



SOLUTION OVERVIEW

CONTINUOUS AUDITING

Continuous Auditing

Today's internal audit environment is challenging; business processes continue to change rapidly in order to react to market conditions. Regulatory compliance, governance and industry competition keep increasing in scope to manage changing economies and personal financial pressures that may lead to upsurges in fraud. The Internal Audit (IA) department now has a mandate to manage these issues, ensure that risk is being mitigated as well as provide ongoing assurance that controls are working effectively in an accurate and timely manner.

In order to better manage an expanded workload with limited resources, many companies have implemented or have begun investigating some form of Continuous Auditing (CA). CA is described by the Institute of Internal Auditors as the "automatic method used to perform control and risk assessments on a more frequent basis"¹.

More Efficient Audits and Monitoring of Controls

The deployment of CA technology can provide deeper insights by reducing the time between audits, thereby enabling IA to be proactive and to provide more beneficial audit results. CA moves from periodic audits to continuous assurance, allowing the organization to determine the state of internal controls at any point in time.

Complete Organizational Oversight

IA now has the tools to gain complete oversight through the combination of ongoing data analysis and the provision of an issue management workflow and distribution that manages and tracks issues from inception to remediation.

This allows IA to identify control breaches and high risk activities early, to help employ a proactive remediation strategy that will likely prevent or minimize the impact on control breaches. IA will know who had what issues, the actions taken, along with the remediation history to aid in the development of a more effective audit processes going forward.

¹ IIA Global Technology Audit Guide. "Continuous Auditing: Implications for Assurance, Monitoring and Risk Assessment"

Controls' Effectiveness Periodic Audits vs. Continuous Audits

Figure 1 – Effectiveness of Regular Audits

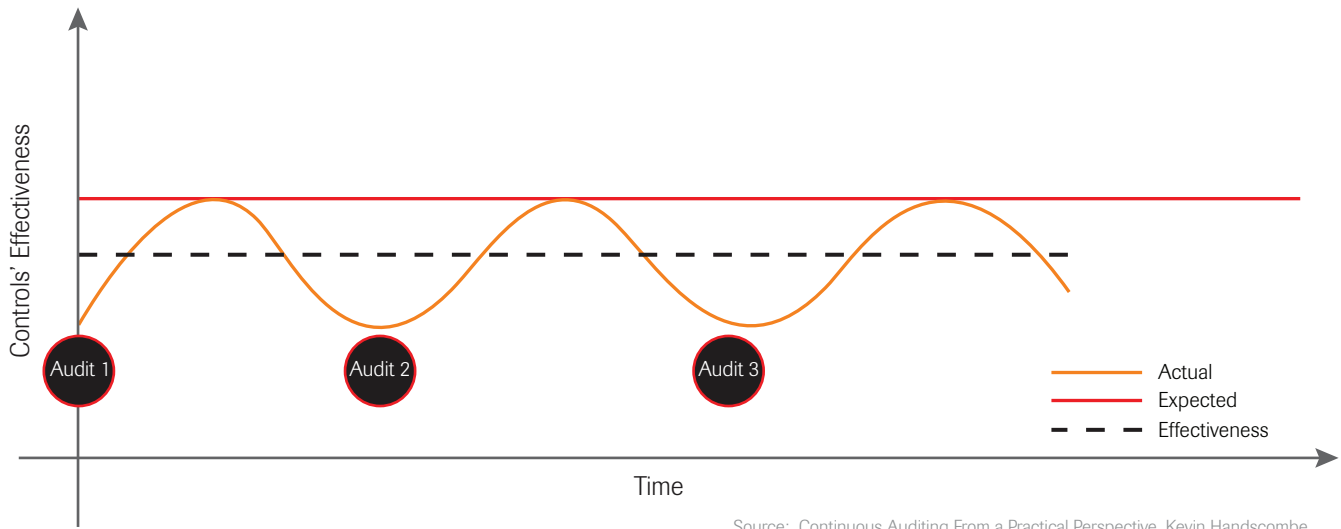


Figure 1 illustrates the cycle of external audits or the intermittent intervals within the yearly, bi-annual or three-year cycles of internal audit. After each audit, the controls' effectiveness improves due to the auditors' presence or the impact of the auditors' recommended improvement.

Inevitably, between audits the effectiveness of controls is lowered significantly due to a number of factors, namely, changes in systems or personnel, complacency, shifting priorities or the appearance of new risks during the intervals. As a result, the standard for controls' effectiveness is below par.

Figure 2 – Effectiveness of Continuous Auditing

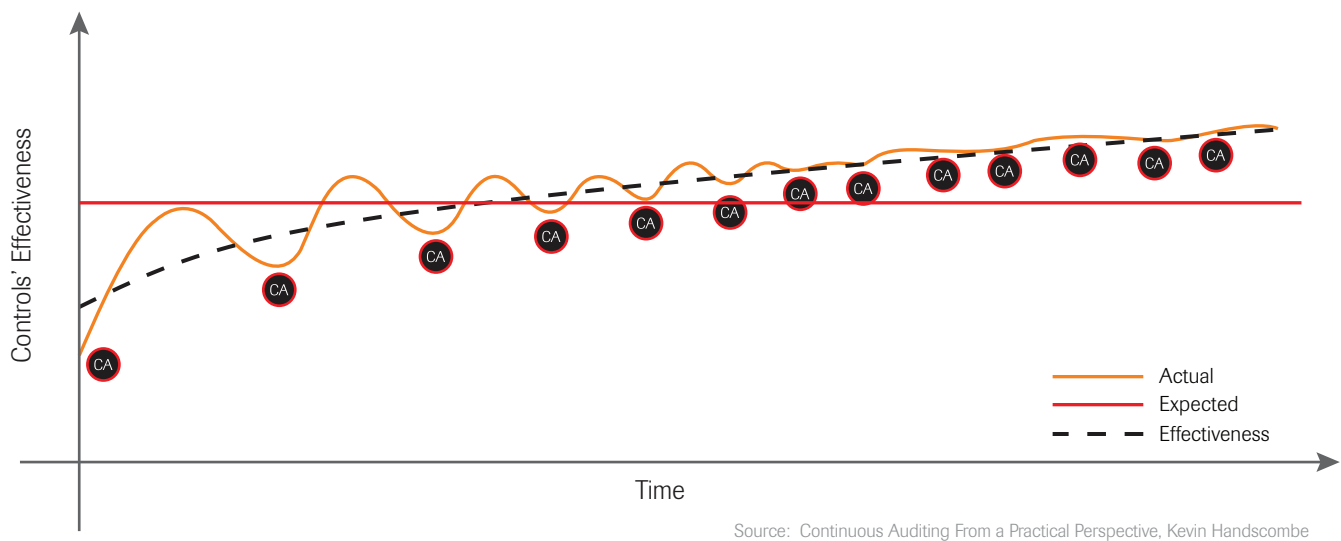


Figure 2 illustrates Continuous Auditing. With Continuous Auditing, control breaches are detected immediately through the provision of ongoing audits. Personnel remain engaged in the controls process. Emerging risks are added to the existing analytics as they are identified.

As a result, the controls' effectiveness is on par with the organization's standards. Going forward, auditors can see breaches in controls as they happen, stay ahead of emerging risks, and increase the effectiveness of internal controls.

Continuous Auditing Solution

The flagship product CaseWare™ Monitor enables Continuous Auditing of the entire business regardless of underlying systems, data sources, platforms or locations. CaseWare™ Monitor analyzes 100% of the applicable data and presents a consolidated view of these disparate sources. Internal Audit is allowed to define the control environment by utilizing a monitoring framework, and alerts are sent once control breaches occur.

The solution allows auditing to become more independent and repeatable. IA can now automate scripts to have more frequent testing of controls, and, with the issue management workflow and distribution, can always know the status of internal controls.

CASE STUDY

Challenges

The Internal Audit (IA) department at a blue chip financial institution with a AA+/F1 rating had problems maintaining the organization's standard for internal controls' effectiveness. IA used data analytic tools to test controls and monitor the compliance of ten (10) relevant rules. Each one of BCR's 150 branches would email their controls' status reports to IA.

IA could not adequately control the branches' responses to the issues, especially when they numbered 10 rules x 150 branches = 1,500 reports. There was no way for IA to know which branches had replied to issues in a timely manner. This delayed their internal control initiatives, and violated their mandate for proactive internal control initiatives.

Continuous Auditing and Beyond

CaseWare™ Monitor facilitated more efficient analysis and investigations to ensure IA's focus remained on proactively mitigating risks. The customer was able to:

- Centrally monitor their Issue Management IA was able to gain control of the issues generated by their data analytic tools and to manage the workflow of how the exceptions were processed and analyzed by the branches.
- Implement more efficient control testing They were able to run their rules automatically and send notifications to branch personnel for follow-ups.
- Remediate 95 percent of all issues on time Breaches in business process rules that had not been addressed within a set timeframe were then automatically escalated, which allowed IA to identify which offices had not dealt with the control breaches. IA took corrective measures with the unresponsive branches and now has timely resolution on over 95% of the cases sent to each branch every month.

Enhanced Value

IA is truly now the central hub of information and knowledge regarding the status of the internal controls. The department now coordinates remediation activities across all 150 locations, generating results more frequently to create more efficient and sustainable audit processes. IA has implemented and automated over 300 additional rules-based tests for controls and continues to easily add tests through use of the CaseWare™ Monitor framework, comfortably meeting their mandate of proactive risk assessments.

BENEFITS

BUSINESS CHALLENGE

CASEWARE™ MONITOR SOLUTION

STAKEHOLDERS' REQUIREMENTS

Escalating risk and compliance requirements

- Provides enterprise-wide definition and monitoring of controls and assurances so that they are effectively implemented across all business processes

AUTOMATION

Automating control breach detection and remediation

- Detects breaches at the data source
- Distributes data across the enterprise by user-defined rules via dashboards, e-mail, SMS
- Provides workflow for remediation including automatic detection of resolution of errors
- Allows the user to define controls in multiple business processes with a consolidated view
- Increases efficiency by making analytics repeatable with the ability to adjust tolerances
- Allows business rules and parameters to be customizable and allows new logic to be built by the organization
- Also lets monitoring be applied to business metrics
- Provides for issues to be identified as soon as they occur

INTEGRATION

Seamlessly integrate into existing solutions

- Requires no changes to underlying systems being monitored
- Provides non-intrusive access to data and cannot amend source data
- Ensures user and group security with LDAP support
- Includes strong encryption
- Uses distributed service oriented architecture (SOA).



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