

Continuous Risk Assessment

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October 26, 2021

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Disclaimer

- ▶ The professional opinions and views expressed in this presentation are those of the presenter and not Commerce Bancshares, Inc.
- ▶ Examples included in this presentation are entirely fictitious and for illustrative purposes only.

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Goals

- ▶ What is Continuous Risk Assessment?
- ▶ How does it work?
- ▶ How do I get started?

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What is Continuous Risk Assessment (CRA)?

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Terminology

Data Analysis/Data Analytics

- Data analysis is a process of inspecting, cleansing, transforming, and modelling data with the goal of discovering useful information, informing conclusions, and supporting decision-making (Wikipedia)

Continuous Audit

- Regular audit testing of a specific control or activity
- Could be data driven or not

Continuous Monitoring

- 1st/2nd line program to monitor controls/risk
- Not an audit function

Continuous Monitoring

- Audit activity to document/coordinate risk-monitoring activities – committees, review of reports, industry news/trends, etc.
- not data driven

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Purpose

Data driven process to provide Internal Audit an **automated process of identifying changes in risk-levels** within auditable units.

Insights gained through these processes will be used to justify changes to the risk-rated audit plan.

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What CRA Isn't



CRA is not an "analytics team-only" initiative. This is something that should be owned by the entire department.

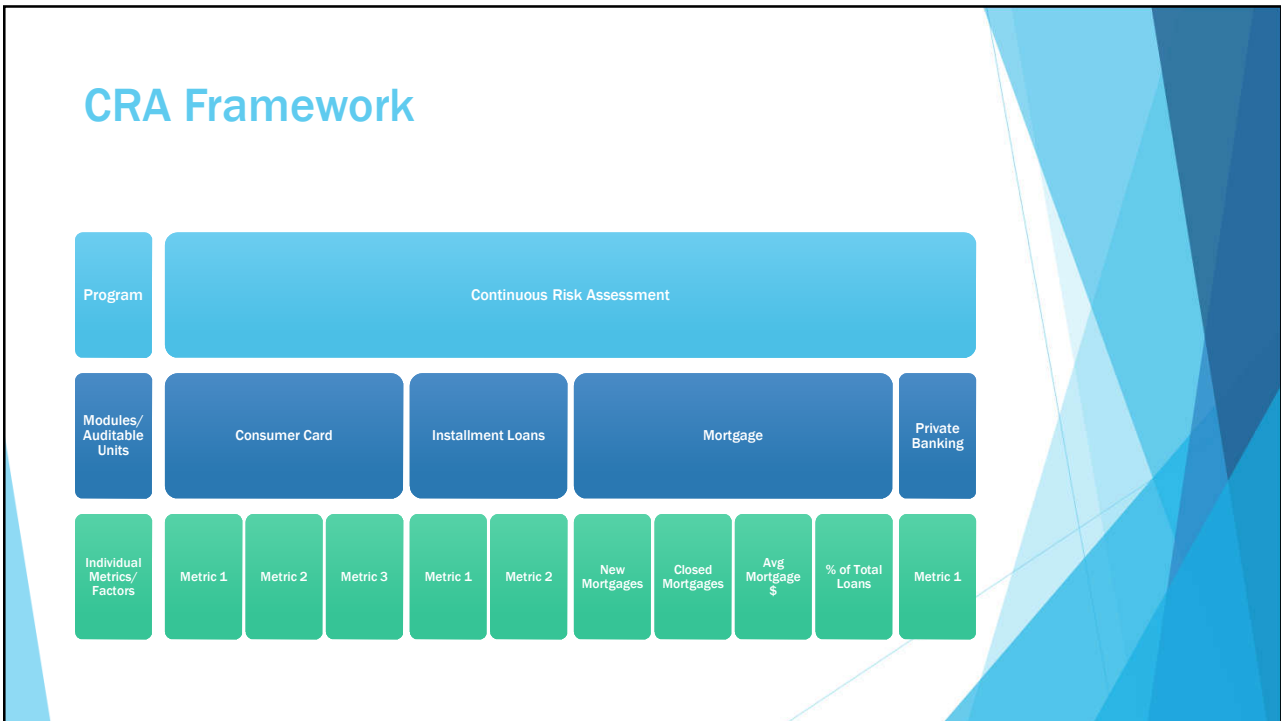


CRA will not replace the current Continuous Monitoring process that culminates various reports, meetings, etc.



CRA is not intended to replace KRIs monitored or tracked by the 1st or 2nd lines of defense. CRA is intended to provide IA an efficient view of the changes in risk levels within an auditable unit.

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Benefits

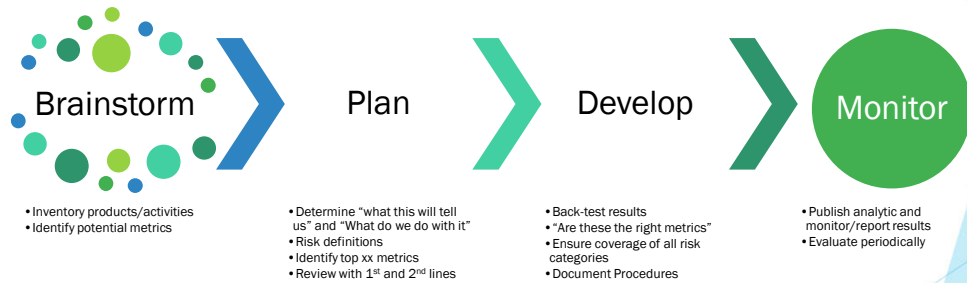
- ▶ Efficient and reliable view of auditable units
- ▶ Can supplement other monitoring activities
- ▶ Aid in planning scoping audits
- ▶ Justification for adjusting audit plan

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How does CRA work?

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Development Process



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Deliverables

- ▶ **Risk Factor Definitions**
 - ▶ Concisely explain specific risk and risk category associated with each metric
- ▶ **Summary Document**
 - ▶ "Pseudo code" that explains each metric
 - ▶ Identifies parameters, limitations, etc. – Go-to document if there are questions
- ▶ **Procedure Documents**
 - ▶ Procedure to produce the "dashboard"
 - ▶ Guide on how to review/follow-up on metrics

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How do I get started?

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- ▶ Create framework
- ▶ Communicate and align on goals of program
- ▶ Budget time in plan to develop

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Developing Dashboard

- ▶ consistency/ease of access
- ▶ convey as much information as possible with the fewest data points
- ▶ # or \$ - what communicates the risk
- ▶ eliminate repetition/duplication
- ▶ ensure graphics are telling the same story.
- ▶ consider grouping categories; focus on big picture

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Things to Consider

- ▶ Frequency
- ▶ Thresholds
- ▶ Time for follow-up

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Tools

- ▶ Start with existing basic tools
- ▶ Figure out what you want to do and what this will provide vs. purchasing a tool and trying to figure out what to do with it.

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Questions?

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