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Mastering Continuous Control Monitoring Enhancing Internal Auditing and Risk

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Bio

Chris Trepte, Client Partner

- Chris Trepte is a Client Partner at Diligent who works with and supports clients across Audit, Risk and Compliance teams within the State, Local, and Education Department as well as Federal Government verticals.

- Prior to joining Diligent, Chris had 8+ years of experience at BDO and Protiviti, leading and executing IT consulting engagements encompassing IT General Controls, SOC 2 Readiness, ICFR, SOX and NIST Compliance as well as ad-hoc IT Security reviews.

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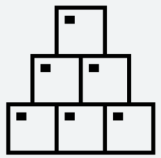
Learning Objectives

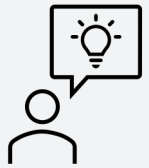
1. Understand the concept of Continuous Control Monitoring (CCM) and its significance in modern internal auditing and risk management.

2. Learn the key principles and components of CCM, including automated data collection, real-time monitoring, and exception reporting.



3. Explore the benefits of implementing CCM, such as improved fraud detection, enhanced compliance, and streamlined audit processes.

4. Acquire practical knowledge on how to assess your organization's readiness for CCM and develop an effective CCM strategy.



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Agenda

1. Introduction to Continuous Control Monitoring (CCM)
2. Where to incorporate CCM
3. Steps to achieving CCM
4. Examples of CCM in practice
5. Assess your readiness
6. Getting Started

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Introduction to Continuous Control Monitoring

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The ongoing process of monitoring and assessing internal controls within an organization to ensure compliance, efficiency, and risk mitigation

Definition of CCM

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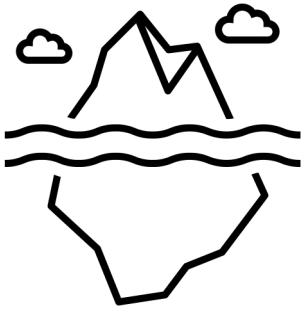
Why is CCM Important?

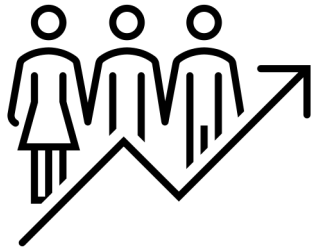
Increasing Complexity

In the modern business landscape, organizations face increasing complexity and risk.



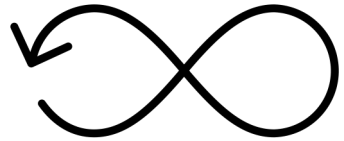
Manual Audits

Traditional auditing methods are no longer sufficient.



Continuous

CCM offers a proactive and dynamic approach to internal auditing and risk management.



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Significance of CCM

- **Timely Risk Identification**
  - Rapid detection of control weaknesses and vulnerabilities.
  - Allows for immediate corrective action.
- **Cost-Efficiency**
  - Reduces the cost of manual audits and compliance checks.
  - Maximizes resource allocation.
- **Enhanced Compliance**
  - Ensures adherence to regulatory requirements.
  - Reduces the risk of fines and penalties.

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Polling Question #1

Where is your organization on its journey toward Continuous Controls Monitoring?

A. We haven't started yet and have no plans to anytime soon
B. We are either considering or planning to start a CCM program
C. We have an early stage CCM program
D. We have a medium stage CCM program
E. We have a robust CCM program

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Where to Incorporate CCM

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Internal Audit Value Transformation

Risk Area vs. Resource Allocation

Risk Area	Resource Allocation
Strategic Risk	10%
Operational Risk	10%
Financial Risk	40%
Compliance Risk	40%

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Internal Audit Value Transformation

Now let's flip it

Risk Area	Time
Strategic Risk	10%
Operational Risk	10%
Financial Risk	40%
Compliance Risk	40%

to

Risk Area	Time
Strategic Risk	40%
Operational Risk	40%
Financial Risk	10%
Compliance Risk	10%

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Internal Audit Value Transformation

But what about the stuff we used to do?

Risk Area	Time
Strategic Risk	40%
Operational Risk	40%
Financial Risk	10%
Compliance Risk	10%

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Internal Audit Value Transformation

But what about the stuff we used to do?

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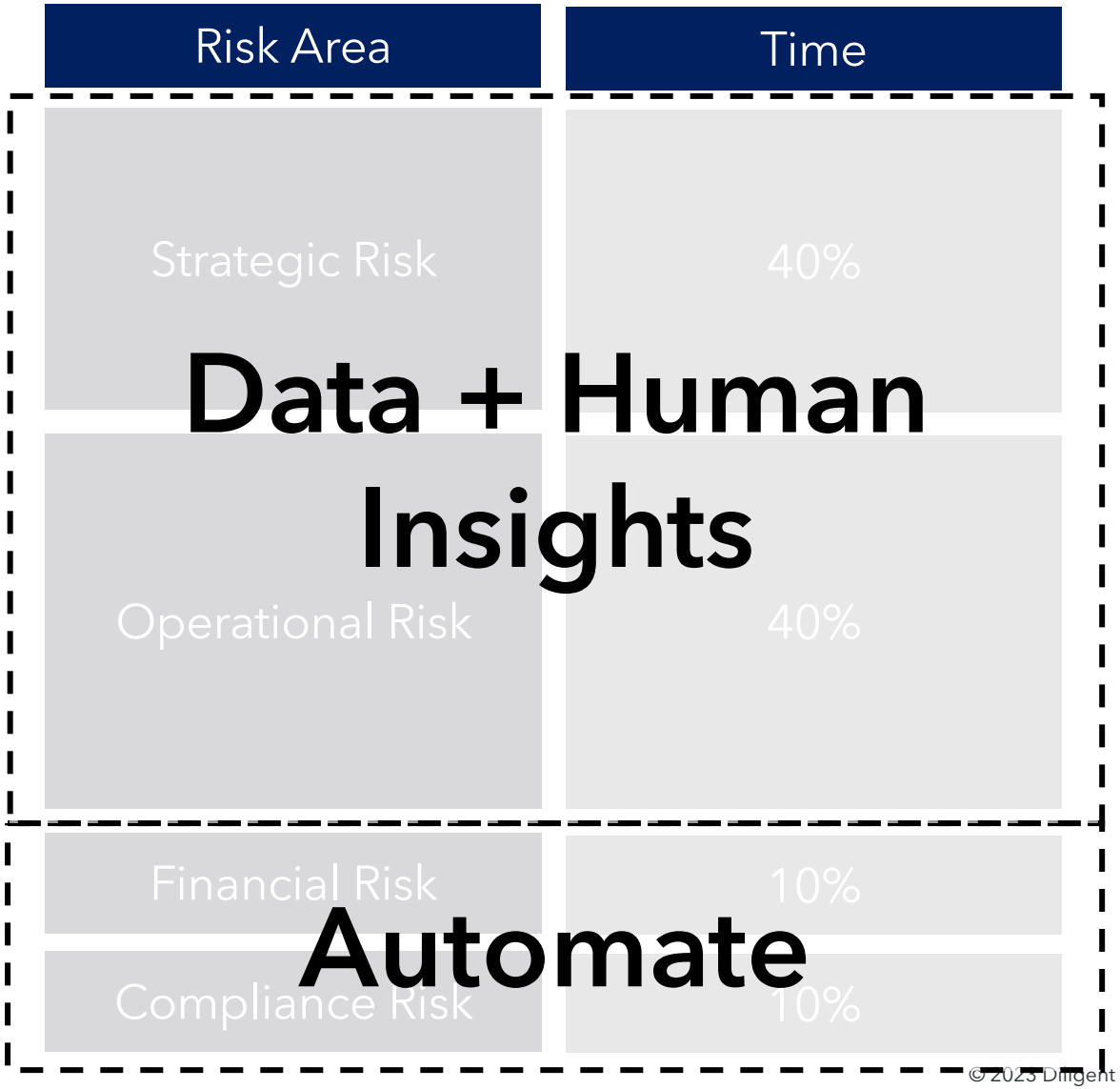
Internal Audit Value Transformation

But what about the stuff we used to do?



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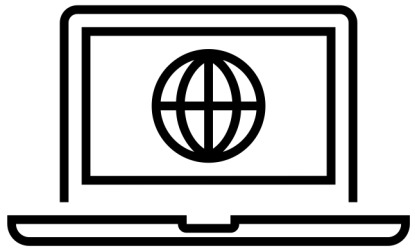
Key Areas to Begin With

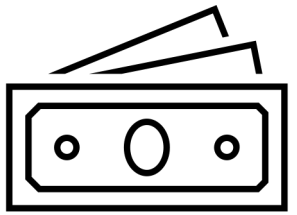
IT

- Obsolete User Access
- User Account Information Discrepancies
- Delays in User Account Deactivation
- Dormant Accounts



Finance

- Duplicate Payments / Invoices
- Split Purchase Requisitions
- Employee-Vendor Match
- Suspicious Pcard Activity



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Key Principles and Components of CCM

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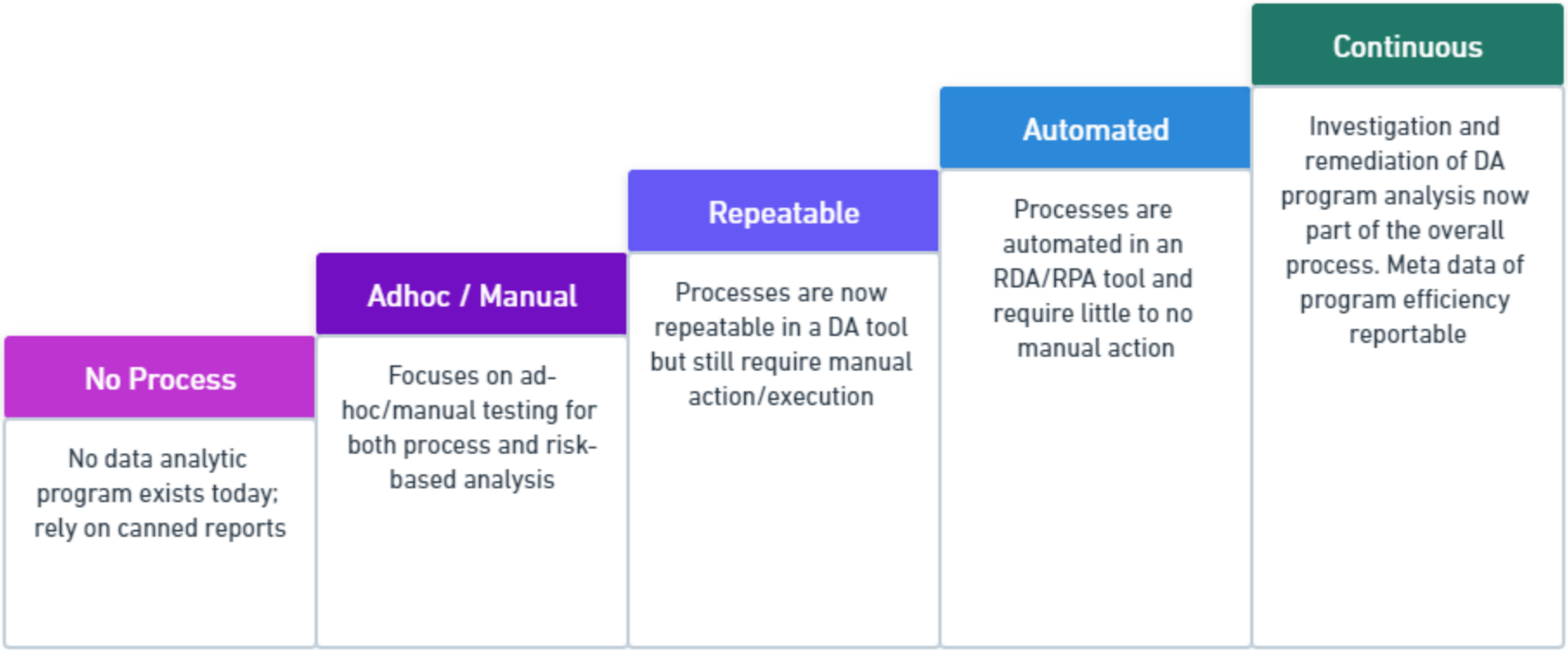

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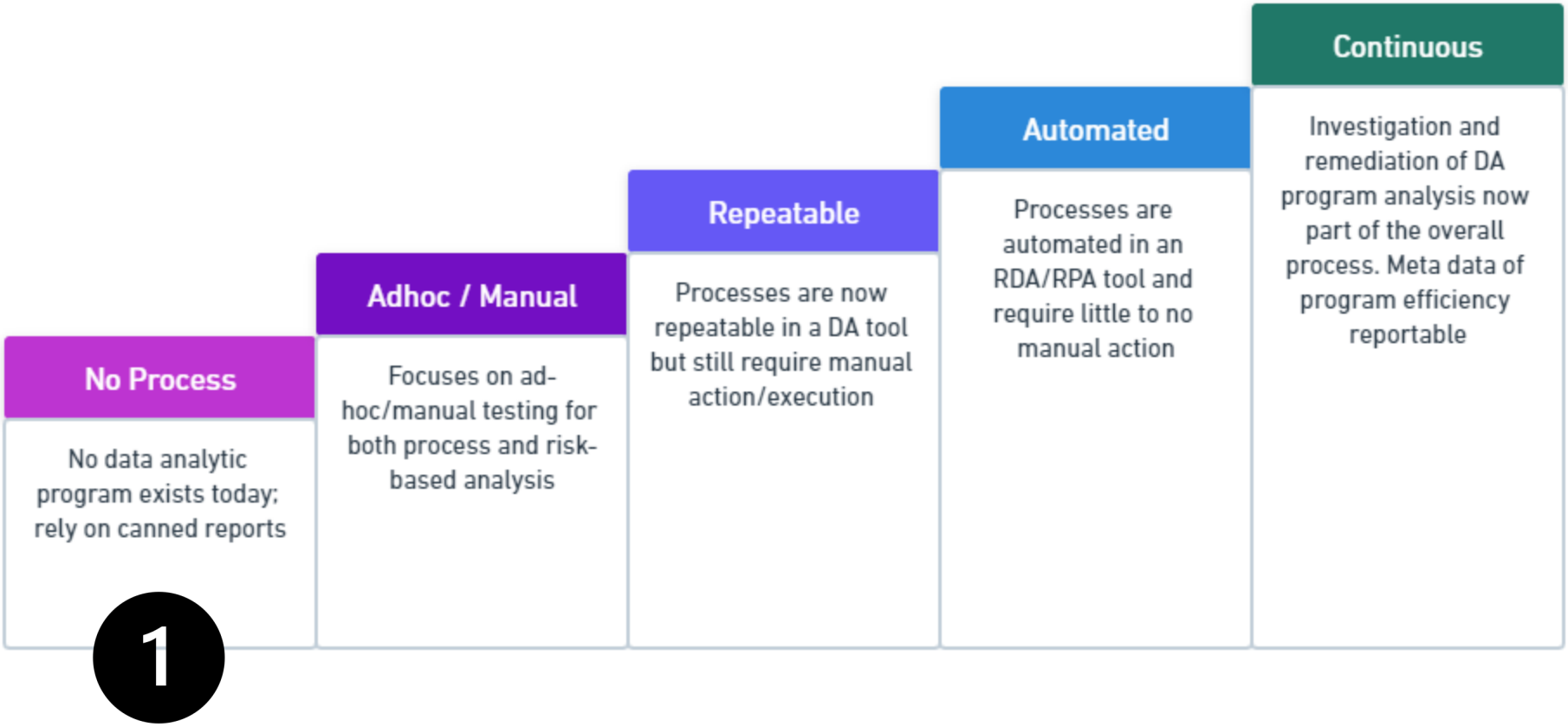

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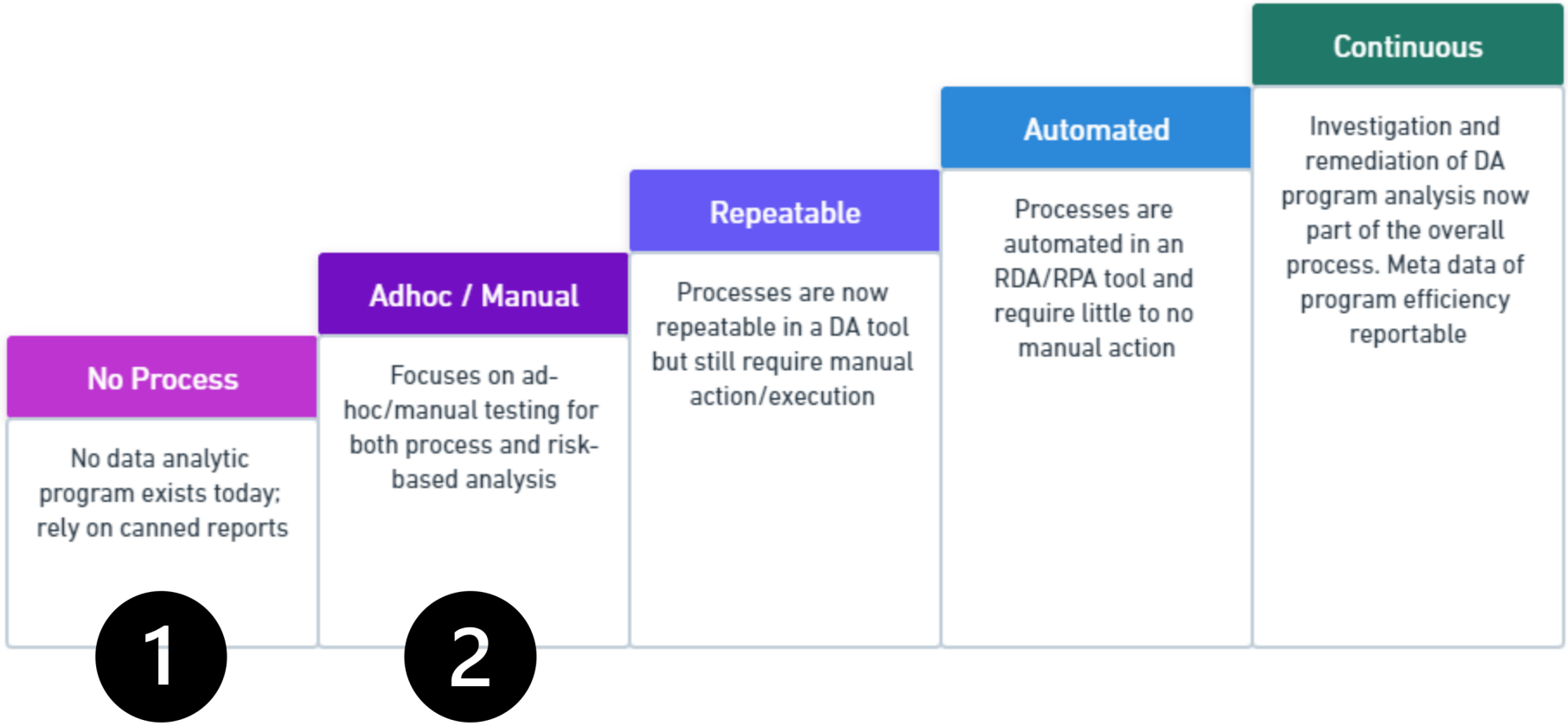

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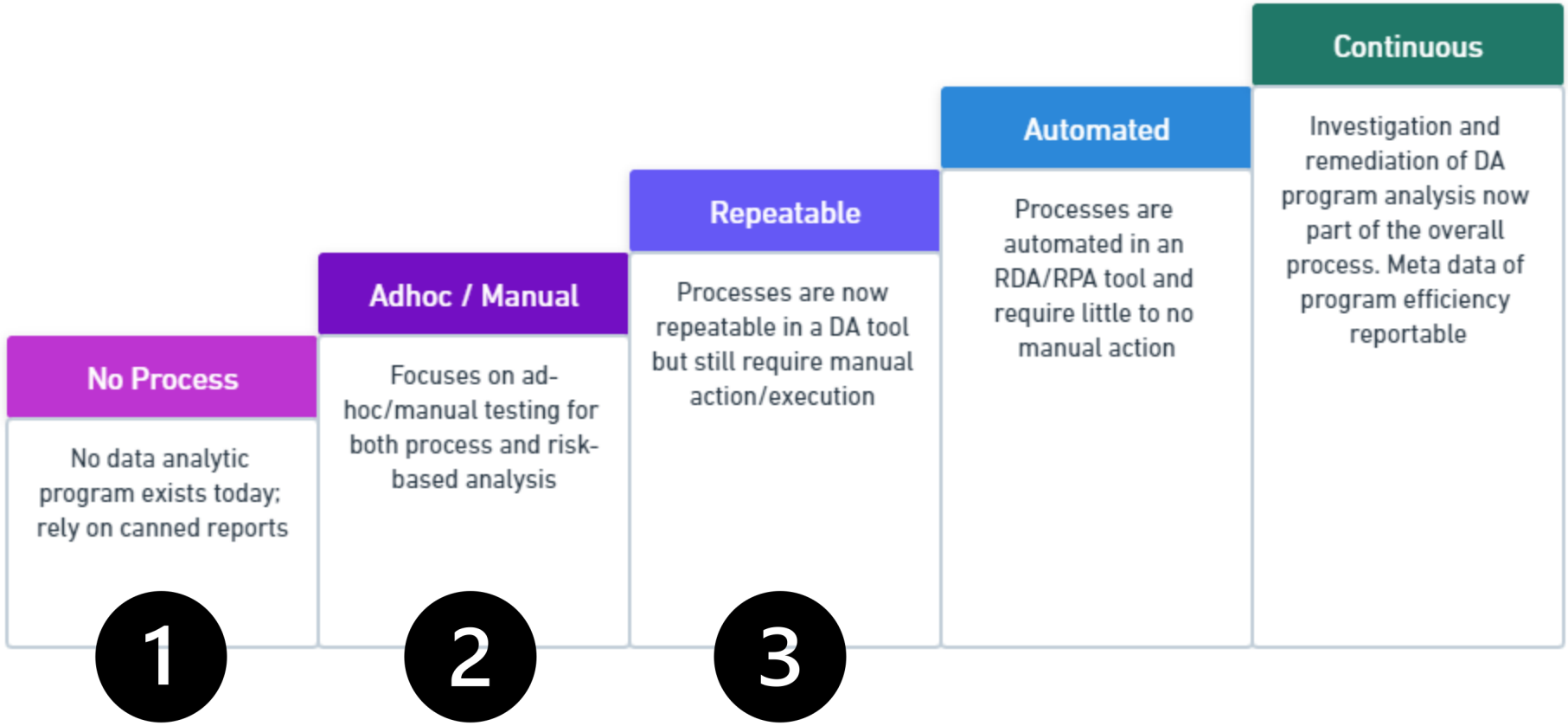

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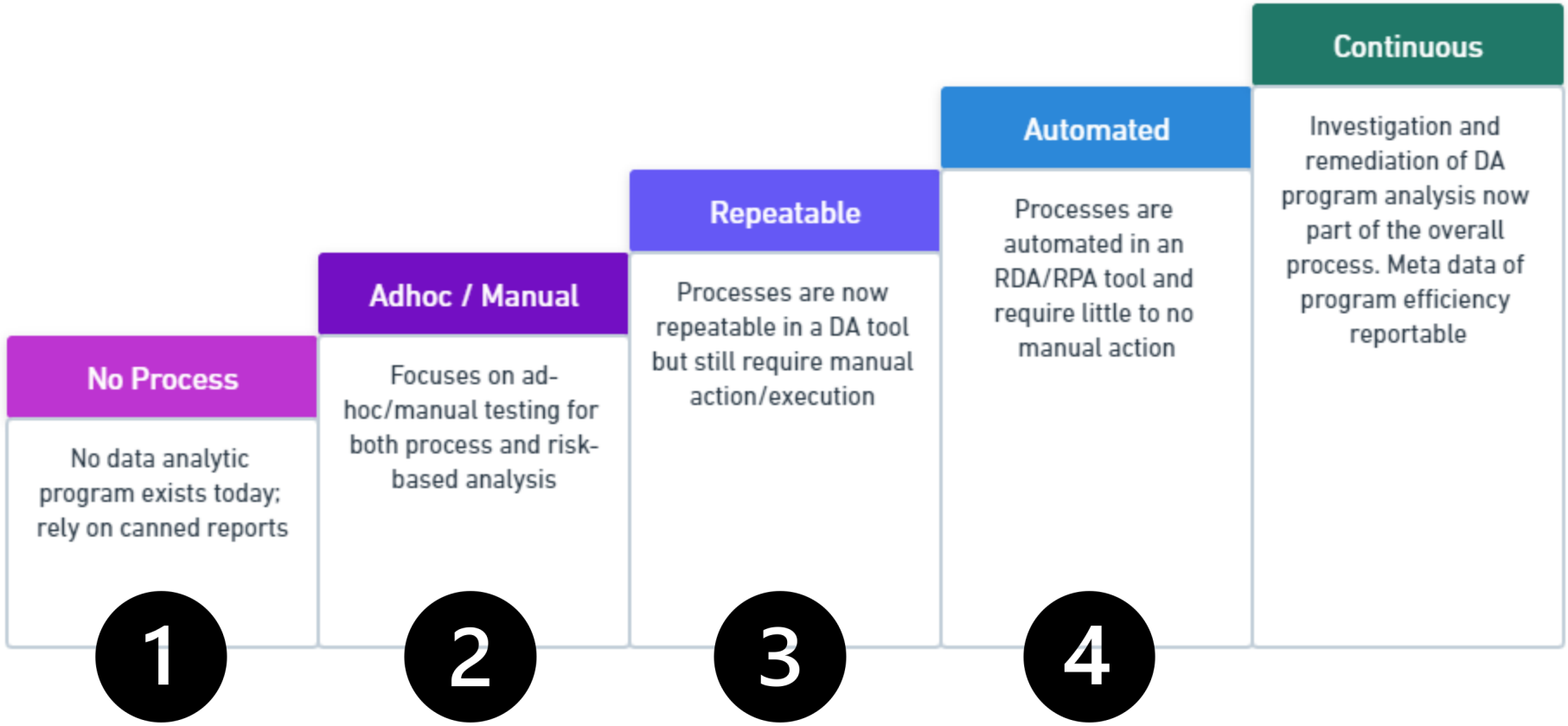

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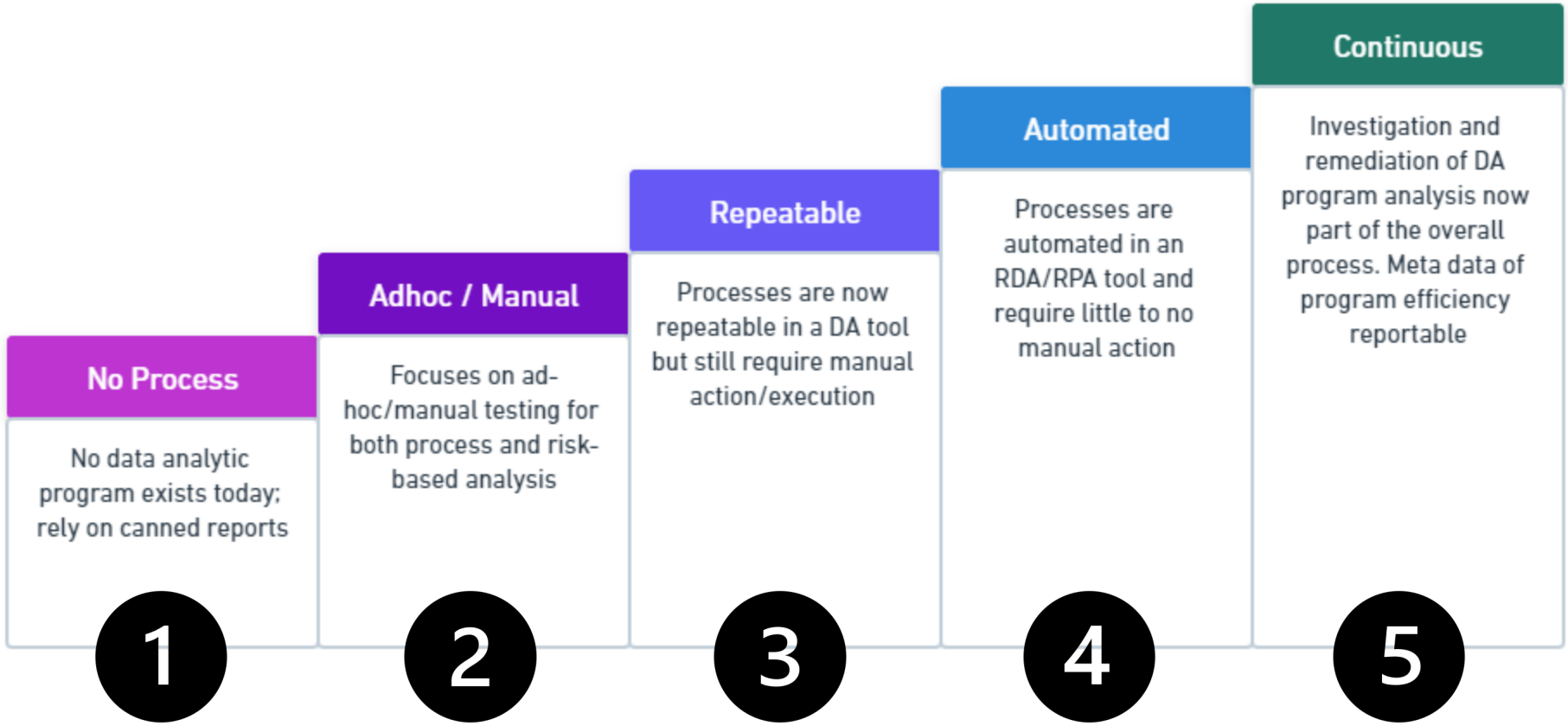

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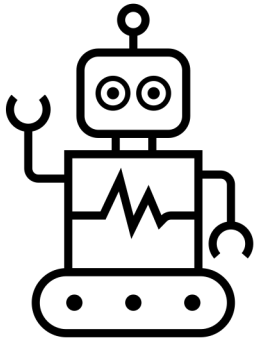
Core Principles

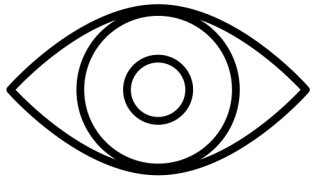
Automation

- Manual control monitoring can be time-consuming, error-prone, and inefficient.
- Automation streamlines the process, improves accuracy, and provides real-time insights.
- It allows organizations to identify issues promptly and take corrective action.



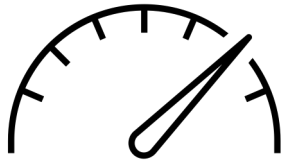
Real-Time Monitoring

- Automation enables real-time monitoring of controls.
- Identify issues as they happen, allowing for immediate intervention.
- Reduce the risk of costly errors or compliance breaches.



Exception Reporting

- Identify problems before they escalate.
- Allows for data-driven insights for better decision making.
- Improved resource allocation by focusing on critical issues



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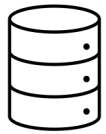
Key Components

Automated Data Collection

- Collect data from various sources, such as ERP systems, databases, and logs, in an automated and real-time manner.



Rule Engine

- Define specific rules and thresholds that indicate control violations or anomalies.
- Immediate notification and action of potential issues.

Analytics and Reporting

- Analyze large datasets, detect patterns, and generate insightful reports.

Remediation Workflow

- Establish a process for addressing and remediating control deficiencies once identified.
- Ensuring that issues are addressed systematically and in a timely manner.

Continuous Improvement

- Ongoing assessment and enhancement of CCM processes to adapt to evolving risks and business needs.

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Benefits of Implementing CCM

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Polling Question #2

What benefits are you hoping to achieve through CCM?

A. Improved risk management
B. Enhanced compliance
C. Increased efficiency / Resource Optimization
D. Cost reduction
E. All of the above

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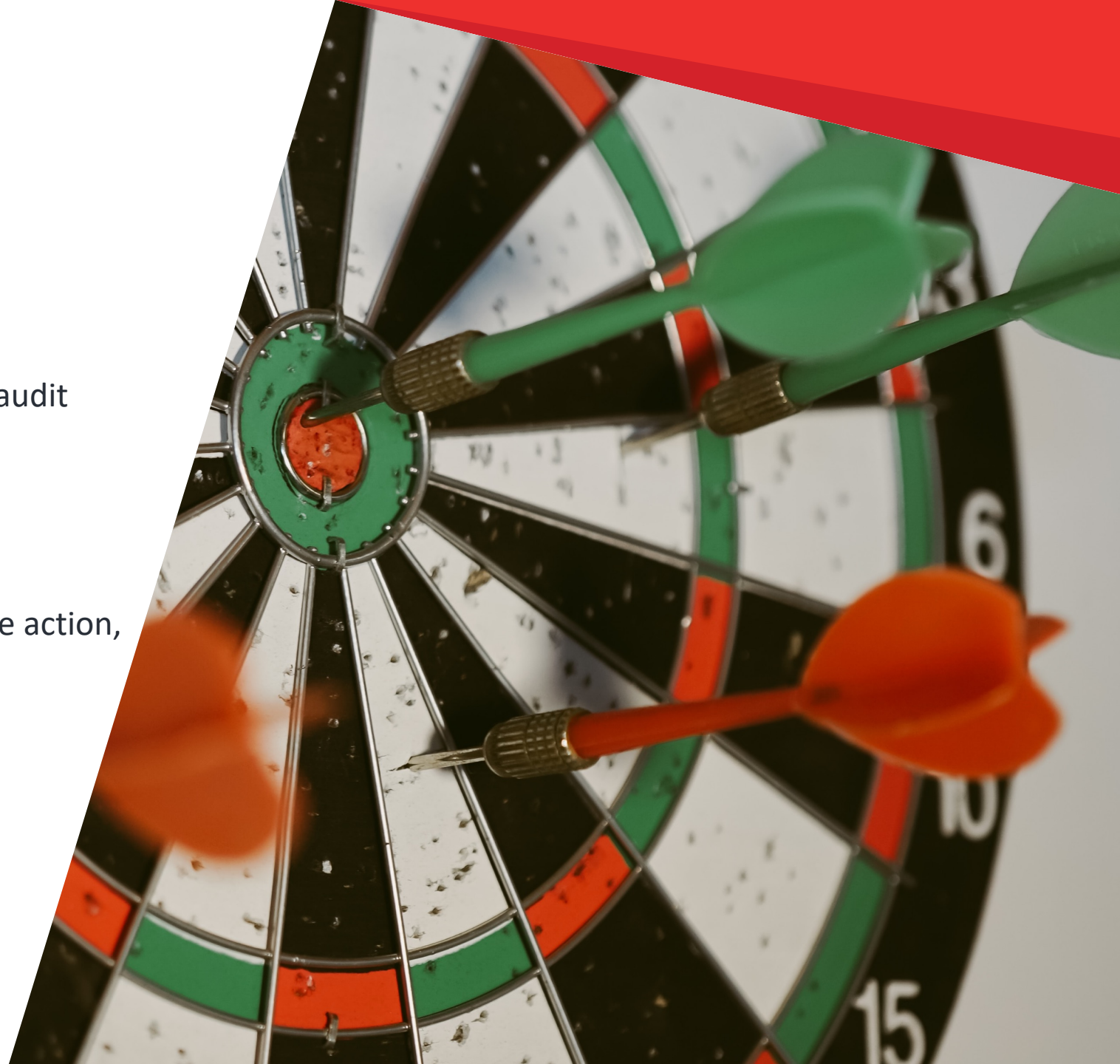
Enhanced Accuracy

- **Real-Time Data Collection**
  - Eliminates manual data entry errors.
  - Improves the accuracy and reliability of audit findings.
- **Immediate Alerts**
  - Timely detection of anomalies.
  - Enables rapid decision making, corrective action, and business improvement.



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Timely Risk Identification

- **Proactive Risk Management**
  - Early detection of control weaknesses.
  - Mitigates potential risks before they escalate.
  - Manual preventative controls replaced with automated detective controls.
- **Compliance Adherence**
  - Ensures compliance with regulatory requirements.
  - Reduces the risk of fines and penalties.

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Improved Efficiency

- **Resource Optimization**
  - Allocates resources where they are needed most.
  - Enhances operational efficiency.
- **Cost Savings**
  - Reduces the cost of manual audits and compliance checks.
  - Maximizes resource allocation.
  - Minimize the cost of compliance.

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"Continuous auditing could save 40% to 60% of the time wasted in audits waiting for auditees to prepare data, verify data accuracy, preparing reports, getting responses, etc."

Abdulrahman Sobhi, Head of Group Digital Audit Unit

Gulf Insurance Group

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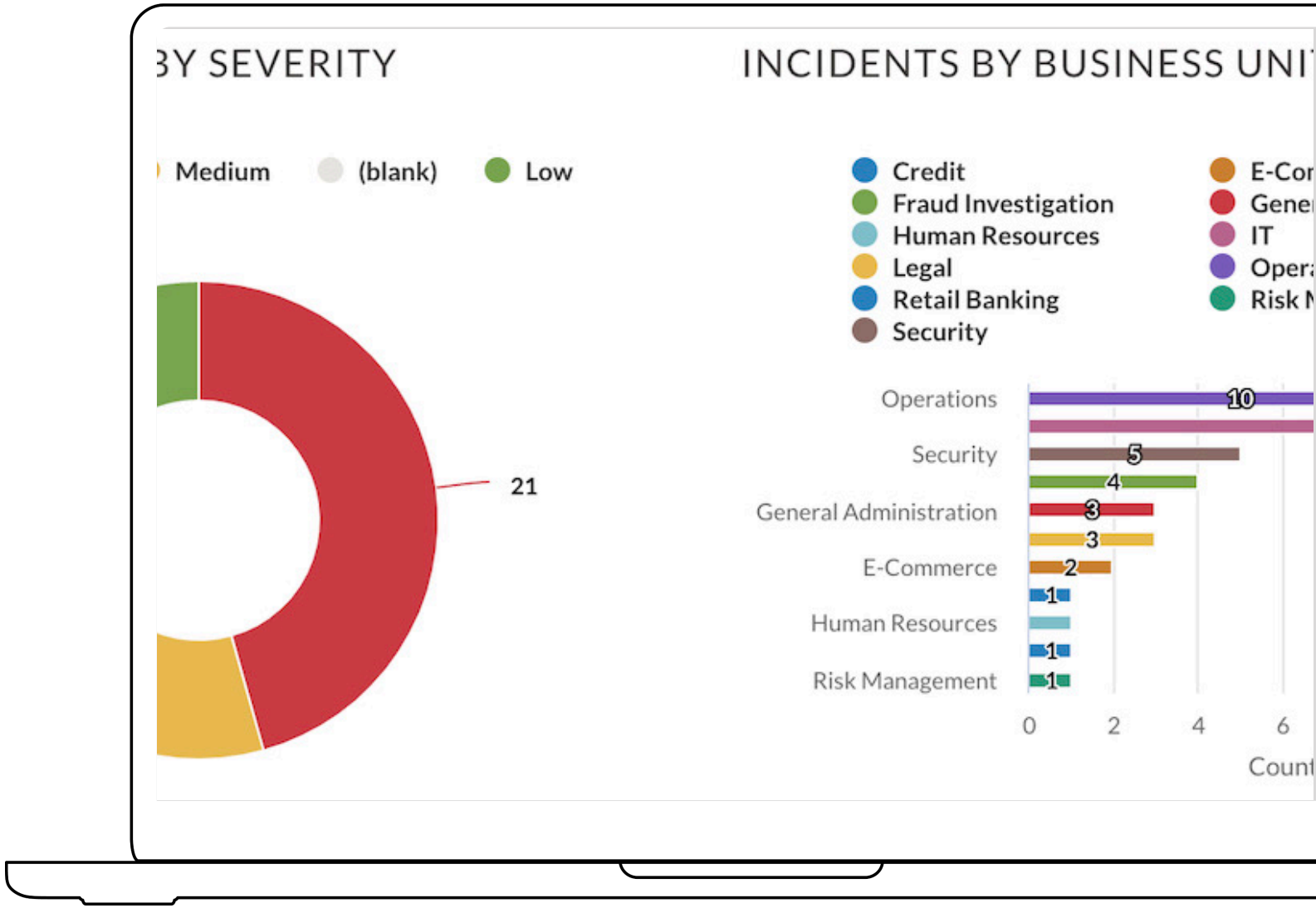
Real-Time Reporting

- **Instant Insights**
  - Provides immediate insights to decision-makers.
  - Enables proactive decision-making.
- **Data-Driven Decisions**
  - Equips leaders with the information needed for strategic planning.
  - Supports data-driven decision-making.



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Increased Accountability

- **Transparent Reporting**
  - Demonstrates accountability to stakeholders.
  - Builds trust and confidence.
- **Ethical Conduct**
  - Upholds ethical standards by identifying and addressing control breaches.

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Regulatory Compliance

- **Adherence to Regulations**
  - Ensures compliance with industry-specific regulations.
  - Provides documented evidence for audits.
- **Audit Trail**
  - Maintains a detailed audit trail of control activities.
  - Facilitates regulatory reporting.

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Assessing Readiness for CCM

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Assessing Organizational Readiness

Leadership Commitment

- Top-Down Support
- Must get buy-in from leadership
- Set the tone for a culture of compliance

Technological Infrastructure

- Evaluate capacity of Existing Technology
  - Data collection, analysis and reporting
- Identify gaps in technology

Data Quality

- Ensure the integrity, accuracy and completeness of data
- Data cleansing and validation

Employee Expertise

- Assess the proficiency of the audit and IT teams
- Identify gaps in skills
- Provide training on CCM tools and processes

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Polling Question #3

What is the biggest challenge you have faced in implementing CCM?

A. Lack of resources / Lack of talent
B. Difficulty accessing / organizing required data
C. Integration issues with existing systems
D. Resistance from stakeholders
E. Regulatory compliance concerns

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Developing a CCM Strategy

Strategy Components

Define objectives

- Setting Clear Goals
  - Defining what the organization aims to achieve with CCM.
  - Objectives should be specific, measurable, achievable, relevant, and time-bound (SMART).

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Developing a CCM Strategy

Strategy Components

Select technology

- Choosing the Right Tools
  - Select CCM tools that align with organizational needs and capabilities.
  - Consider scalability and compatibility with existing systems.

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Developing a CCM Strategy

Strategy Components

Establish monitoring protocols

- Rule-Based Alerts and Thresholds
  - Define rules and thresholds for exception reporting.
  - Create a structured framework for monitoring.

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Developing a CCM Strategy

Strategy Components

Plan for continuous improvement

- Feedback and Adaptation
  - Encourage feedback from users and stakeholders
  - Regularly assess the effectiveness of the CCM strategy and make necessary adjustments

Alignment with organizational goals

- Ensure the CCM strategy aligns with the overall strategic direction.

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Challenges and Mitigations

Common Challenges

- Resistance to change
- Resource constraints
- Data privacy concerns.

Solutions

- Change management initiatives
- Resource allocation strategies
- Data encryption
- Compliance with data privacy regulations.

Getting Started

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Four Easy Steps

Build a Business Case

- Purchase technology
- Identify ROI
- Get buy-in from the business

Plan a Pilot

- Low hanging fruit
- Doesn't need to be complex
- Pick a team that's easy to work with

Build it

- Work with various stakeholders
  - IT
  - Business
- Take your time
- Quality over Quantity

Communicate Results & Integrate Feedback

- Share results with leadership
- Track future savings
- Project stakeholders should be just as excited

Analytics Buyer's Guide

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Implementing CCM

Tactical Approach

Processes / Controls

1. Identify processes or controls

- Through assessments define scope of control assurance.
- Determine priority controls for continuous monitoring.

Control Objectives

2. Identify control objectives (or goals) and key assurance assertions for each control objective.

Automated Tests

3. Define automated tests (or metrics) that will drive success or failure criteria of each assertion

Frequency

4. Determine the schedule / frequency, ensuring to test at a point in time close to when the transactions or processes occur.

Communicate

5. Implement processes for managing alerts, including communicating, investigating, and remediating any exceptions / control weaknesses.

Continuous Improvement

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Polling Question #4

Would you like a follow-up from Diligent to learn more about continuous control monitoring?

A. Yes, please
B. No thanks

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Questions?

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