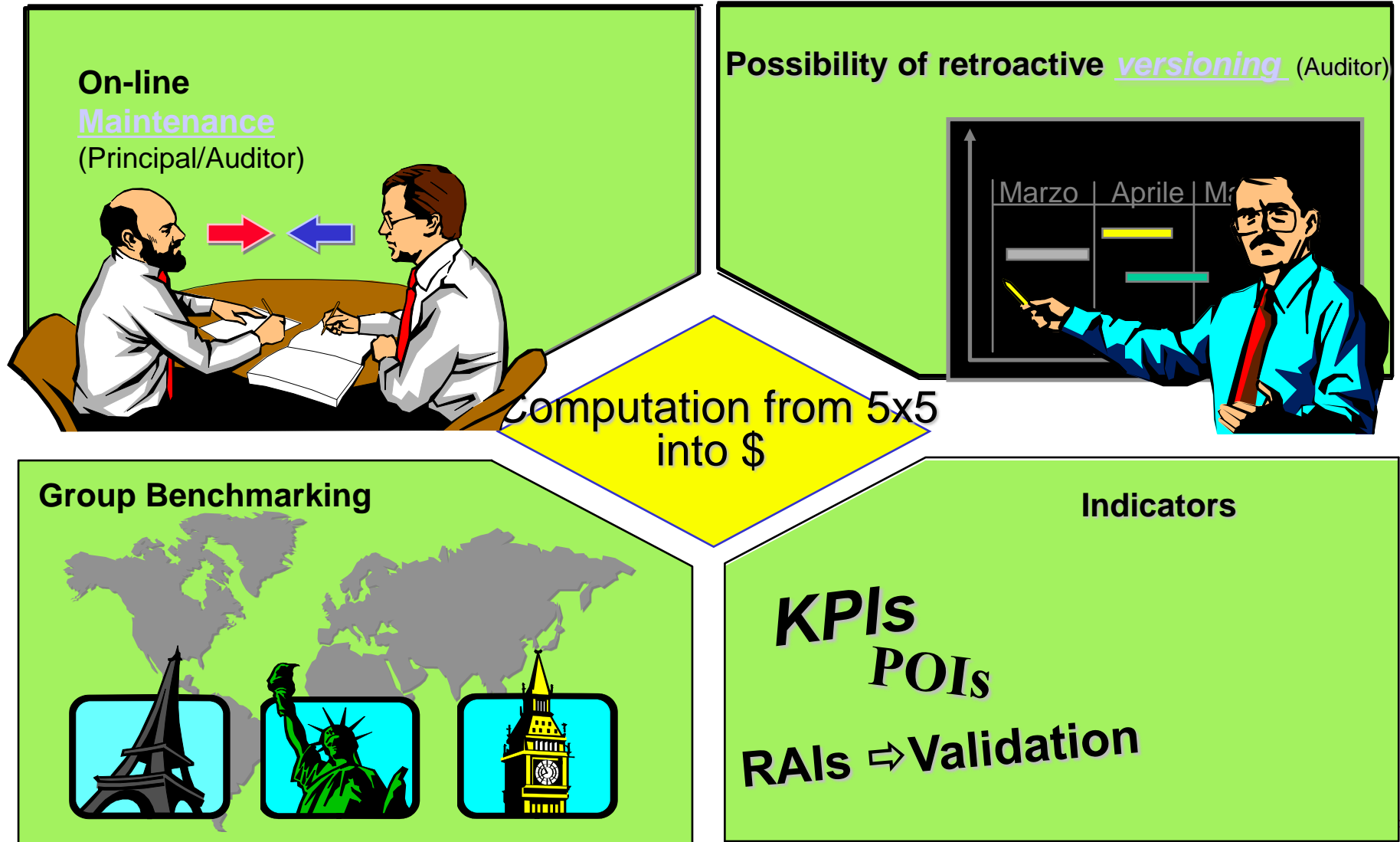
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Levels of RELIABILITY and "Agency Theory"



Evolution of risk information



Extended to risk Process Auditing (EPA)

Profile Comparison

- **The MAV/r = Audit trail CONCEPT**
- **The RAIs positioning**
- **The RAIs metrics, analytics and standards**
- **The RAIs computation**
- **RAIs and EPA Audit program**

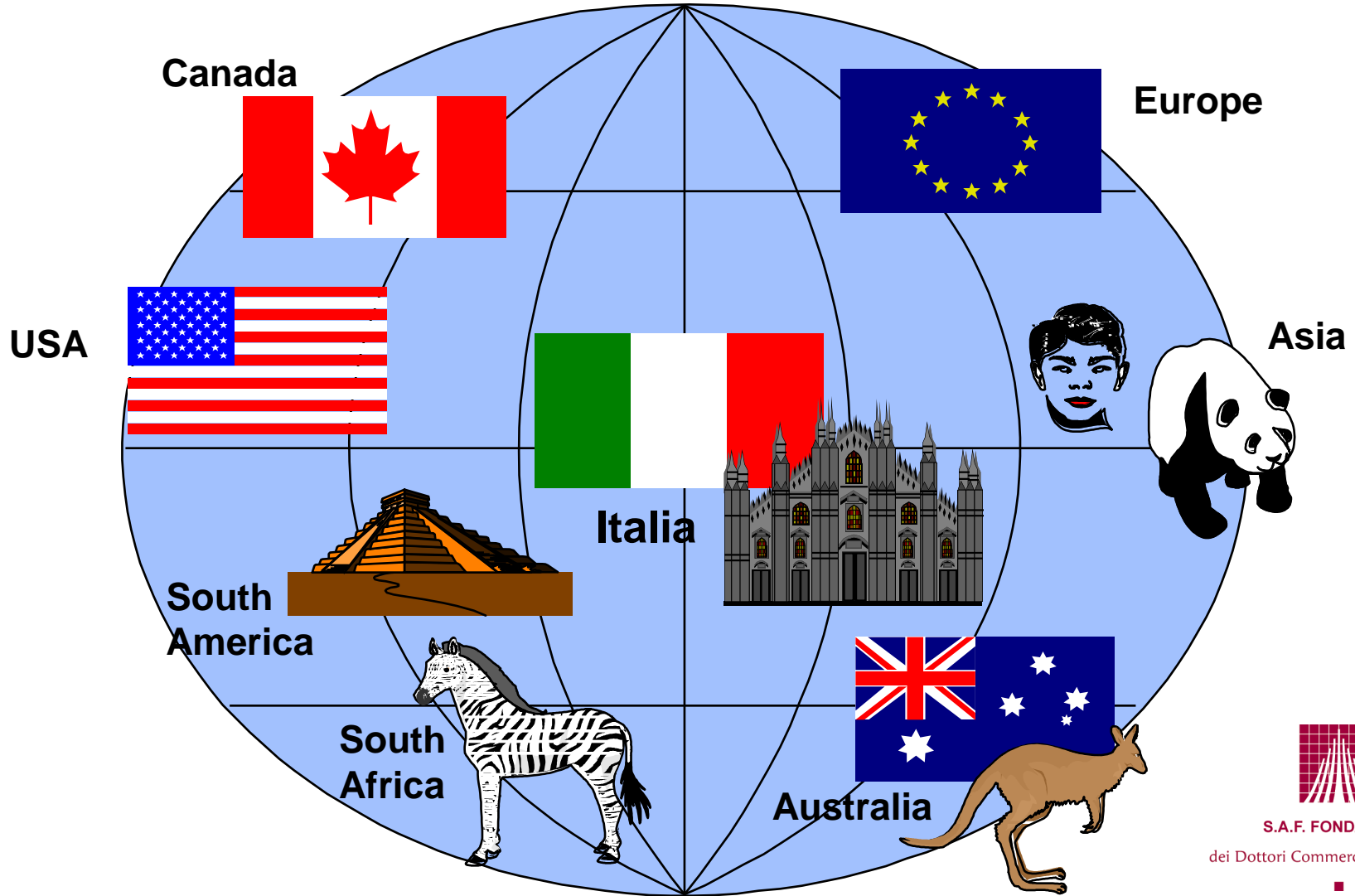


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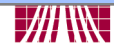
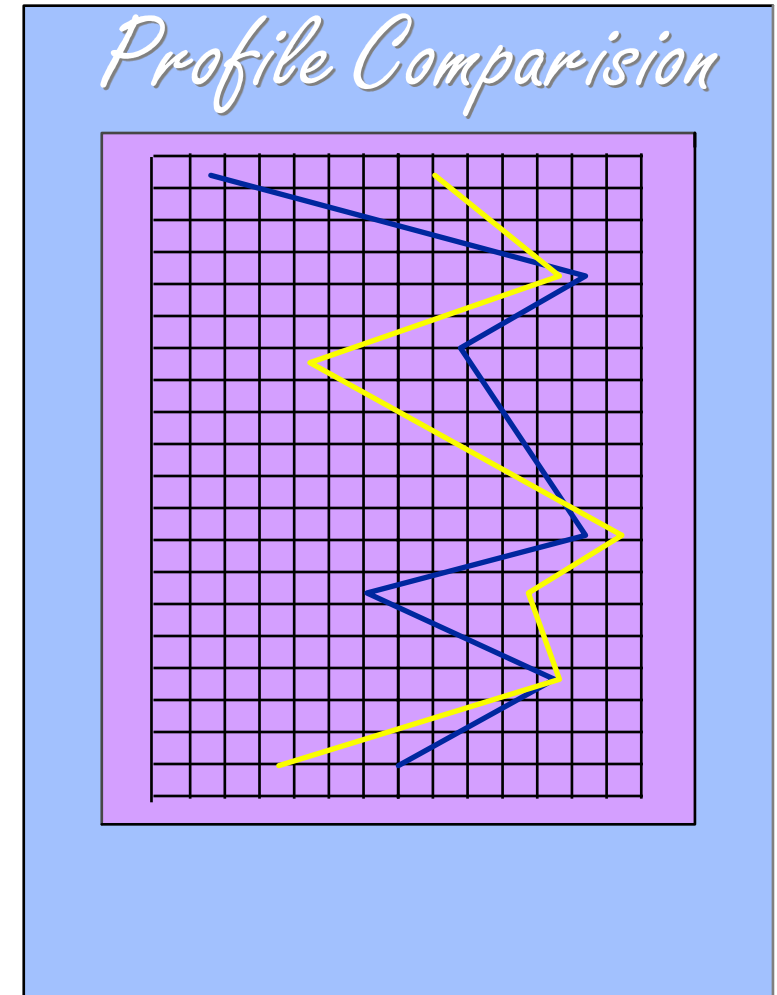
KPIs as strategic synthesis at international level



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Process Owner Indicators ⇒ the Continuous Auditing experience

- **Metrics**
- **Analytics**
- **Standards**
- **Standard of variance**
- **Alarm continuity equations**



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Risk Analytical Indicators ⇒ *the Continuous Auditing experience*

Profile Comparison

- **The MAV/r = Audit trail CONCEPT**
- **The RAIs positioning**
- **The RAIs metrics, analytics and standards**
- **The RAIs computation**
- **RAIs ↗ EPA Audit program**
- **[Italian Supervisors so called “Vigilanza cartolare”]**

⇒ **auditors responsibility is facing the future; not only past and present (CA)**



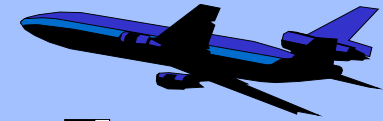
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Strong *Commitment* of TOP Management

Aiming at becoming *champions* on Op Risk mgt. in EU



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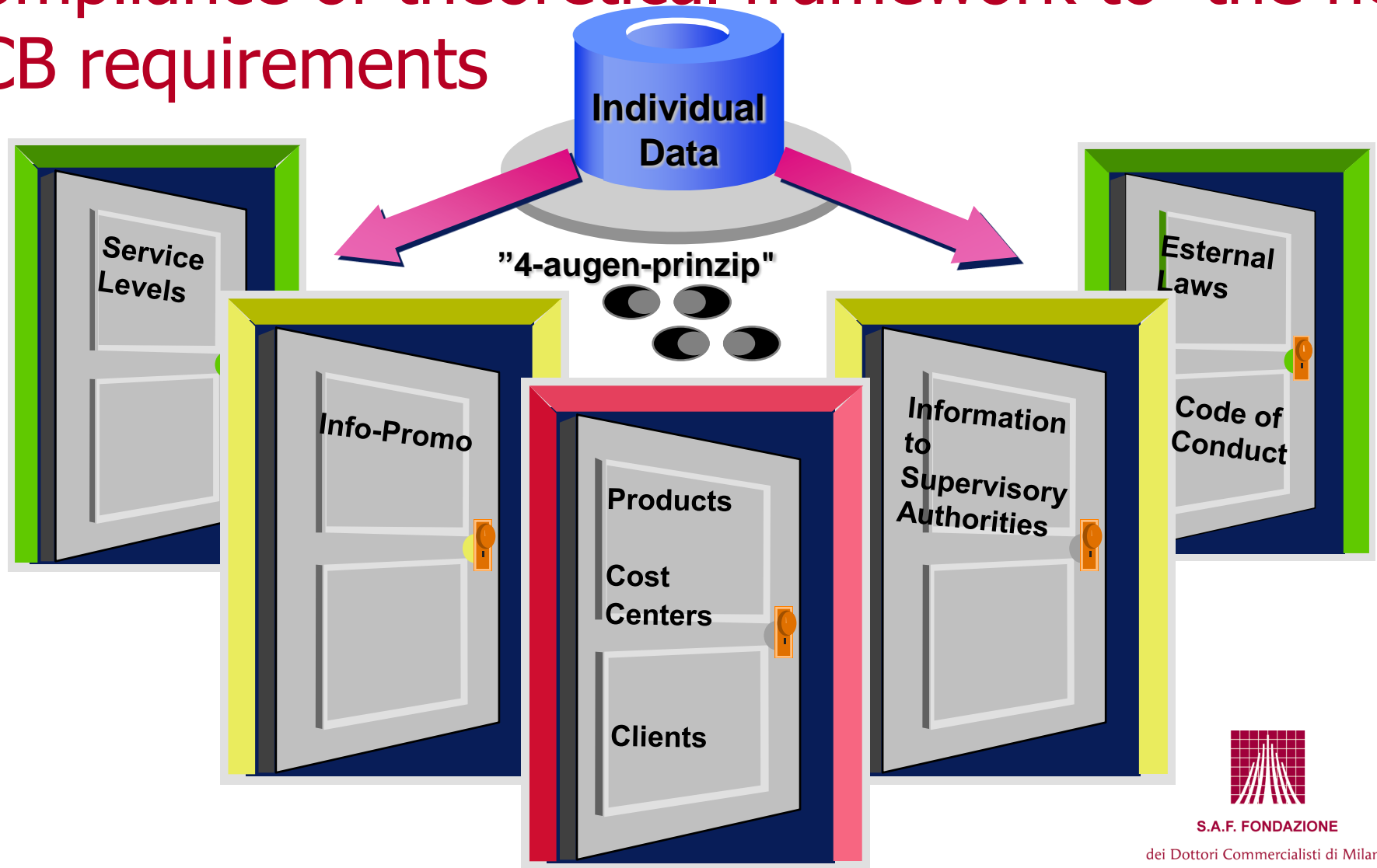


Return On Investment

- Low project costs
 - integration with Organization
 - SarbOx attestation
 - reduction of costs of 4th level control
- Support to operative and strategic decisions



Compliance of theoretical framework to the new ECB requirements



the end

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cutting through complexity™



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Risk Qualitative Model Maintenance

Nessun μ icroprocesso senza rischi

In caso di disaccordo a priori sui valori (5x5):
piccolo tribunale delle stime

In caso di errori/perdite: **“tribunaletto dei rischi”**

Errori della stima (5x5)

Errori di progettazione del μ icroprocesso

Errori di valutazione dei rischi



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