



Completing the ERM Circle

A Role for Continuous Controls Monitoring

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Smart controls.
It's just Good Business

Agenda

- **Definitions**
- COSO Integrated ERM Framework
- Self Assessments
- Challenges with Traditional Approaches
- CCM as a Solution
- Summary

What is ERM?



Enterprise Risk Management*

Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

* Committee of Sponsoring Organizations of the Treadway Commission (COSO)

What is CCM?

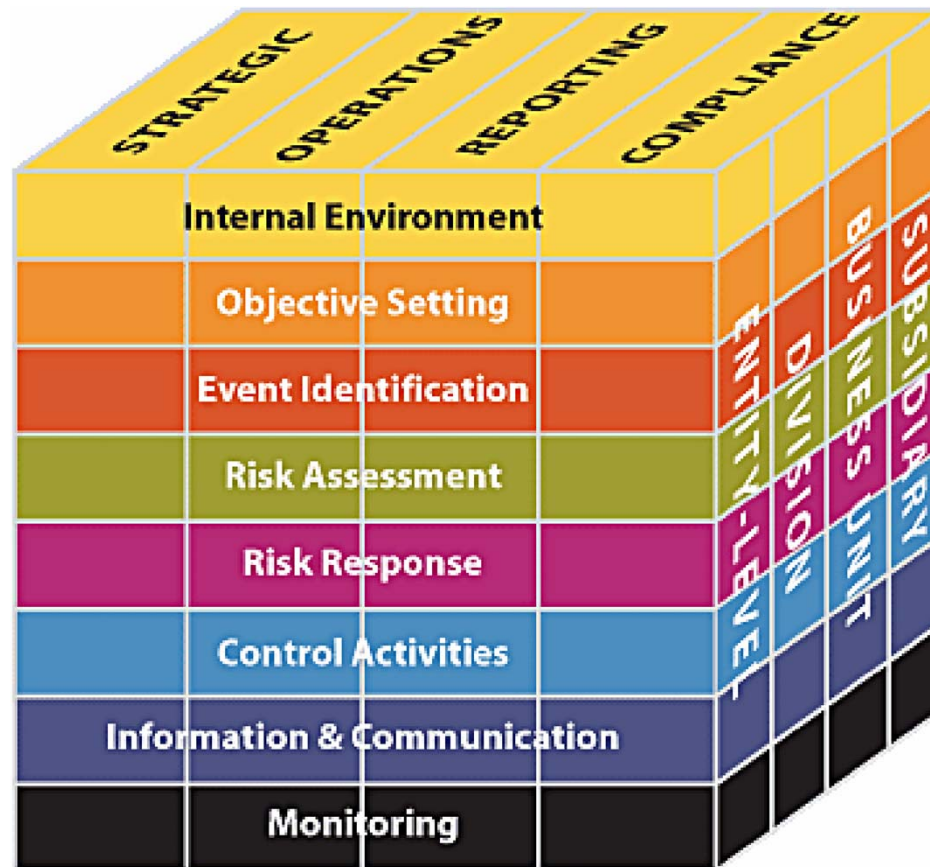
Continuous Controls Monitoring

A technique used to monitor controls in business processes to detect potential breakdowns and through alert mechanisms trigger appropriate remediation activities to manage the associated risks.

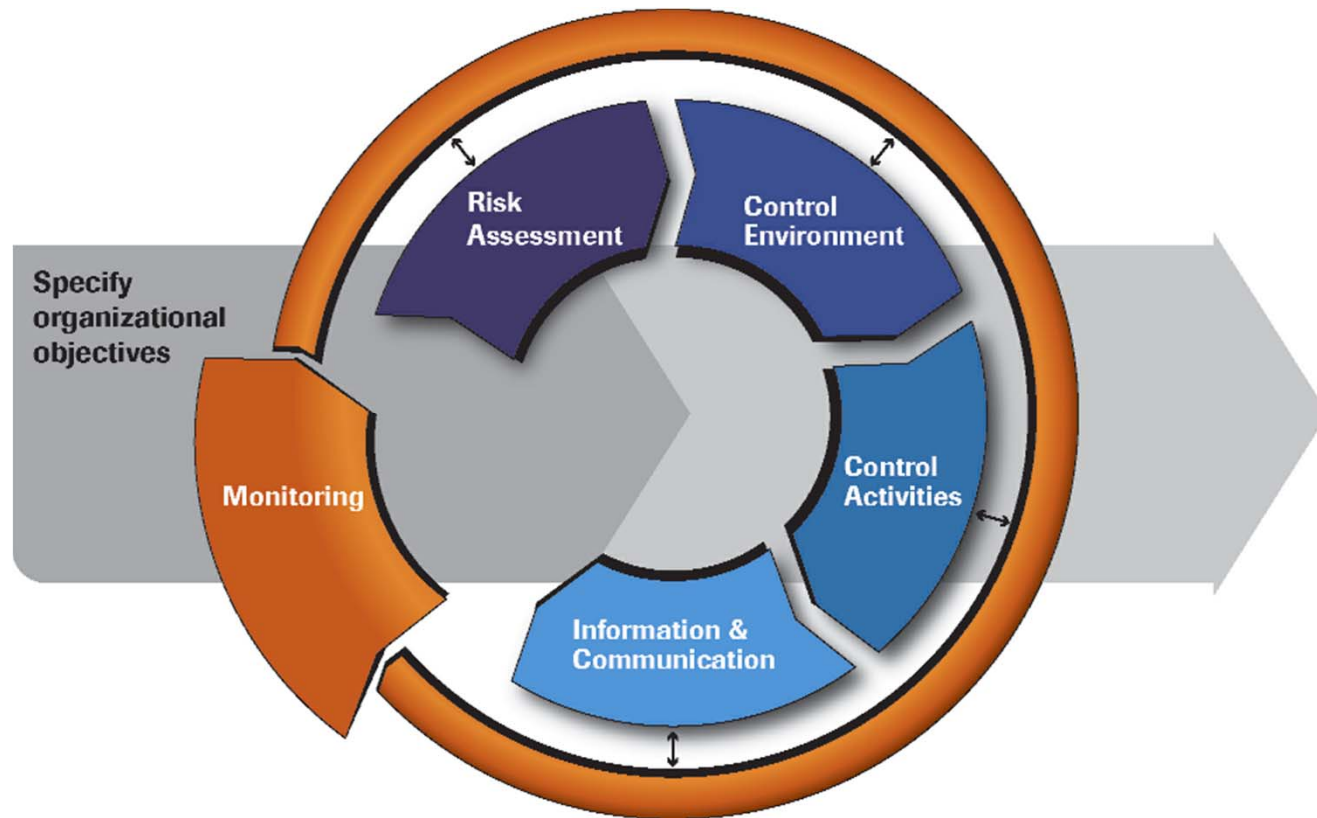
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- Role of Internal Audit
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COSO ERM Framework



Importance of Monitoring



2009 COSO Guidance - effective controls systems must include monitoring

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Traditional Monitoring



- Control Self Assessments
- Management Reporting
- Key Performance Indicators (KPI)

Challenges in Self Assessment



- Time taken to perform self assessments
- Delays in identifying control breaches
- Coordination with IT
- Independent reporting

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Possible Role of CCM

- Independent monitoring of automated and partially automated controls
- All the effort is in the initial design
- Continuous detection of breaches
- Transparency in detection and remediation
- Addressing IT concerns
- Collaborative approach to timely remediation

An Example

Risk: Invoices may not be valid and/or properly authorized

Control Activity: Matching invoices to goods receipt

Owner: Category Management

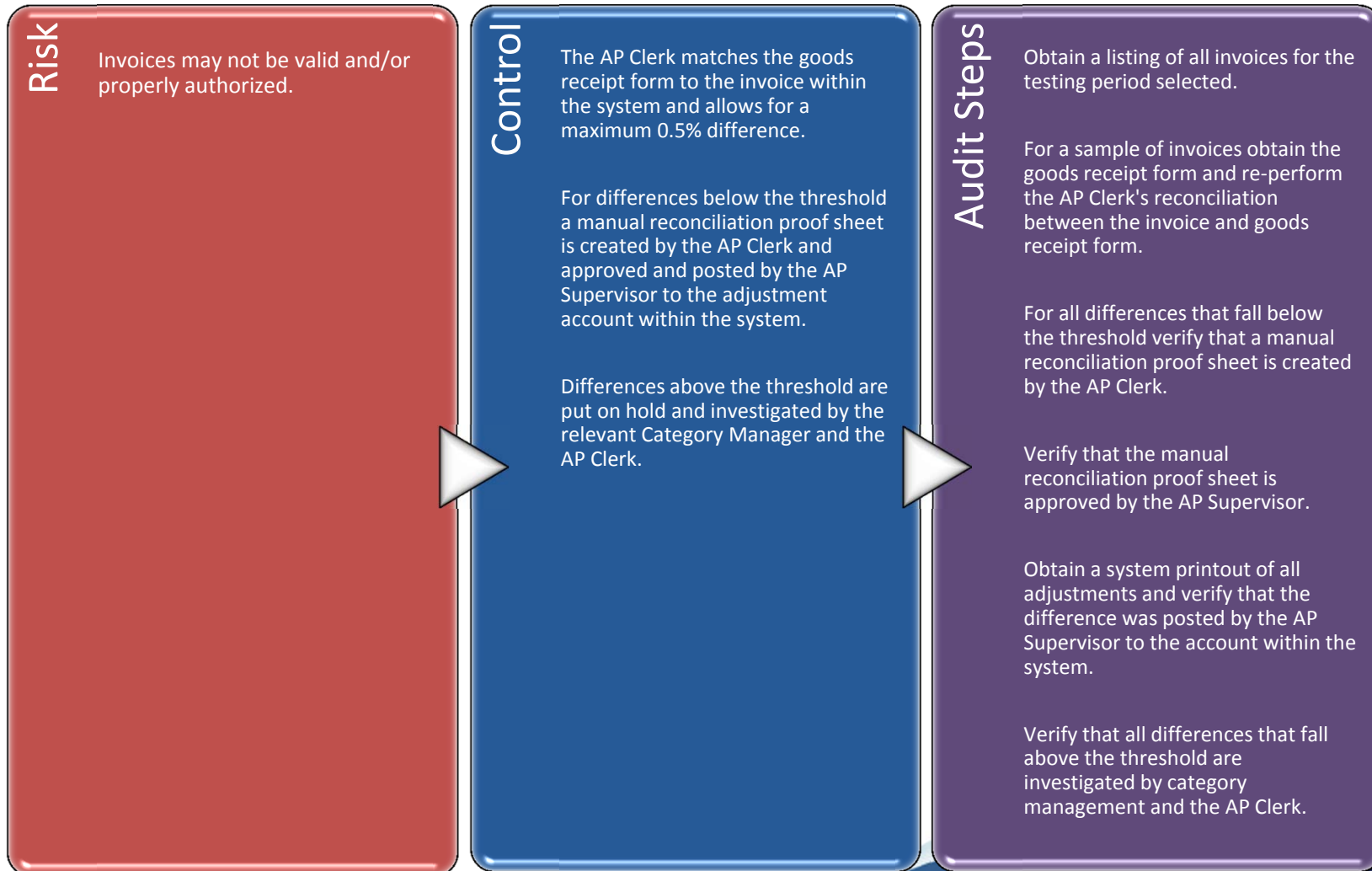
Method: Partially Automated

Type: Preventative

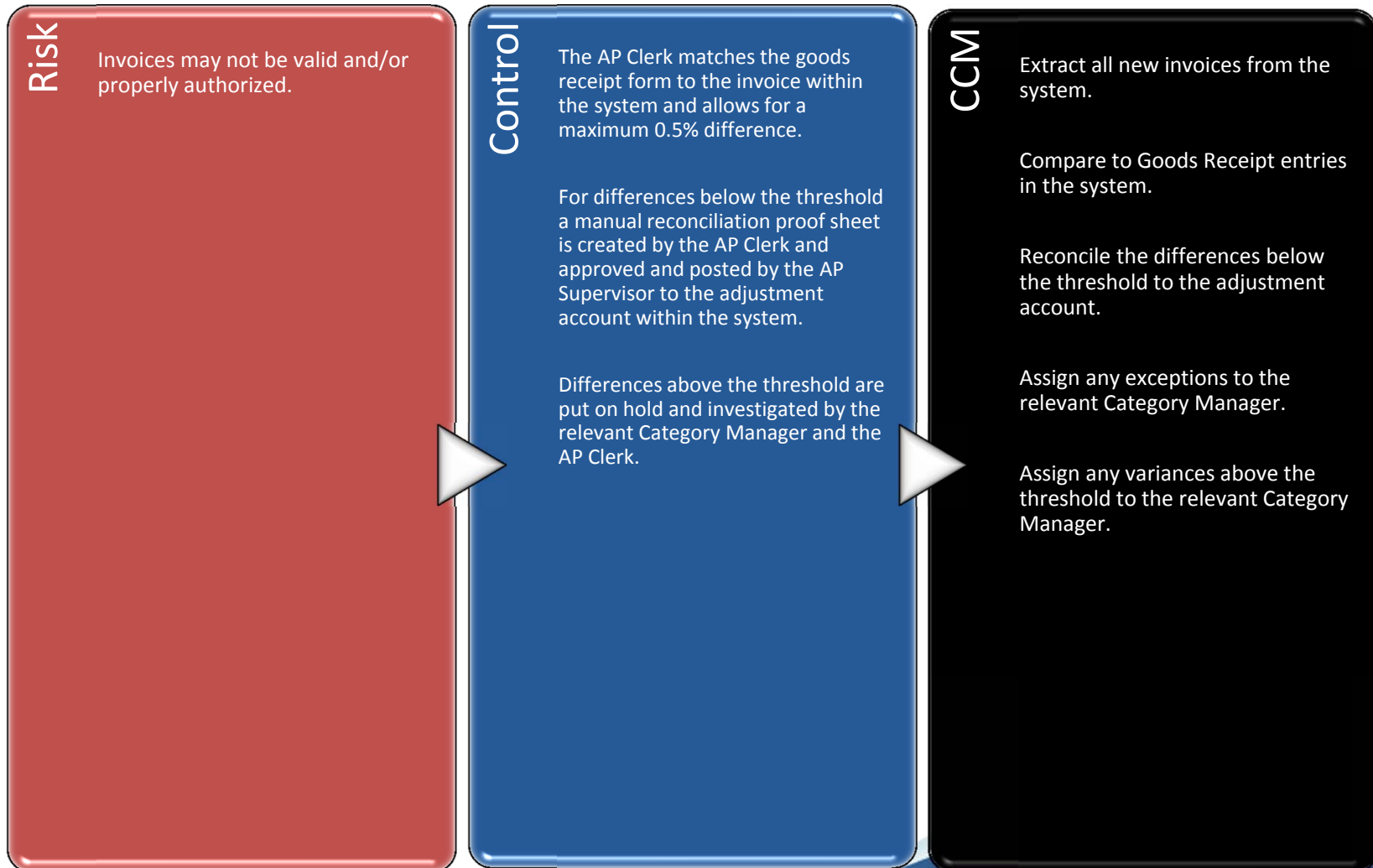
Frequency: Recurring

COSO Component: Control Activities

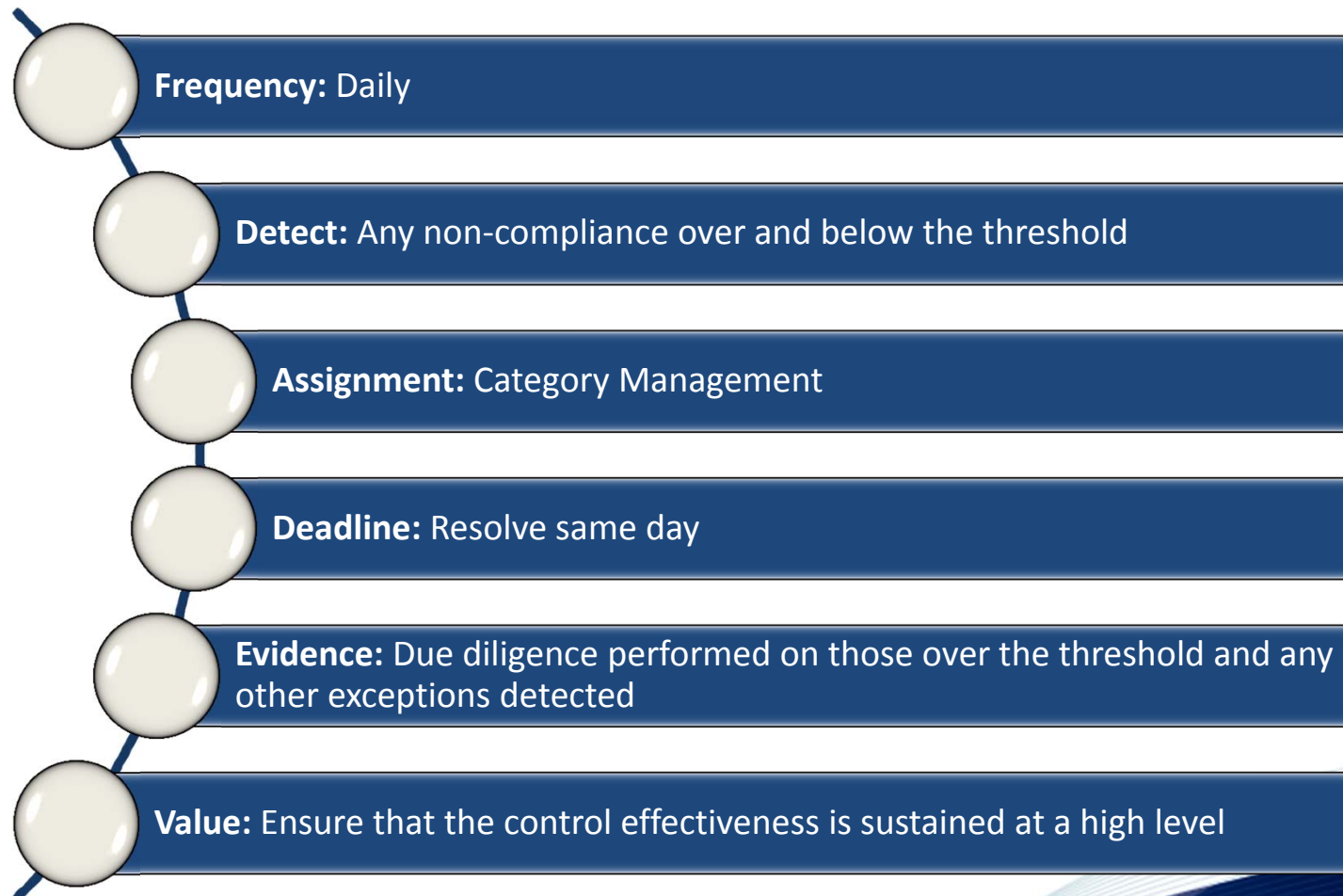
Risk, Control and Audit Steps



The CCM Component



Properties of the CCM Testing



Benefits of this Approach

- Independence
- Efficiency and effectiveness
- Less dependency on management
- Can be integrated into operations
- Comprehensive IT solution
- Collaboration

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Strategic Implications

- Operational risk failures
- Strategic implications
- Capital injection
- Existence

Whitepaper



Available for Download

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Conclusion

- ERM should influence the controls being monitored in CCM
- CCM should be used extensively in the monitoring phase of ERM

Thank You



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