

Evolution of the Chief Audit Executive From Strategic to Tactical...and Back Again.

A Reliant Whitepaper

Introduction

The role of the Chief Audit Executive (CAE) is evolving, but the methodologies and tools used by CAEs have been slow to change. With the pressures of mounting industry and financial regulations, shorter audit periods, budget cuts and greater scrutiny by executives and the Audit Committee, CAEs must find better ways to manage the audit process if they expect a seat at the executive table. This paper outlines some of the challenges shared by today's CAEs, and describes how Reliant Solutions is providing a new, integrated approach to audit management. This methodology will allow CAEs to gain greater insight and efficiency over their audit processes, reduce the time and costs of conducting audits, improve the quality of audit results, and offer greater assurance to executives, board members and shareholders. By automating audit through Reliant's holistic approach, CAEs can elevate their focus on strategic rather than tactical issues that can positively impact organizational performance.

The Evolving Job of the CAE

As the head of internal audit, your fundamental duty may be to validate the effectiveness of internal controls; or perhaps your primary job is to assure company executives that financial results are being accurately reported. On the other hand, your top priority may be to verify that the organization is in compliance with federal and industry regulations. In some cases, your job may require you to help the organization to identify and mitigate operational risks. These examples illustrate that the role of Chief Audit Executives (CAE) today is as varied as the job titles and reporting structures under which they labor. Director, Senior Director, Vice President, Manager, etc. are some of the titles used to identify the head of Internal Audit. Surprisingly, of the 800+ attendees to the General Audit Management Conference held in March of 2008, only 5% were listed as Chief Audit

Executives when more than 50% of attendees were considered to hold "executive" positions.¹ Many believe that this variation in job titles reflects a bigger issue among the highest levels of executive management: a lack of recognition for the strategic value that CAEs, and the internal audit

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department in general, can contribute to the organization. As one CAE put it, "As long as compliance remains the focus, we'll never get invited to the 'big boys' table'."

Few auditors in the United States would deny that the audit profession changed as a result of the Sarbanes-Oxley Act of 2002. Before SOX, the CAE acted in a consultative role, providing leadership and support to the CFO and CEO in a number of areas such as internal control review, financial audit, operational audit and industry-related compliance issues. Before SOX, CAEs conducted extensive annual audit planning focused on identifying and filling gaps in the control environment rather than filling holes in documentation. The goal of audit was to offer a value-added process for mitigating risks that may have been overlooked by business process owners, and uncovering opportunities for business process improvement.

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After SOX was passed, internal audit became a SOX compliance function in many companies. CAEs that used to provide process oversight are now knee-deep in internal controls in an attempt to minimize unfavorable results from external auditors. As external audit scrutiny and fees increase, CAEs find themselves dedicating more internal audit resources to the SOX compliance process. This further diminishes the effectiveness of internal audit, as reduced resource availability and tighter budgets result in fewer operational and financial audits being performed. With only a limited audit scope possible, cycling through the control library and sampling 5% of the overall audit population is the best case scenario for many organizations. Yet the pressure to assure 100% financial accuracy, to respond to audit committee and external audit inquiries in a timely fashion, and to manage global operations efficiently and consistently remains heavy. Moreover, many auditors still rely on the tools and techniques of old: manual sampling and testing techniques yielding binders of work-papers and numerous spreadsheets, as well as inefficient reporting capabilities that are largely dependent on the IT department to fulfill.

The results of internal audit in the post-SOX era may be sufficient to meet compliance requirements for most companies, but is the work adding value to the business? With manual audit methods still rampant, field work takes a tremendous amount of time to complete, consolidate and evaluate. Thus, most of the time the CAE has limited visibility into "big picture" issues, such as how controls affect business continuity, and only a point-in-time picture of enterprise risk...at the end of the period when there's little opportunity to do anything about it. Ultimately, the CAE is faced with multiple challenges: resource constraints, inefficient tools and techniques, a focus on compliance rather than business opportunity, such that only a "minimum standard of

operating effectiveness” can be attained. This leaves management and boards with limited results from its internal audit dollars spent. It’s no surprise then to find a growing number of CAEs lack confidence in both the value of their work and the direction of their careers.

Continuous Auditing: Paradigm Shift or Pipe Dream?

For many years leading audit organizations such as the Institute of Internal Auditors (IIA), the Information Systems Audit and Control Association (ISACA) and the Auditing Standards Board of the American Institute of Certified Public Accountants (respectively ASB and AICPA) have promoted continuous auditing as an advanced methodology for addressing the complex audit and attest issues facing global organizations today. By implementing a continuous audit methodology, CAEs would be able to increase:

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- audit activity scope
 - sample sizes to better mitigate risk
 - speed of remediation
 - collaboration with business process owners
 - confidence of results
- ...while at the same time decreasing:
- audit field work performed
 - field work time and costs
 - risk assessment costs
 - fraud risk
 - risk of financial errors

Simply put, continuous auditing should help CAEs avoid the typical quarter-end and year-end rush, better manage their resources, and avoid the mistakes that happen when internal auditors don’t have enough time to effectively conduct a traditional, period-based audit .

The idea of continuous audit certainly isn’t new. As early as 1997, the AICPA Special Committee on Assurance Services called continuous audit “a new audit paradigm” characterized by “a set of real time financial and non-financial information accompanied by continuous assurance.”² A 1999 study by the ASB and the Canadian Institute of Chartered Accountants referred to continuous audit as “a methodology that enables the auditor to provide assurance on a subject matter simultaneously with, or very shortly after, the occurrence of events underlying the subject matter.”³ Today, the IIA defines continuous auditing as “a methodology used to automatically perform control and risk assessments on a more frequent basis.”⁴

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These definitions show an interesting evolution of the main idea behind continuous auditing: what started out as “real time” and “continuous” changed to “very shortly after”, which has been generalized further to “on a more frequent basis”. Similarly, a 2007 PwC study on the state of the internal audit profession defined “continuous” risk assessment updates as “more frequent than monthly.”⁵ Anyone who has attempted to implement a continuous audit environment will understand why the concept of “continuous” keeps getting diluted: given the limited audit tools available today, and the lack of appreciation by CEOs and CFOs for the value-add opportunities it affords, continuous auditing has been more of a pipe dream than a paradigm shift.

Additionally, the term continuous auditing is now often used interchangeably with “continuous monitoring”, even by respected audit experts. As a result, once an organization has purchased a tool for continuous monitoring, they wrongly assume (or are intentionally told by the vendor) that they will achieve continuous auditing as well. However, continuous auditing and continuous monitoring are two distinct methodologies. According to an article contributed by ISACA and published in the Information Systems Control Journal, “The end result of continuous monitoring is to obtain information about the performance of a process, system or data, not the issuance of an audit report.”⁶ In the same article, ISACA identifies two key differences between continuous auditing and continuous monitoring:

1. **Direct versus indirect nature:** Continuous monitoring systems provide indirect information about the performance of a process, system or control, whereas an auditor’s observance of a process, testing of data, or re-performance of a control provides direct evidence about the control.
2. **Responsibility and independence:** The monitoring of processes and systems is a management control function. When an auditor performs a management control function, independence may be impaired.

Thus, continuous monitoring systems can provide auditors with significant information, but due to its indirect nature and the responsibility of auditors to maintain independence, the data provided by continuous monitoring systems is not sufficient to constitute a continuous auditing environment.

The question then remains, is continuous auditing actually achievable, and if so, how do you go about it? First, you must approach continuous auditing in a pragmatic way without losing the concept of “immediacy”. In doing so, you can define continuous auditing as “a methodology used to perform control

and risk assessments automatically, at any time or frequency.” This definition necessitates a change in the audit process from periodic reviews of a sample of transactions to ongoing testing of 100% of transactions. Furthermore, continuous auditing should allow CAEs to proactively perform audit management activities on a continuous basis, including assessing risk and reporting audit results quickly and easily.

Where Automation Has Helped...and Hasn't

From the auditor's perspective, compliance frameworks don't automate the job of auditing, which includes sampling, control testing, remediation or risk assessment, except in giving auditors a place to document results.

With SOX came an outbreak of market hype around Governance, Risk and Compliance (GRC), along with an onslaught of technology vendors promising to reduce the burden of GRC on public companies. In 2005, Forrester Research identified more than 400 different software vendors claiming to provide GRC solutions, where most “meet only a single requirement or a handful of [GRC] requirements.”⁷ Although CAEs are primary stakeholders in GRC initiatives, they have been largely underserved by both vendors and the analyst community, which has focused the majority of compliance-related research on “GRC platforms”. These umbrella solutions were supposed to enable broad oversight of risk and compliance across an organization. While the objective is worthy, the “one size fits all” approach rarely fits anyone...and certainly hasn't been a good fit for the CAE.

Considering the documentation nightmare most public companies go through to prepare for their first SOX audit, GRC platforms (also called compliance frameworks) can certainly provide some value as a central repository for risk and compliance documentation. Many companies have implemented compliance frameworks to replace the myriad spreadsheets, binders and files that used to store this information. However, despite some automated workflow capabilities and graphical “dashboards” they may include, compliance frameworks are still static repositories. In other words, you only get out what you manually put in. If the information is not updated constantly, then you still have no visibility into the current state of risks and controls. From the auditor's perspective, compliance frameworks don't automate the job of auditing, which includes sampling, control testing, remediation or risk assessment, except in giving auditors a place to document results.

A different class of auditor tools has been widely adopted to assist with data analysis and fraud detection. These software products, known as analytics tools, can perform data extraction from any data source and apply complex analytic rules to identify fraud patterns. While useful for audit field work, these tools do not provide a “big picture” perspective of the control environment, and are not designed to help CAEs manage the entire audit process or assess enterprise risk. In addition, the implementation of analytic

tools is specific to a known set of data: auditors need to know what patterns they are looking for, where to find them, and how to extract the right information to recognize them. It takes a significant amount of technical expertise to implement these tools.

Continuous Controls Monitoring (CCM) is quickly becoming recognized for its ability to detect control violations by scanning transactions, master data, configuration files and other data sources in real-time or near real-time. While audit best practices dictate that CCM is a management control function and therefore the responsibility of business process owners, the information generated by CCM systems is very useful to auditors in validating the effectiveness of controls. CCM enables auditors to examine much larger samples of test data (up to 100% of transactions) than could be sampled and examined manually. CCM systems also give auditors an automated way to flag suspected control violations and forward them to staff members or business owners for remediation. However, as with analytics tools, CCM solutions alone are not sufficient to meet the needs of the CAE. They are stand-alone applications, not integrated with an enterprise risk and control framework, and not built to support the audit process. While they have the potential to monitor a variety of financial and operational conditions, the adoption of CCM systems has been driven primarily by the need to improve Segregation of Duties (SOD) controls and most are used only for that purpose.

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ERP vendors are also tackling the SOD problem by embedding preventive controls into the application environment. For example, embedded SOD controls can prevent an ERP administrator from granting a responsibility or function to a user that would result in a SOD violation. Some consider the recent addition of preventive controls into ERP systems as functional “gap fillers” for the IT department: a means to simplify customization of the application and supplement rigid security structures. Others consider SOD solutions that are administered by IT to be a lot like foxes guarding the hen house – IT “superusers” who can circumvent all manner of ERP controls are often the very culprits of non-standard activity that auditors are trying to audit!

While software vendors and industry analysts debate whether preventive or detective controls are the better approach, from an audit perspective they are highly complementary. Preventive controls reduce audit time by eliminating repetitive cycles of detection and remediation for predictable and avoidable control violations. However, not all violations can be anticipated or avoided, and auditors are still required to attest to effective risk mitigation, even with preventive controls in place. Continuous monitoring tools that can capture and analyze 100% of transactions provide an ideal “backup” to preventive

controls that may be invoked when the transaction is originally executed. Automated detective controls provided by CCM systems allow auditors to validate that preventive controls embedded in the ERP are actually working. In other words, business process managers can use preventive controls to avoid what shouldn't occur, and auditors can use the data from automated detective controls to ensure that it didn't occur.

Despite the progress some ERP vendors have made in adding preventive controls into their platforms, their target market is not the audit community. While the larger ERP vendors do have GRC initiatives in place, they must cater to the needs of their primary stakeholders: IT, Finance, Manufacturing and other operational Lines of Business (LOBs)...not Internal Audit. Thus, it's no surprise that ERP vendors don't offer adequate solutions today to automate audit operations, perform risk assessment or provide a comprehensive control library. The unlikely addition of any continuous auditing capabilities into their product roadmaps would be years away and limited to their own platforms, which does not sufficiently serve the CAE with global, multi-platform responsibilities. Furthermore, many CAEs don't want to use the ERP platform to audit the ERP platform! A separate monitoring and audit environment facilitates the independence that internal auditors are expected to maintain.

Reliant Introduces Continuous Risk Management for Auditors

Since our founding in 2006, Reliant has maintained a clear focus: meeting the management needs of Chief Audit Executives and supporting their interactions with other stakeholders in the organization.

Russell L. Ackoff, Professor Emeritus of The Wharton School and renowned expert on operations management said, "To manage a system effectively, you might focus on the interactions of the parts rather than their behavior taken separately." At Reliant Solutions, we couldn't agree more. Since our founding in 2006, Reliant has maintained a clear focus: meeting the management needs of Chief Audit Executives and supporting their interactions with other stakeholders in the organization. We recognized that the pressures from regulatory compliance, the global economy and increasing shareholder scrutiny were weighing heavily on CAEs and turning their attention away from strategic issues to tactical paperwork. Although a variety of vendors were offering partial solutions to address risk and compliance challenges, none provided an integrated approach that would make the audit process more efficient, audit data more reliable, and help CAEs to prioritize the workload while expanding the scope of audit to better assess and mitigate risk.

In developing its solution, Reliant identified four important characteristics that were critical to meet the needs of CAEs and surpass what other vendors had brought to market. The first was creating a *dynamic* management

environment – one in which audit results would be automatically and continuously updated, categorized and presented to the CAE in a standard format. This would eliminate a significant amount of the time and effort normally spent poring through audit data manually, and would ensure that CAEs are making decisions using the most current and accurate information available. The second characteristic was **integration**, bringing together the right functionality to streamline the entire audit process and allow CAEs to assess, plan, assign, manage and review audit results from a single interface. Third, the solution must be **heterogeneous** by design, not built for any one ERP system or database, but able to monitor and extract data from any application or data source. And finally, it must incorporate audit **best practices**, including industry-standard control models and pre-packaged content for controls, audit plan templates, risk variables, etc. Based on these objectives, Reliant introduced the industry’s first continuous risk management solution for auditors, ReliantAuditor™.

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A brief survey of ReliantAuditor functionality shows that Reliant approaches the audit process the same way CAEs do: beginning with risk assessment which drives the audit plan and work programs. Using an automated Financial Statement Line Item (FSLI) risk assessment capability, you can import a trial balance statement and identify financial risk conditions based on pre-defined risk factors. The risk assessment results are used to generate an audit plan containing all of the corresponding controls that should be tested based on the affected business processes or accounts. The CAE can assign in-scope control tests to individual auditors, specifying appropriate sample sizes, and can track progress against the work program through an integrated workflow system.



Recognizing the limitations of manual sampling and control testing, the Reliant solution includes an integrated continuous monitoring engine that scans actual transactions and operational conditions from business applications and other data sources to identify control exceptions. These are fed into a global dashboard that provides a graphical display of the current control environment, including:

- active controls by business process
- status of control tests (pass, alert or fail)
- outstanding control failures that require remediation
- aging of open “tickets” for remediation
- impact and likelihood of risks

Details of control test results are updated in ReliantAuditor’s dynamic risk framework, ensuring that the CAE has a comprehensive and current picture of enterprise risks and controls at all times.

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The value of continuous monitoring increases as the number of controls which can be automated increases. With this in mind, Reliant has developed a broad range of automated controls that represent industry standards and best practices for SOX, operational and financial audits. Examples include automated controls that identify:

- duplicate payments
- ghost vendors
- retroactive purchase orders
- manual journal entries over threshold
- shipment/order mismatches
- unauthorized or excessive discounts
- customer credit limits exceeded
- dormant inventory items
- terminated employees with active logins

Automated controls are also available to monitor access to master data, unauthorized configuration changes, segregation of duties violations, and many other IT-related controls (GCCs). The control library supplied by Reliant was designed to support the COSO framework out-of-the-box. In addition, ReliantAuditor’s dynamic risk framework can be used to implement *any* control model (e.g. COBIT and COCO), and control monitors can be built to detect *any* measurable operating condition.

ReliantAuditor’s combination of risk assessment with audit program generation, workflow management, automated control testing and remediation allows CAEs to oversee enterprise-wide audit operations from a single environment, achieving higher quality audit results faster and easier than ever before. By integrating audit operations with a continuous

monitoring engine and a dynamic risk framework populated with a robust content library, our solution empowers the CAE further with continuous visibility into operational and financial risks.

Real-World Benefits of ReliantAuditor™

In two years, the semiconductor company was able to reduce external audit costs by 25% by enabling external auditors to rely more on internal audit work performed using ReliantAuditor.

After two years of development, ReliantAuditor was launched in the SAP environment of a global supplier of semiconductor and networking solutions. The company was using a COSO framework covering 33 business processes with 330 controls in scope. Prior to the rollout of ReliantAuditor, the company had implemented several compliance solutions, including a GRC platform and a tool for monitoring Segregation of Duties. However, the internal audit department had been unable to achieve a scalable approach to Sarbanes-Oxley compliance. Fees paid to the company's external auditor reached an unacceptable level and internal auditors were logging 80-hour work weeks during quarter-end.

In two years, the semiconductor company was able to reduce **external audit costs by 25%** by enabling external auditors to rely more on internal audit work performed using ReliantAuditor. Furthermore, with the ability to monitor controls in real-time, internal auditors could balance the workload over the entire period rather than rushing through the audit at quarter-end. As a result, the 80-hour work week was eliminated while the accuracy of testing and documentation was dramatically improved.

Another significant benefit of using ReliantAuditor was the **notable control rationalization** achieved. For example, prior to implementing ReliantAuditor, the semiconductor company's Order-to-Cash process required 65 manual controls, of which 30 were Key Controls (KCs). With ReliantAuditor, the Order-to-Cash process is now managed with **24 automated controls and 23 manual controls (a 28% reduction)**. Key Controls were reduced from 30 to 17 **(a 43% reduction in KCs)**, and 5 of those have been automated. All 47 controls for Order-to-Cash are maintained in the ReliantAuditor Dynamic Risk Framework and address a range of control types, such as user access, configuration management, financial and operational controls.

As these results demonstrate, companies that use ReliantAuditor are able to improve audit quality while reducing costs. They can better manage the workload while better managing risk. Further, ReliantAuditor enables CAEs to expand audit scope, implement exception-based auditing methods, and apply a proactive approach to managing risk without increasing resources. A summary of common CAE challenges, ReliantAuditor capabilities and resulting benefits to the CAE are shown in Table 1.

Table 1

CAE Challenges	Reliant Auditor Capabilities	CAE Benefits
Too much time spent on reviewing/compiling audit data from spreadsheets and other documents; Risk and Control framework requires frequent manual updates or becomes outdated and unreliable quickly.	Dynamic Risk Framework provides a central repository and methodology for managing risks and controls; Automatically updated with audit results from across the enterprise; Provides out-of-the-box support for COSO control model; Can be used to implement COBIT or any other control framework.	Eliminates time and complexity of storing controls and audit information across a multitude of binders and spreadsheets; Improves CAE productivity and decision making by ensuring that current, accurate status of the control environment, audit program and business risks are readily available online.
Not enough time to perform risk assessment on a regular basis. Lack of confidence by CAE or superiors in ability to quickly identify and mitigate risks that may impact financial reporting.	FSLI Risk Assessment enables auditors to import actual trial balances and assess risks and controls by financial statement line item and significant account. Incorporates a variety of industry standard and customizable risk factors.	CAEs are able to assess risk in minutes using actual financial data at any time; Enables more targeted audit scoping to focus on high-risk conditions that can affect financial reporting and disclosure.
Inability to reuse work between SOX, Financial and Operational Audits; No time to incorporate value-add audits into the annual plan.	Audit Plan Templates support SOX, Financial, and Operational audits by identifying in-scope controls, managing workflow and tracking status of audit results. Integration with Risk Assessment will automatically generate audit plan elements based on identified risks.	Reduces the time and effort needed to prepare various audit plans while ensuring that all relevant controls are included regardless of type of audit. Facilitates integrated auditing, enabling reuse of audit results across various audit types to eliminate redundant control testing and attestation; Frees up CAE to plan and implement value-add audit programs.
Suboptimal audit scope due to limited time and resources; Difficult to identify and remediate control violations in a timely manner.	Continuous Control Monitoring evaluates transactions and operational conditions from core business systems to identify out-of-policy events. Control violations generate alerts for investigation based on severity. Any sample size, up to 100%, may be tested via automated controls.	Enables more thorough control assessment across a broader scope in less time than manual methods; Escalates control exceptions for immediate resolution; Allows CAE to evaluate actual versus potential risks, and to identify process improvement opportunities.

CAE Challenges	Reliant Auditor Capabilities	CAE Benefits
<p>No insight into status of control environment mid-cycle; Difficult to audit “by exception” and prioritize workload; Poor communication and inefficient review/remediation processes with business owners.</p>	<p>Global Dashboard provides a graphical display of audit metrics and control test data according to user’s role; Custom reporting based on specific parameters, such as process areas, aging of open issues, key versus non-key controls, is available.</p>	<p>Provides continuous insight into the status of risks and controls across the enterprise; Prioritizes control exceptions and facilitates collaboration with remote audit staff and process owners by displaying high priority items that require immediate attention.</p>
<p>Control library is overly complex and not optimized, resulting in process inefficiencies and wasted man-hours on unnecessary control documentation and testing.</p>	<p>Prepackaged Content includes hundreds of automated control monitors representing industry best practices for SOX, Operational and Financial Audits.</p>	<p>Helps CAEs to rationalize control library and implement optimized, automated control monitors; Increases process efficiency and confidence in corporate controls.</p>
<p>Difficult to extract audit data from custom and legacy applications; Regular dependence on IT causes delays in audit cycle.</p>	<p>Heterogeneous Design can support any business application or data source for monitoring and control testing.</p>	<p>CAEs have easy access to audit data from across the enterprise, enabling consistent and thorough control assessment and management.</p>

Making a Case for Change

Without the right tools, it’s impossible for CAEs to replace the ineffective audit methods of the past with automated, continuous audit methods that will allow them to redirect their energies to more strategic endeavors. However, resistance to new technology is only part of the battle. There are many other hurdles that CAEs must jump in order to gain support for implementing a new audit paradigm. One of the most significant is gaining buy-in from the C-Suite. If the company has been passing the external audit with no material events to report, the audit department hasn’t staged a coup, and reporting deadlines are all being met by the finance department, then the CFO, CEO and Audit Committee may be comfortable with things as they are. It’s not unusual for the CAE to hear, “Don’t fix what’s not broken,” particularly if the company has already purchased a “compliance solution”. As with any organizational change that requires a new investment – and in this case you can expect investments in staff training, organizational training, technology investment and IT support to name a few – the CAE will need to present a business case to justify the expense.

So how do you calculate the value of implementing a new audit paradigm? The most tangible way is in reduced audit costs. Recent audit guidelines,

such as the PCAOB's AS-5, allow external auditors to increase reliance on the results of work performed by internal audit using automated control monitoring and testing tools. As a result, the hours typically spent by external auditors to replicate that work may be reduced. Whether handled internally, outsourced or core-sourced, the cost of internal audit should be measured in actual man-hours, not just the annual budget allocated. For exempt employees, the company may not be paying overtime, but working long hours takes its toll in the form of excessive sick time, low productivity and employee turnover. If you are not tracking these yourself, your HR department can probably estimate these costs, along with the costs of hiring and training new employees. Of course the valuable time of the CAE is consumed by all of these scenarios as well, so be sure to count your time in the total. Even if you are not working "additional" hours to handle staff changes, training and productivity issues, the opportunity cost of your time spent should be included in the business case.

The ability to conduct more frequent and thorough control testing on larger samples of data with greater accuracy can reduce the risk of fraud and financial errors.

Opportunity costs for the entire audit department may be another significant factor, particularly if other departments or business owners are asking for support with new initiatives and internal audit lacks the manpower or time to supply it. By automating audit processes and reducing the time required to conduct and report on audits, you not only create a better work environment for a more productive team, you can reduce outsourcing or contractor costs, and generate new opportunities to collaborate with business units on new or revised processes that can improve their productivity as well. In particular, when business analysts, financial analysts and IT personnel spend excessive hours every period on repetitive activities associated with control testing and remediation, that cost should be tracked and added to the business case as an opportunity cost. It helps to have specific examples of the higher-value work that is NOT being done, by both business units and the audit department, as a result of the manual audit processes currently in place.

Measuring ROI for an automated, continuous audit approach is much harder for intangible benefits such as reduced risk and greater visibility, but these are still important to articulate and estimate in the business case. The ability to conduct more frequent and thorough control testing on larger samples of data with greater accuracy can reduce the risk of fraud and financial errors. Additional advantages for the CFO include having his/her own dashboard that shows the status of the control environment and the impact on business processes at any time. The FSLI risk assessment results should also offer an advantage to the CFO of being able to see potential risks and perform course correction earlier in the period. Rationalizing the control library also offers opportunities for process improvement that can benefit the finance department and others.

Continuous audit and risk management has advantages for the Audit Committee as well. Organizations are constantly changing, and by maximizing audit efficiency, the committee can be confident in the CAE's ability to manage growth and change while maintaining centralized control and enterprise-wide visibility. Automated, continuous monitoring ensures that control issues are identified and resolved before they can impact financial statements or external audit results, which should translate to greater assurance for the Audit Committee and other board members. Finally, with tactical compliance issues under control, the Audit Committee can support the expansion of value-add audits into the general audit plan.

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Beyond cost savings and increased assurance, a strong business case also spells out the strategic value that the CAE can offer to the organization when able to redirect his/her focus to strategic objectives. Beyond control monitoring, the measurement of controls and ability to report against organizational KPIs allows the CAE to incorporate company performance objectives into value-add audit plans. A strong business manager optimizes a company's most precious asset – its human capital – and leverages that capital to identify opportunities for business improvement in general, not just for the particular department. It's the ability to see and grow the forest, not just trim the trees, which puts the "Executive" in CAE.

Summary

The intense regulatory climate affecting both the commercial and public sectors has caused the role of the Chief Audit Executive to change from strategic to tactical in only a few years. With little evidence of companies achieving the promises of continuous auditing, Reliant Solutions is offering a new approach to audit automation that enables CAEs to streamline audit processes and identify critical control exceptions sooner to better manage risk across the enterprise. Using ReliantAuditor, CAEs can benefit from:

Higher Quality - increasing the accuracy and completeness of audit results through continuous monitoring of internal controls.

Greater Efficiency - reducing the time and effort required to prepare, conduct and report on audits so that CAEs can direct their attention to strategic issues.

Increased Visibility – maintaining continuous insight and control over the entire audit universe through a dynamic risk framework.

Continuous Assurance – leveraging exception-based audit methods to prioritize and mitigate risks through a comprehensive library of best-practice controls.

Through Reliant’s holistic approach, CAEs can more effectively manage the tactical elements of the audit program while elevating their focus to strategic issues that can improve organizational efficiency while reducing financial and operational risk.

Footnotes

1. General Audit Management Conference demographic data supplied by the Institute of Internal Audit (IIA) Exhibition and Sponsorship department, 2008.
2. AICPA Web Site, IN OUR OPINION NEWSLETTER, Article #2, “ASB Undertakes Planning Project,” Julie Anne Dilley, April 1997.
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5. PricewaterhouseCoopers, “State of the Internal Audit Profession Study: Pressures build for continual focus on risk*”, 2007.
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