Implementation Issues in CA

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Agenda

• Background
• 6 key steps
• Organizational issues
• Workforce
• Conclusions
While technologies of continuous audit have been extensively discussed and are progressively emerging the more mundane issues of their implementation in a socio-technical environment have been neglected.

This paper discussed the issues around continuous audit process implementation.
Six steps of process implementation

1. Priority Areas
2. Rule
3. Frequency
4. Parameterization
5. Follow-up
6. Action and Reaction

Audit Control Panel

Continuous Auditing
1. Identification of Priority Areas

- Modularize risk areas, rate these risks and evaluate the cost x benefits
- Identify the basic audit objects
- Choose critical business processes that will be the focus of continuous audit (low hanging fruit)
- Identify key data in for the implementation of Continuous Audit in the mapped processes
- Political Considerations
Key Objective of Audit Procedure

- Detective
- Deterrent
- Financial
- Compliance
2. Rules of Monitoring and Auditing

- Once an area of CA is chosen the “rules” of monitoring, alarming, and assurance must be established.
- These must take into consideration the legal and environmental issues as well as the objectives of the particular process.
- The CA process is established adopting certain rules, frequencies, and parameters.
  - e.g. we will monitor bank accounts in overdrafts or in excess limits.
3. Frequency

- The natural rhythm of the process
  - Timing of computer processes
  - Timing of business processes
- Cost benefit considerations
- Nature of procedure objectives
  - Deterrence
  - Prevention
4. Parameterization

- Define parameter to analyze in accordance with the risk
- eg.: Monitoring all accounts in overdrafts nightly, that have a balance of debt 20% larger than its limit of loan and bigger than 1000 USD
5. Follow-up

- **Who will receive the alarm?**
  - Management?
  - Audit leadership?
  - Immediate superior of the responsible for the data
  - The timing of the follow up
    - Pass the alarm along immediately
    - Reconcile the alarm prior to follow up
    - Wait for 3 sequential days of similar alarms to follow up
  - Escalation guidelines
    - E.g. after three days send to the immediate superior’s superior or wait for 3 days prior to the re-escalation
6. Action and Reaction

• Guidelines for dealing with auditees
  – Lack of bias
  – Consistency of response
  – Guidelines for individual factor considerations
  – Concern with collusion
**Organizational Structure for CA**

- **Is CA a part of the audit function or of management?**
  - Its part of the audit function

- **Should there be a separate continuous audit group?**
  - Yes, to facilitate its implementation progressively in the many areas of continuous audit
Workforce Effects

• What are the workforce effects?
  – Progressively labor requirements for the traditional audits supported by CA will reduce and deeper audit will become possible
  – Rebalancing of workforces
  – High technological competencies needed
Conclusions

- Attention must be paid to the organizational processes that implement continuous audit.
- There are 6 key steps to progressively implement a CA program module by module.
- The CA process is dynamic and CA management will change schedule and parameters of each process.
- The organization of the audit process must be evolved progressively.
Thank You!

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