

Continuous Control Monitoring “5 Years later on what have we learnt”

Gavin Steinberg : Managing Director
Satori Group

**It's about trust,
not control.**

But trust is not a control.

Trust but verify!



- What is CCM
- Why this has worked
- Why this has not worked out
- Benefits derived
- Case Study



250

Satori Customers

55

CCM Customers in Aus/NZ

30

CCM Managed Services

175k

Ave # of monthly transactions monitored

3

Average months ROI

95/6

Highest number of analytics running daily

15yrs

Years of unclaimed leave found

\$12m

Value of duplicates saved

85%

Accounts Payable / VM

4

Average Subject Areas

15

Years of experience

35

Staff across Australia / NZ

14

Different Cultures

2002

Year Started

Sydney

Head Office



MINING



RETAIL



ENERGY



FMCG



HEALTH



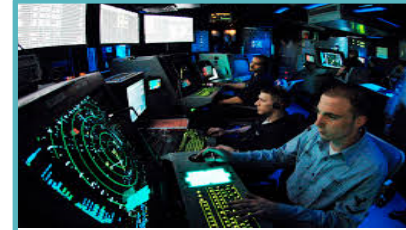
EDUCATION



WASTE MGT



COUNCILS



AIR TRAFFIC



CONSTRUCTION



EQUIPMENT HIRE



POLICE



WATER



PUBLIC SECTOR



HOSPITAL

“Continuous Control Monitoring is an **automated** and transparent **process** that the business puts in place to ensure that its

policies,

procedures,

cross system transactions and

operational controls

are operating effectively, efficiently and achieving their function.”

Continuously!

“Continuous Control Monitoring is a process that management puts in place to ensure that

There are no duplicate payments,

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There are no duplicate payments, and

There are no duplicate payments

From customer experience the real value to customers after implementing a CCM is:

Assurance *that the*

policies,

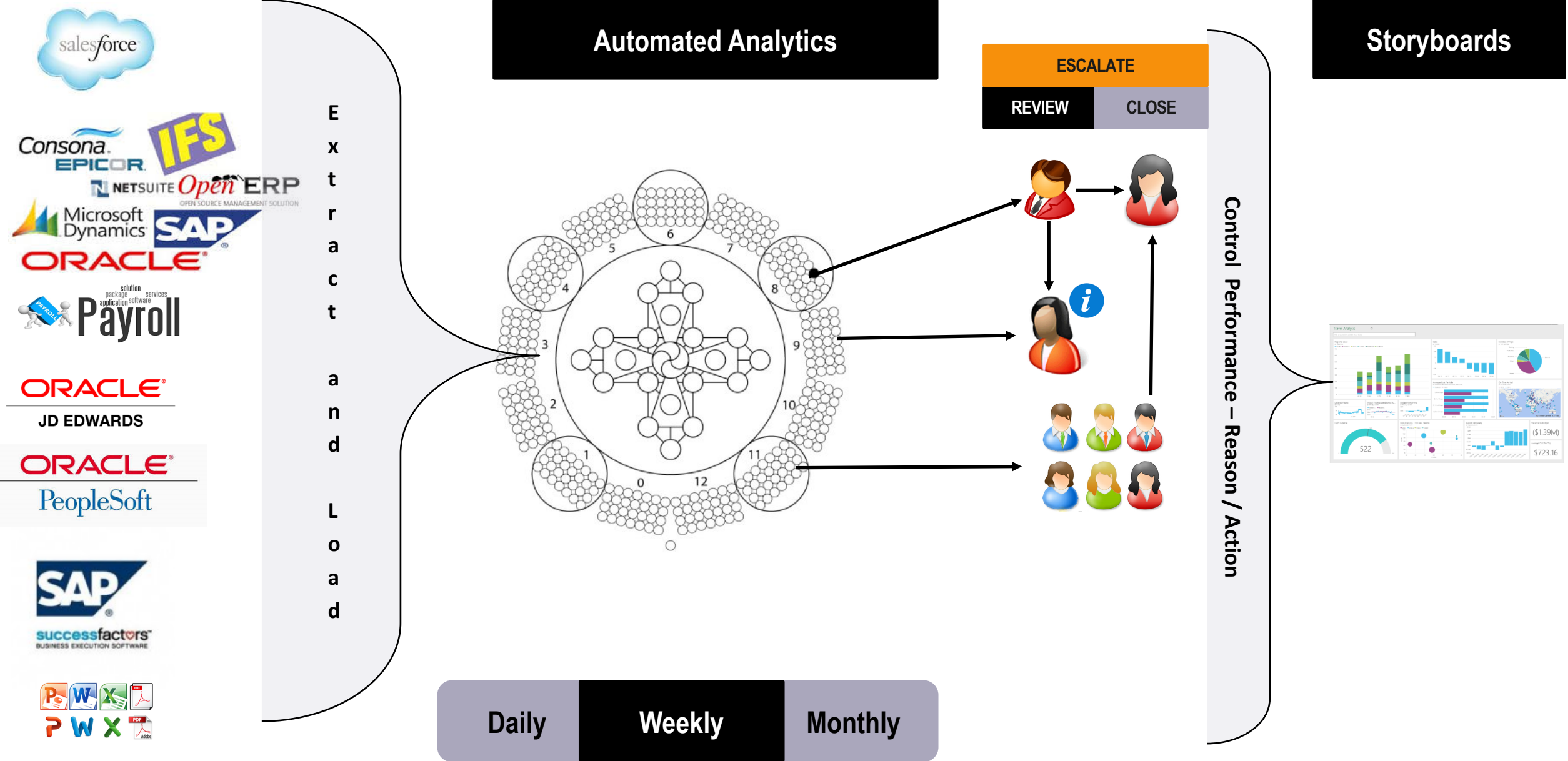
procedures,

cross system transactions and

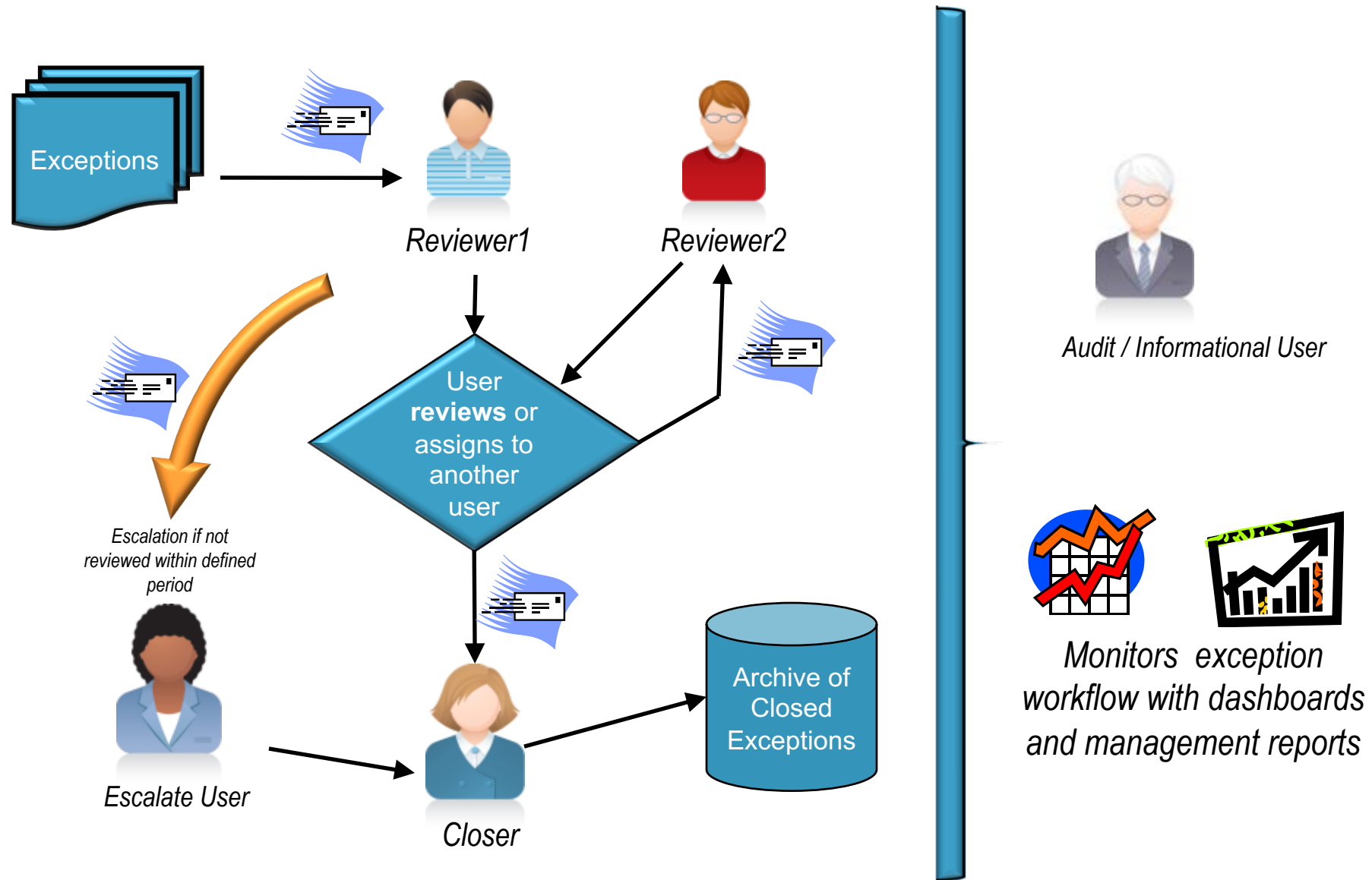
Operational Controls

are operating effectively, efficiently and achieving their function.”

Continuously!



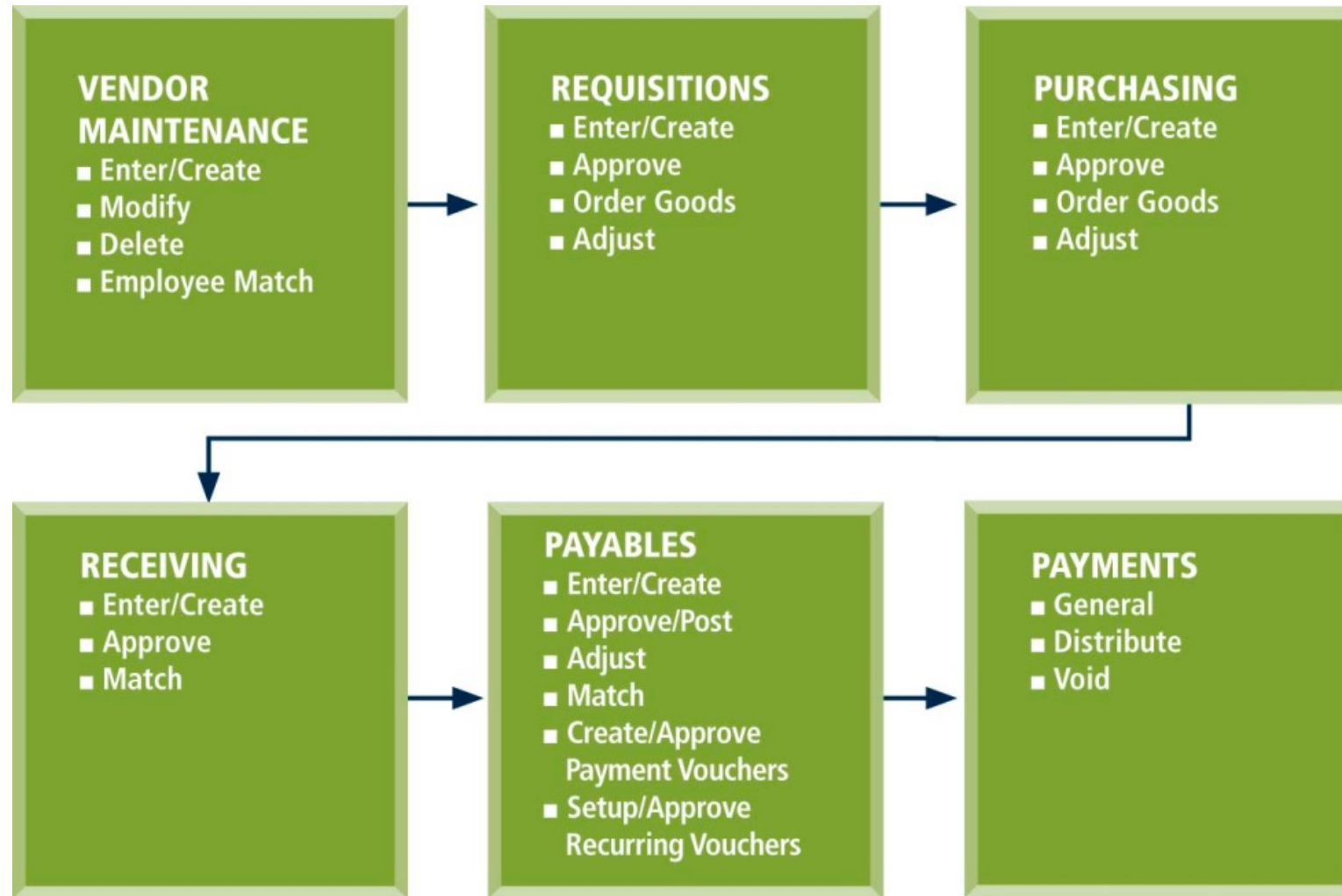
SATORI GROUP
CONTROL PLAN REPORT ANALYSE IMPROVE



LESSONS
LEARNED

- Fraud
 - Internal, External
 - Staff, Customer, 3rd Party
- Control Testing
 - Control v data
- Business Improvement
 - Understanding of data, costs, ratios
 - Insight, trends, Behaviour
- Errors / Oversight
 - Overpayments
- Behaviour Change
 - Prevention / Detection





■ REQUISITION

- Requisition Limits
- Split Requisitions
- Stale Requisitions
- Unauthorized Requisitioner
- Data Validity
- SOD – Creator Vs Approver

■ Purchasing

- Purchase Limits
- **Split Purchase Orders**
- Unauthorized Purchaser
- Duplicate Purchase Order
- SOD – Creator Vs Approver
- Data Validity

■ RECEIVING

- **Two Way Match:
Received Vs Purchased**
- Data Validity
- SOD – Purchaser Vs.
Receiver
- Credit Memo
- SOD – Modified Purchase
Order

■ PAYABLES

- Retroactive PO
- Two Way Match –
Purchase Vs Invoice
- Suspect Invoices – Invoice
Sequences
- Data Validity
- SOD – Approve Invoice Vs.
Create PO
- Prohibited Vendors

■ PAYMENTS

- Split Payments
- Two Way Match – Payment
Vs. Invoice
- **Duplicate Payments:**
Vendor, Amount
- **Duplicate Payments:**
Vendor, Invoice Number
- **Duplicate Payments:**
Vendor, Similar Amount
- **Duplicate Payments:** Diff.
Vendor, Same Bank Account
- SOD – Purchase Vs.
Payments
- Data Validity
- Cost Splitting

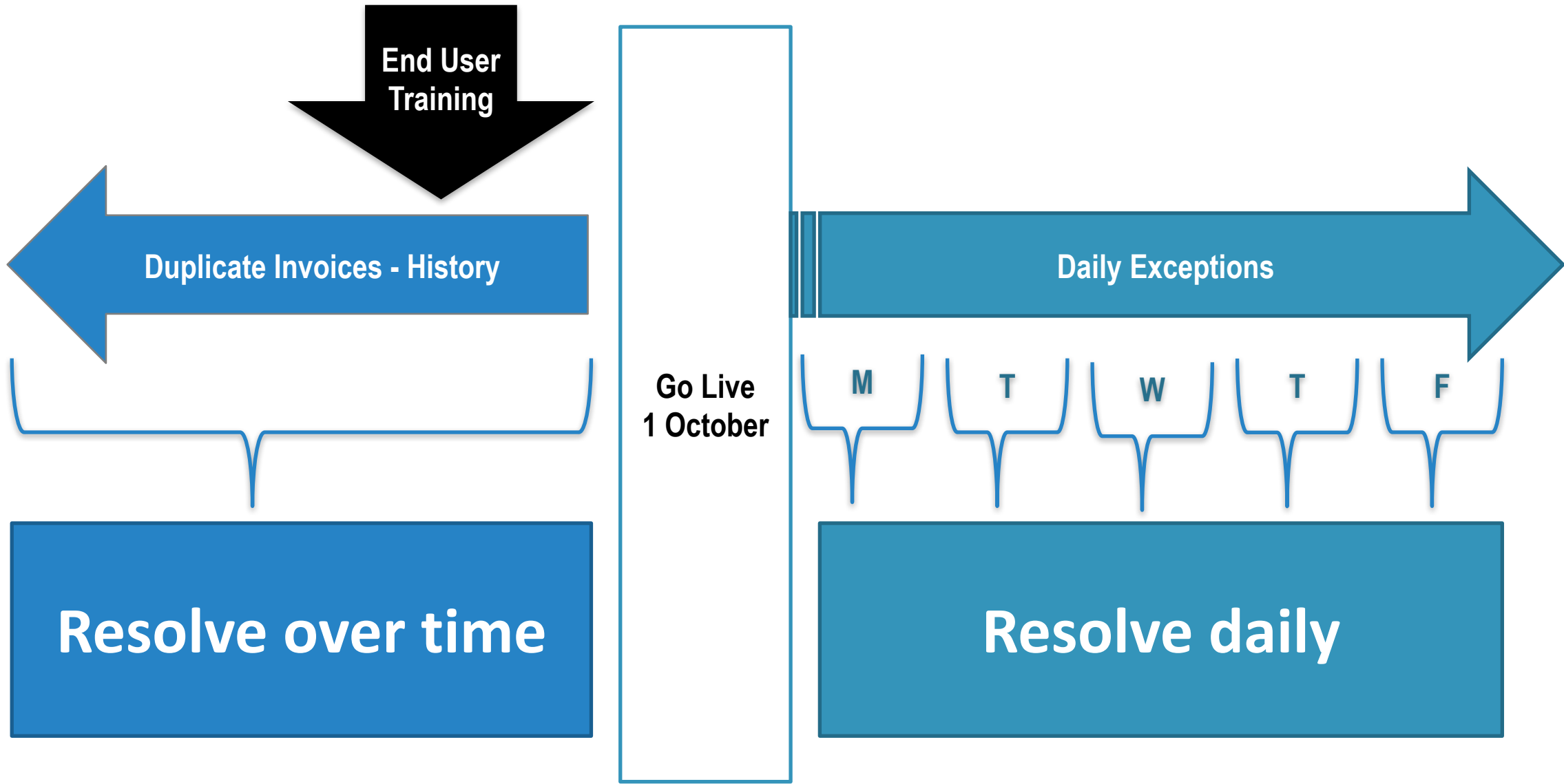
■ Less is More

ACCOUNTS PAYABLE	12 Tests
ACCOUNTS RECEIVABLE	6 Tests
CASH DISBURSEMENT	4 Tests
CONFLICT OF INTEREST	8 Tests
FIXED ASSET MANAGEMENT	4 Tests
GENERAL JOURNAL ANALYSIS	16 Tests
HUMAN RESOURCES	19 Tests
PURCHASE ORDER MANAGEMENT / SUPPLY CHAIN	8 Tests
SALES ANALYSIS	9 Tests
SALARIES AND PAYROLL	11 Tests
STOCK AND INVENTORY	10 Tests
VENDOR MANAGEMENT	14 Tests

Too many exceptions
to follow up

- Started with fewer Test (1-4 tests)
 - Manage the result set size (HPE)
 - Get the business following up immediately
 - Refine and improve analytics over time
 - Eliminate False / Positives early on (continuous)
 - Expand complexity over time
-
- ✓ Gray Lists
 - ✓ Improving the algorithms
 - ✓ Stratifying the results (focus on HPE)
 - ✓ Show the value returned
 - ✓ Use of Storyboards and Dashboards to communicate





CASH DEPOSITS

- Cash Deposits > 7 days = 3,000 results
- Cash Deposits > 21 days = 25 results
- Cash Deposits 21 days <> 14 days = 150 results

DUPLICATE INVOICES

- Same Vendor, Same Invoice #, Same Date, Same Amount : 200/day
 - Eliminate Credits : 140
 - Only show those > \$5,000 : 5/day
 - \$1,000<>\$5,000 : 15/day
- 100% follow up

- Involve the business users early
 - Not Internal Audits system
 - Get user to define Exceptions / Analytics
 - Involve business in checking
- Benefits
 - More budget
 - Ownership of exceptions (their controls)
 - Buy in to the process
 - BAU
 - 100% follow up rate
 - Always wanting to expand
 - Internal Audit, the hero



- Too many tests
- False / Positives
- Audit is watching
- IA imposed system
- Complex Tests – keep it simple
- Managing Expectations



- Hourly
- Daily
- Weekly
- Monthly
- Quarterly
- Annually



- Depends on the test, data availability, requirement
- Daily is ideal – can better manage the volume

- **What** happened to the exception?
- **Who** is responsible to Resolve it?
- Were they **actioned**?
- How **long** did it take and which are still not resolved/started?
- What was the **root cause**?
- Is this a **trend**?
- Are our exceptions reducing / controls improving?
- Is the assurance and governance improving or not?



Simply automating exception reports is not a CCM solution

- Credit Card / Travel and Expense
- Employee Masterfile
- Payroll
- Accounts Payable
- Vendor Masterfile
- Accounts Receivable
- Customer Masterfile
- Segregation of Duties
- Customer Masterfile / Accounts Receivable
- Item Masterfile / Inventory
- Asset Management
- Journals / Reconciliations
- Health and Safety
- Insurance
- Contracts / Pricelists
- Operations

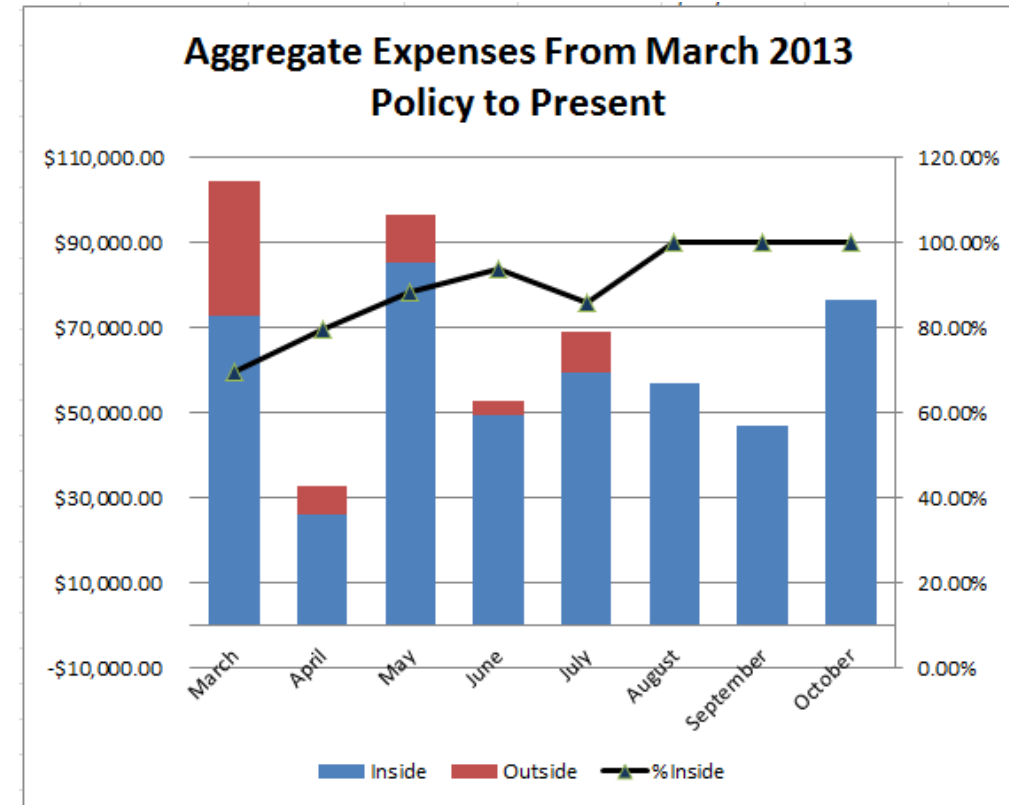
- The **responsibility** for exceptions back on the business
- “I have a lot more **confidence** in the data”
- Fix the control **breach** **when** it happens not months later
- Ability to **change** the control tests quickly / constantly
- **Pinpoints** and proves areas of control **weakness / improvement**
- Fraud **prevention**
- Change in **culture** and **behaviour**
- ASSURANCE THAT CONTROLS ARE WORKING

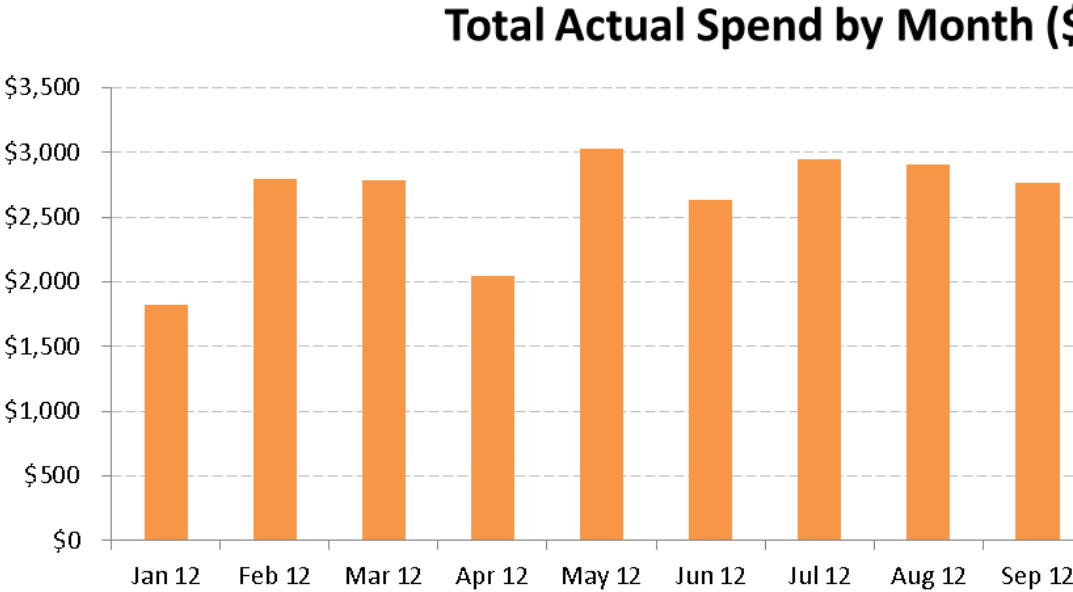
- 6,000 credit cards in use
- Use to replace PO under \$2,000
- Concern: Abuse and reputation
- Proposed Solution: Eliminate cards
- Not practical solution
- CCM Used
 - Identify “abuser”
 - Follow up to understand why
 - Explain policy and issue warning
 - Expanded range of tests to include
 - “Blacklisted Vendors”
 - Frequent Disputes
 - Cash withdrawals
 - Frequency and Time of Usage (big spenders)
 - Spend Pattern



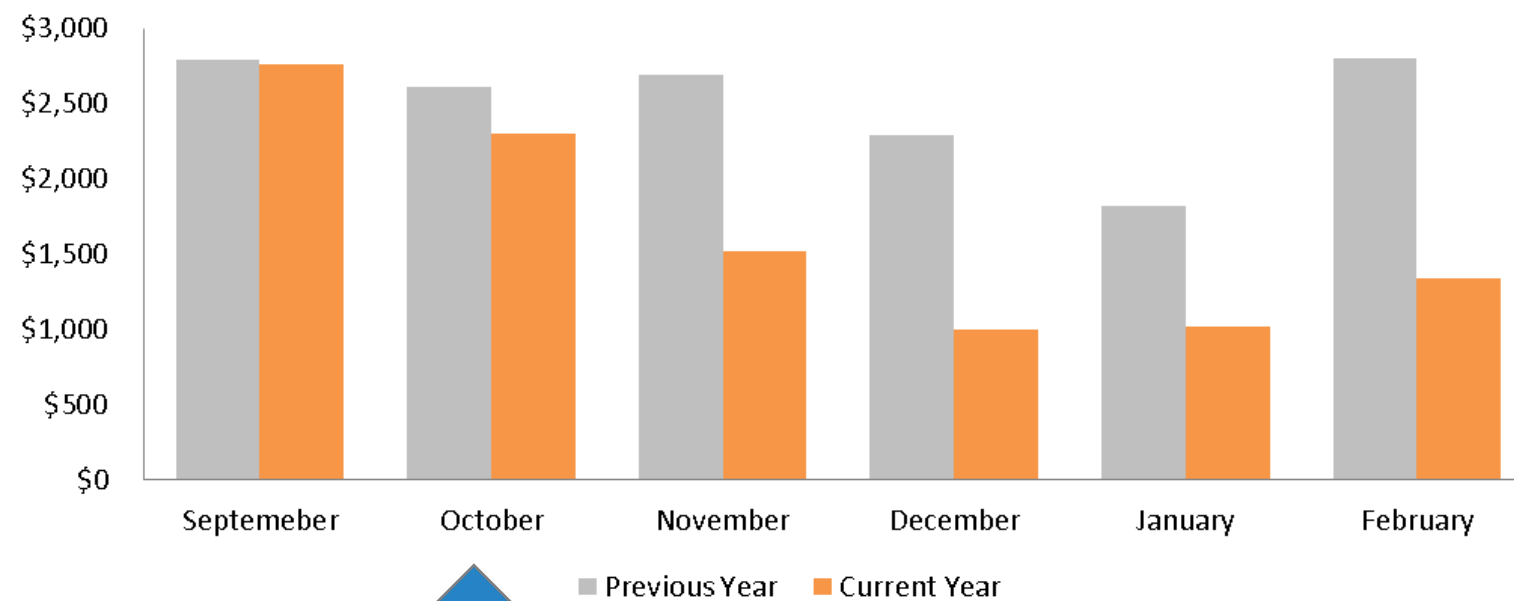
Test1: Credit Card transactions over \$3,000

- All spend was within policy
- Reduction of \$28k/month in spend
- Expand test to \$1000-\$3000 band
- Change in attitude to use of CC





Total Spend Year on Year (\$'000s)



Start of CCM

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CCM DASHBOARD

OVERALL SCORECARD

SCORECARD

ACC PAYABLE

VENDOR

PAYROLL

EMPLOYEE

Issues

Status: Issues Generated

Month: November 2012

15

ACCOUNT PAYABLE

Issues Generated

Report Name	Current Month	Last Month	Variance	12 month total
AP001A. Duplicated Invoices by InvNo,Amt,Date and VndNbr - UnPaid	37	56	▼	518
AP001B. Duplicated Invoices by Invoice number, vendor number and amount (different date)- Paid	7	0	▲	21
AP001B. Duplicated Invoices by Invoice number, vendor number and amount (different date)- Unpaid	71	403	▼	743
AP001D. Duplicated Invoices by Invoice number, amount, and date (different vendor number)- Unpaid	12	26	▼	117
AP019. Identify Vendors without Transaction within 24 months (Created Date>6months)	19	48	▼	187
Total	146	533		1,586

VENDOR

Issues Generated

Report Name	Current Month	Last Month	Variance	12 month total
VM003. Identify Vendors with Active ABN without Registered GST	1	2	▼	19
VM006. Identify Vendor with Incorrect ABN Format	1	0	▲	1
VM009. Identify Vendors missing ABN	2	5	▼	19
VM010. Duplicate Vendor Bank Accounts	8	6	▲	20
VM013. Identify vendors whose Bank Account No. has changed	7	24	▼	96
Total	19	37		155

PAYROLL

Issues Generated

Report Name	Current Month	Last Month	Variance	12 month total
PR003.Identify payments to employees 30 days after termination date - Summary	1	1	○	38
PR019.Top 30 overtime employees in Month and Year-to-Date	171	353	▼	962
Total	172	354		1,000

EMPLOYEE

Issues Generated

Report Name	Current Month	Last Month	Variance	12 month total
EM001A. Identify duplicate employees: By Name	17	10	▲	38
EM001B. Identify duplicate employees:By Address	69	44	▲	207
EM001C. Identify duplicate employees:By Telephone No.	8	8	○	21
EM001D. Identify duplicate employees:By Tax File No.	130	68	▲	293
EM001E. Identify duplicate employees:BY Bank Account	10	2	▲	30
EM002. Identify Employees with missing details	9	3	▲	17
EM002G. Identify Employees with missing Salary Details: Pay Rate/Contracted Hours / Pay Class/ Super Details	148	15	▲	496
EM008C. Identify TFNS that do not conform with				
Total	427	169		1,174

