
Harnessing the Power of Continuous Auditing

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A long-exposure photograph of a highway at night, showing bright white and yellow light trails from cars moving across the frame. The background is dark, with some greenish-yellow light trails on the right side. A small yellow horizontal bar is positioned above the title.

Agenda

- Create a common understanding of continuous audit (CA)
- Understand the power of CA for testing true process risk controls
- Discuss the three phases of the CA model
- Review the CA keys and lessons learned
- Increase your fraud examination toolbox

Polling question one

I understand the continuous auditing methodology and how to implement it in my reviews?

- A. Yes. We have a documented continuous audit methodology.
- B. I have used this in previous jobs but not in my current role.
- C. I have heard of it but have never used this approach.
- D. I do not know how to effectively explain what this technique is or how it works.
- E. Not applicable

CA Definition

Continuous auditing is one of many tools utilized within the internal audit profession to provide reasonable assurance that the control structure surrounding the operational environment is:

- Suitably designed
- Established
- Operating as intended

CA vs. CM

	CONTINUOUS MONITORING	CONTINUOUS AUDITING
<i>Responsibility</i>	<ul style="list-style-type: none">• Management	<ul style="list-style-type: none">• Audit
<i>Definition</i>	<ul style="list-style-type: none">• Management method to assist in meeting its fiduciary responsibilities	<ul style="list-style-type: none">• Methods used by auditors to perform auditing on a continuous basis
<i>Focus</i>	<ul style="list-style-type: none">• Process used as part of the control structure – part of the COSO monitoring role• Part of the control process	<ul style="list-style-type: none">• Process that tests transactions based upon predetermined criteria and identifies anomalies• Part of assurance process



Leverage the Power

Recognize the opportunity

- Should this critical control be tested?
- Are the results going to provide value?
- Is it worth the time commitment?
- AVOID – we have always done it this way



Leverage the Power

Know your objective

- Possess the detailed process knowledge
- Confirm an understanding of testing purpose
- Obtain process data from your partner
- Recognize the value of testing objective knowledge



Leverage the Power

Find the data

- Determine the source data
- Understand the population
- Decide how it will be selected
- Confirm the source is pure

Polling question two

Do you verify all audit selected samples have come from a pure source?

- A. Yes. All samples chosen represent the most recent business activity.
- B. I am pretty sure that happens.
- C. I am not involved in sample selection only the testing.
- D. No. We don't question the source. We just want to test data.
- E. Not applicable

Continuous Audit Methodology

Foundation – 4 step approach

- Target controls
- Testing objective
- Testing frequency
- Testing technique

Continuous Audit Methodology

Approach – testing details

- Scope – inclusion and exclusion
- Volume – sufficient levels of data
- Sampling – technique determination
- Test steps – criteria and attributes

Continuous Audit Methodology

Execution – methodology performance

- Adherence to the program details (dedication)
- Exception identification (validation)
- Sufficient documented evidence (workpapers)
- Concise communication of results (reporting)

Continuous Audit Knowledge

Keys – CA...

- Still is evolving in its uses
- Requires methodology compliance
- Leverages the documented approach
- Continually adjusts to the process requirements

Continuous Audit Knowledge

Lessons learned

- Not implemented quickly or easily
- Requires planning and achievable objectives
- Establishes and communicates clear expectations
- Is a dynamic process

Polling question three

I have a better understanding of the continuous audit methodology and how it can be used to test controls?

- A. Yes. I can see how this could validate controls and identify anomalies in data.
- B. No. I am still unclear of the benefits
- C. Not applicable because I don't make methodology decisions.



Questions and Presenter Information

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