



Continuous Auditing and Continuous Monitoring: Transforming Internal Audit and Management Monitoring to Create Value

ADVISORY



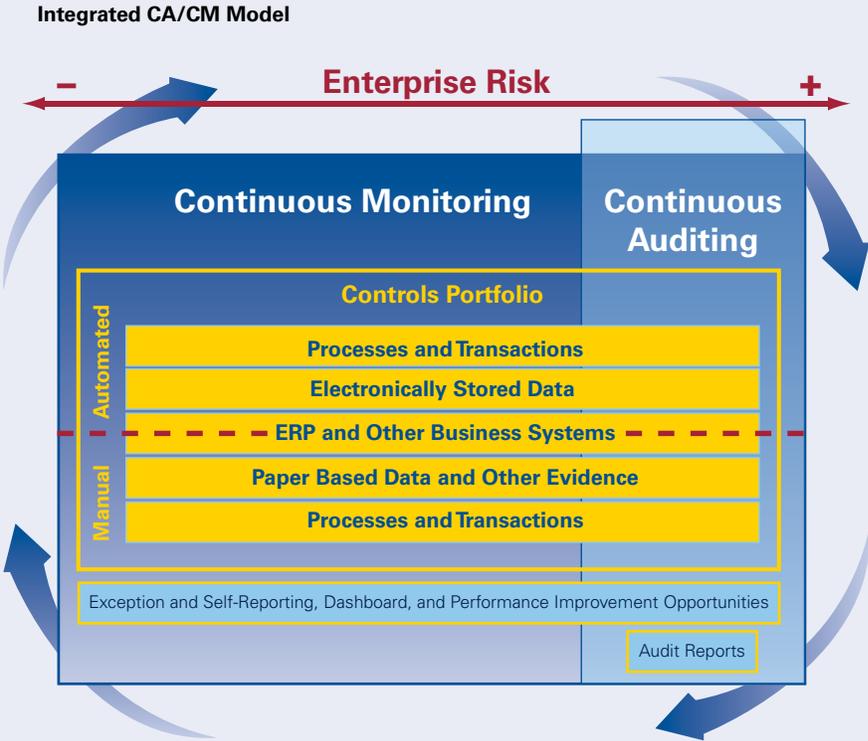
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As global organizations aim to address the rapidly evolving and often complex risk environment and meet ever-changing regulatory, business, and industry requirements, leaders are searching for innovative ways to efficiently meet corporate objectives. Many have begun to advance their efforts by implementing continuous auditing (CA) and continuous monitoring (CM) disciplines around their organizational processes, transactions, systems, and controls. Leveraging proactive, technology-based applications to manage performance and key areas of risk and control has become a practical and necessary alternative to meet the growing needs of the organization. Together, CA and CM offer a broad range of benefits that can help organizations add value and improve business performance. CA/CM can deliver regular insight into the status of controls and transactions across the global enterprise, enhancing risk and control oversight capability through monitoring and detection.

What Is Continuous Auditing and Continuous Monitoring?

Across organizations and industries, while the definitions may vary, the goal of CA/CM is to provide greater transparency into the operations and more timely reporting of concerns. Continuous auditing consists of the automated collection of audit evidence and indicators by an internal or external auditor from an entity's IT systems, processes, transactions, and controls on a frequent or continuous basis. This information enhances auditor capabilities and helps to ensure compliance with policies, procedures, and regulations. In many cases, CA can act as an early warning system to detect control failure on a more timely basis than under traditional approaches.

In contrast, continuous monitoring is an automated feedback mechanism for management to ensure that the systems and controls have been operating as designed and transactions are processed appropriately. Management can utilize this information to set business rules or tests, using analytics to identify performance gaps or unusual transactions that may suggest control failures. CM allows management to have greater visibility into the organization—enhancing capabilities and entity-level controls while maintaining optimal performance.



A CA/CM model integrates management's responsibility to monitor risk and internal control performance with how the internal/external auditor needs to provide a risk-based level of assurance over management's controls and monitoring capabilities. Management's control portfolio includes any number of automated and manual controls designed to mitigate risk and depending on the extent controls are automated, or could be automated, the greater the benefit of providing continuous transparency into performance. For highly manual processes, transactions management, and internal audit, one can utilize macro-level analysis to monitor risks. CA/CM is an ongoing process for both management and the auditors to continuously assess evolving risks, design controls, and implement corrective actions and other changes as necessary.



Common drivers for CA/CM implementations

CA/CM strategy is influenced by a variety of drivers. Strategic drivers include the pressure to improve governance, a need to improve performance and accountability, as well as the ability to get better visibility into global operations. Operational drivers include the occurrence or risk of fraud and misconduct, Enterprise Resource Planning (ERP) conversion, and the desire to make optimal use of IT investments. External drivers include the expanding regulatory and risk environment, scrutiny from rating agencies, and an uncertain economic environment.

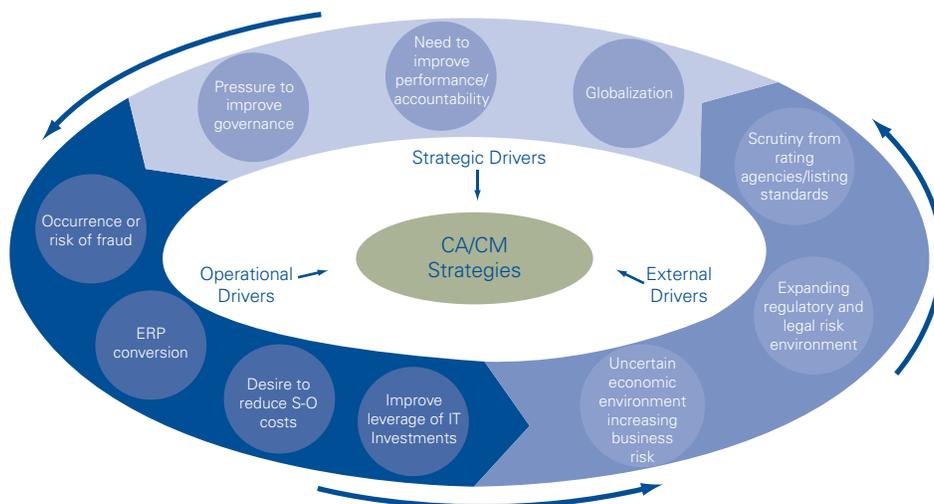
How can organizations benefit from CA/CM?

In addition to ever-increasing technology and regulatory requirements, many organizations are looking to remove excess costs from operations and improve efficiency, improve controls and processes, and prevent and detect fraud and misconduct.

In supporting an organization's efforts to address these objectives, CA/CM can offer considerable benefits, such as:

- Delivering regular insight into the status of controls and transactions across the global enterprise
- Enhancing overall risk and control oversight capability through early detection and monitoring
- Using automation to efficiently test a broader range of transactions and controls
- Reporting value to your board and C-level management

CA/CM strategy is influenced by a variety of strategic, operational, and external drivers...



What are the drivers influencing CA/CM in your organization?

Why are many organizations implementing CA/CM?

The goal of implementing CA/CM is to enhance the overall visibility of the organization to risk and performance through the effective use of technology. Understanding the organization's risk profile is fundamental to implementing CA/CM. By assessing the risks, leaders can then decide priorities and direct resources to those areas that are most important to the business, resulting in:

- Greater audit efficiency and effectiveness
- Enhanced internal controls and improved performance
- More timely information to expedite response and reduce cost
- Greater transparency and reduce complexity

Key Implementation Considerations



How Can KPMG Help?

Implementing CA/CM is much more than a technology exercise. KPMG has the experience and industry knowledge to help you effectively apply your knowledge of your business risks and internal mechanisms to designing a CA/CM framework that supports strategic management objectives. We also have assisted organizations in building successful business cases to demonstrate Return on Investment (ROI) from CA/CM implementation. Having helped organizations through CA/CM implementation, we understand the pitfalls and have the know-how to navigate the change management process.

In addition, KPMG can assist in:

- Designing and implementing CA/CM risk-based approaches
 - Dashboards
 - Scorecards
 - Analytics
 - Reports
 - Management Protocols
- Optimizing continuous controls, continuous transaction, and key performance indicator monitoring systems and processes
- Executing individual CA projects
- Evaluating antifraud processes that are part of the CA/CM approach
- Integrating with governance, risk, and compliance initiatives
- Integrating with business intelligence initiatives
- Designing/incorporating with more sophisticated data analysis initiatives
- Training



To learn more about CA/CM, please contact:

Deon Minnaar
345 Park Avenue
New York, NY 10154
Tel 212-872-5634
deonminnaar@kpmg.com

Jim Littley
1601 Market Street
Philadelphia, PA 19103
Tel 267-256-1833
jlittley@kpmg.com

Don Farineau
2001 M Street NW
Washington, DC 20036
Tel 202-533-4320
dfarineau@kpmg.com

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