

CONTINUOUS CONTROLS MONITORING

Refresher Course On Internal Audits Of Small Medium Enterprises By Small Medium Practitioners

Western India Regional Council Of Institute
Of Chartered Accountants Of India

Along With

Institute Of Internal Auditors, Bombay
Chapter

CA Rachana Daftary

27 January 2022



HEARD THIS...

Post Factors

Too Late

Process has changed

STAKEHOLDER EXPECTATIONS TODAY

Prevention of loss before it happens

No sampling or larger coverage at lower cost

Real time reporting and lower turnaround times for informed decision making

Continuous assurance on the controls

Banks have a concept of concurrent audit but now the expectation is to replicate it in other industries

WHAT ARE INTERNAL CONTROLS

The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's **objectives** with regard to

1

- reliability of Financial reporting,

2

- effectiveness and efficiency of operations,

3

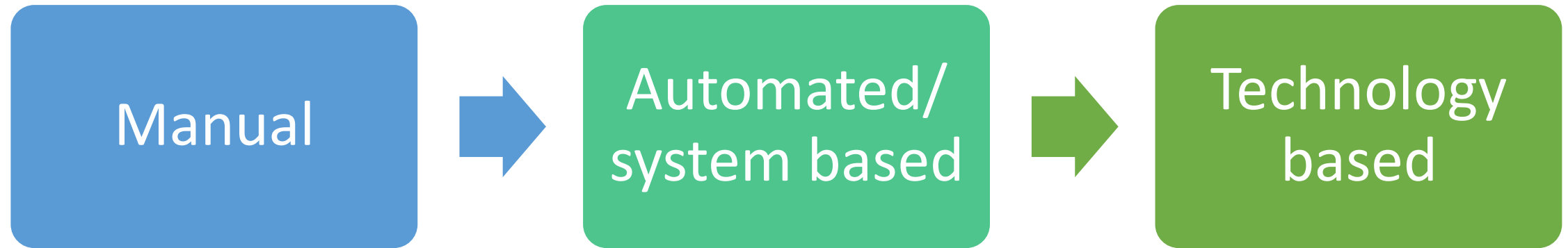
- safeguarding of assets and

4

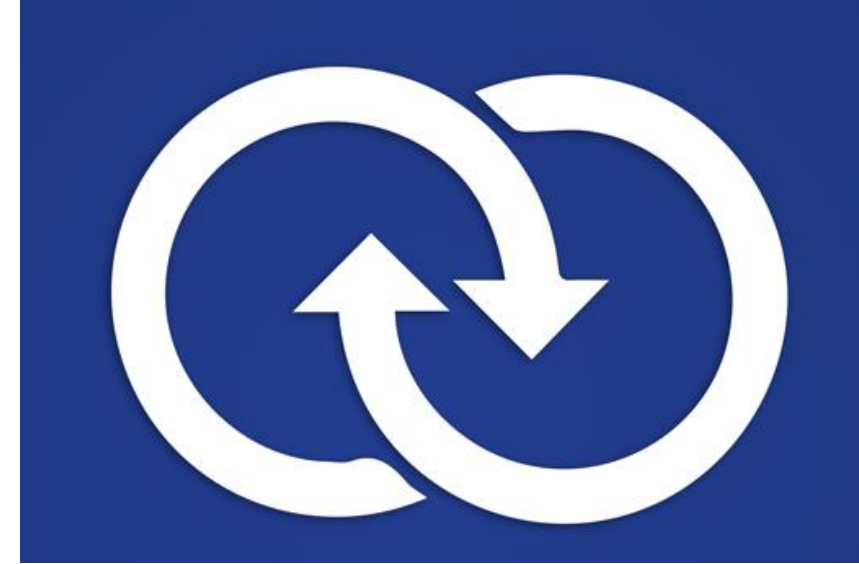
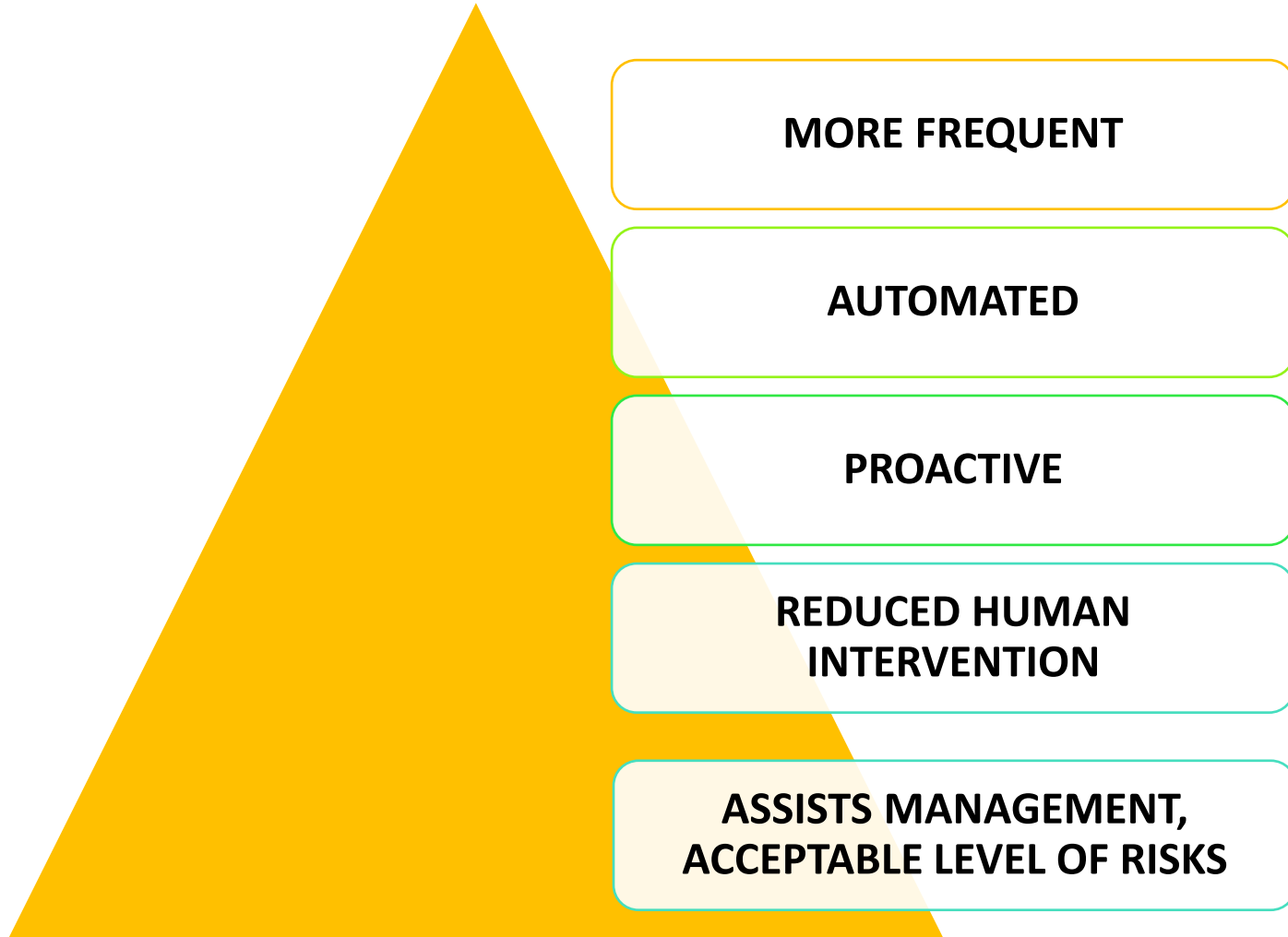
- compliance with applicable laws and regulations.

The term “controls” refers to any aspects of one or more of the components of internal control”.

EVOLUTION OF INTERNAL CONTROLS



WHAT CONTINUOUS CONTROLS MONITORING?



NEED FOR CONTINUOUS CONTROLS MONITORING (CCM)

Assists in timely decisions

IFC compliance, assess controls effectiveness

Helps Avert losses

Continuous Compliance

Cost Effective

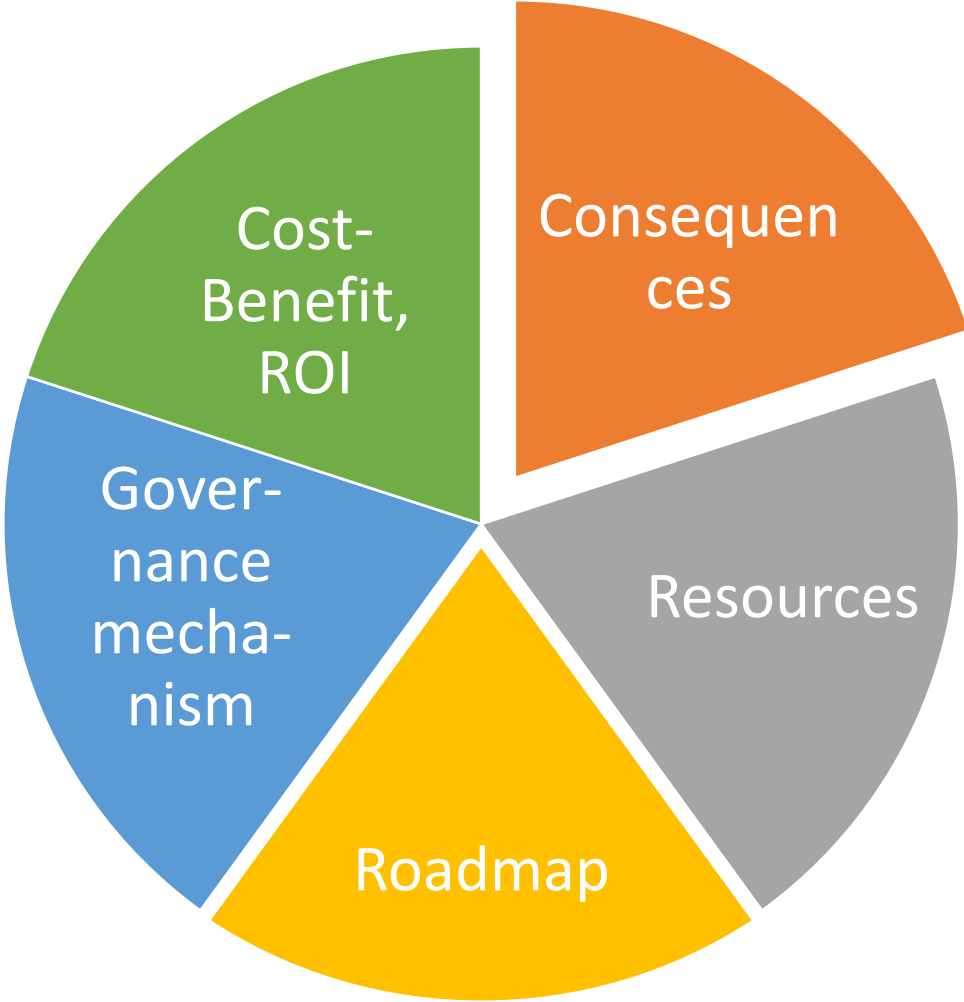
Emerging risks

Improve Business Processes

Quick adaptation to changes

Improved Governance & Transparency

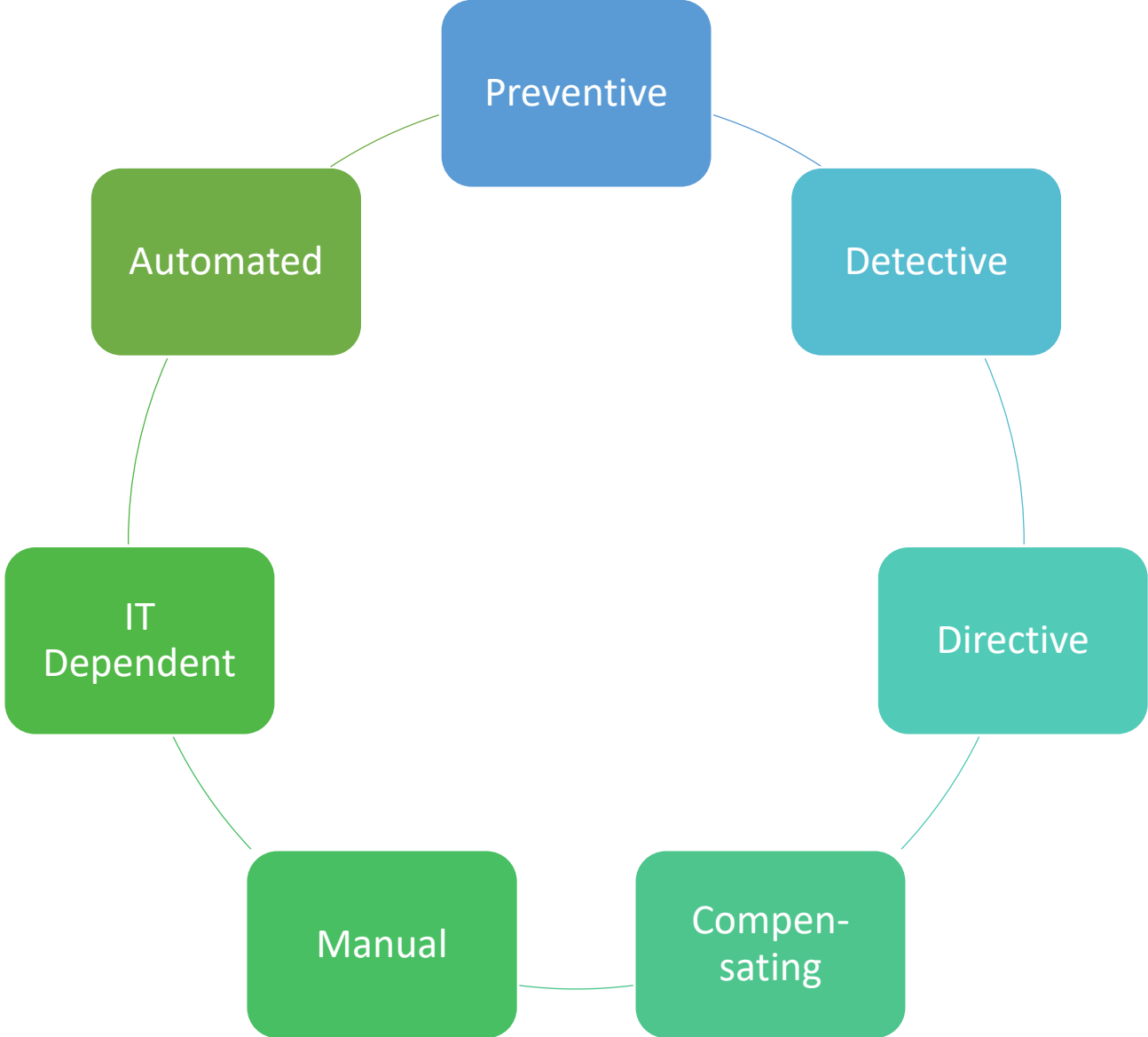
ASPECTS TO CONSIDER..



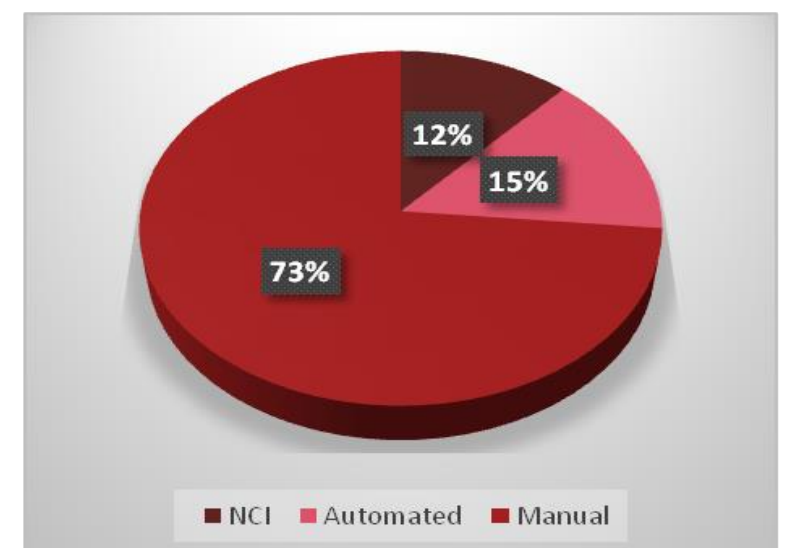
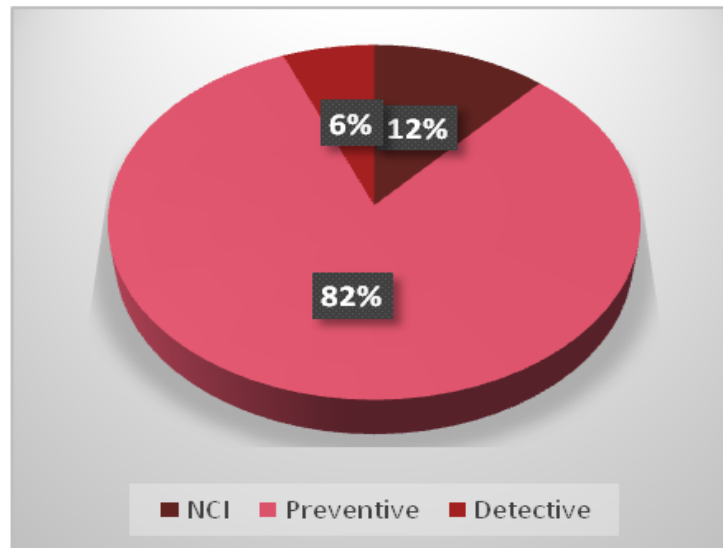
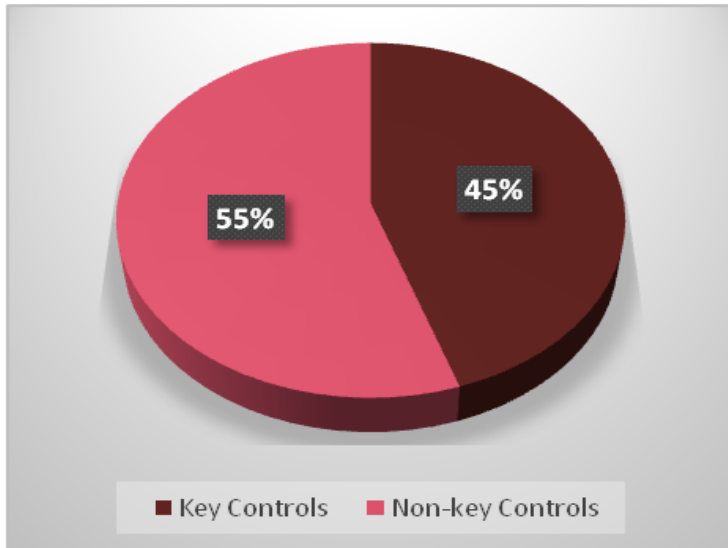
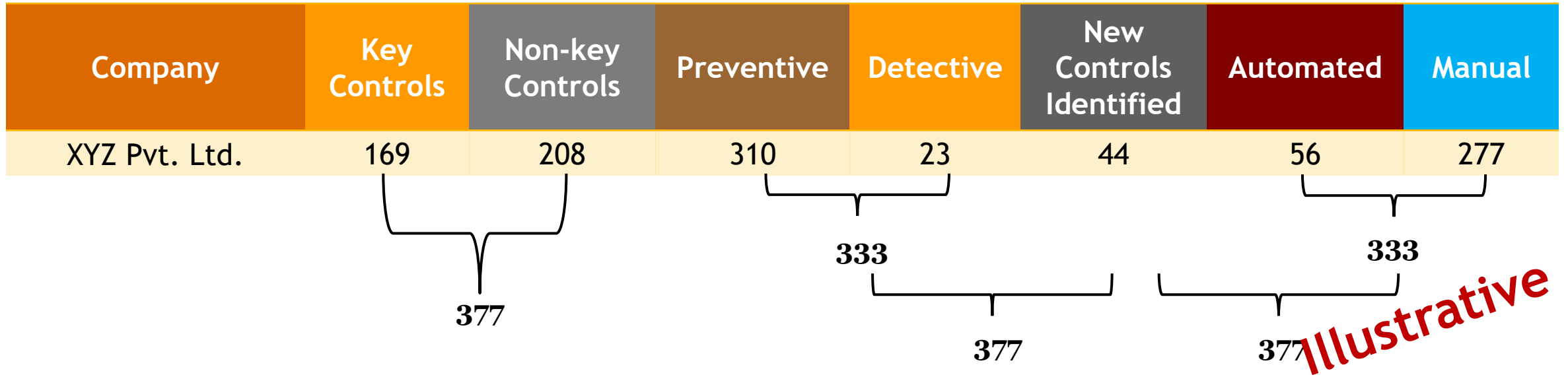
CCM IMPLEMENTATION STEPS



CONTROL CHARACTERISTICS



CONTROLS DASHBOARD



EXAMPLES OF CONTROLS WHICH COULD BE CONTINUOUSLY MONITORED

REVENUE ASSURANCE- PAYMENT GATEWAY

ACCESS DEACTIVATION/ MODIFICATION FOR SENSITIVE DATA

COMPLIANCE WITH CRITICAL REGULATIONS- RBI, FEMA, SEBI

PROFITABILITY OF THE NEWLY LAUNCHED PRODUCT

COMMISSION PAYOUTS

DUPLICATE PAYMENTS

REAL LIFE EXAMPLES

Blocking of unusual transactions by credit card companies

Auto-generated SMS to CEO in case of exceptional transaction

Alerts in case of potential virus threat

Automate generation of reports for near –expiry products

Alerts in case of potential statutory non-compliance (feature available in compliance software)

SAMPLE CASE STUDIES

Process- Area	Risk	Data Analysis
Procurement to Pay	Duplicate payment is processed	<ul style="list-style-type: none">• Obtain purchase order data• Validate if any duplicate payments (same vendor/ same account) were processed
Order to Cash	Sales orders booked over and above the credit limits set	<ul style="list-style-type: none">• Compare balances with credit limits and report exceptions
Payroll	Ghost employee created	<ul style="list-style-type: none">• Identity and report duplicate bank, Aadhaar no, etc.
Inventory	Excess/ short inventory leading to inventory blockage or under stocking	<ul style="list-style-type: none">• Identify inventory held in excess of max. levels or lower than min. levels

TOOLS WHICH FACILITATE CCM

Pre-defined macros in
Microsoft excel

Audit tools like Idea and
ACL which can extract
data from accounting
software and perform
predefined procedures

Robotic tools and
artificial intelligence

Data analytical tools

LIMITATIONS AND POTENTIAL ROAD BLOCKS

Inherent risk of human collusion

Highly technology intensive & needs such a mindset

Dependence on manual records, especially by SMEs

Lack of time & attention of senior management

Needs continuous review and upgrade



Thank

you!