

Dear Q&A

Who should be responsible for an ongoing data analytics program to periodically or continuously provide assurance over systems with high transaction levels – finance, internal audit or another area?

Answer

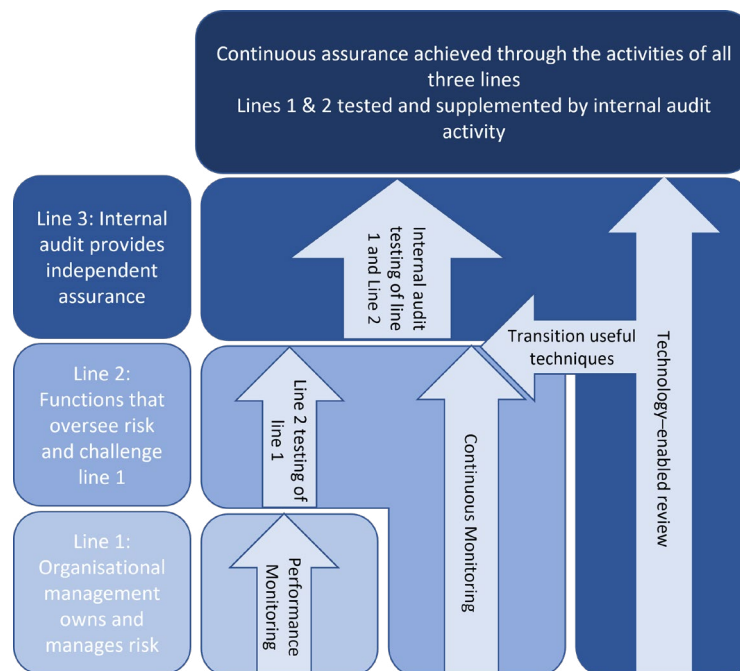
The IIA has published a guide on Continuous Auditing which is worth reading:

<https://www.theiia.org/en/content/guidance/recommended/supplemental/gtags/gtag-continuous-auditing/>

The simple answer is that line management are responsible for managing their assigned risks. Many managers will establish their own monitoring processes to inform them of issues in the areas under their control. It may be most appropriate for a manager to operate an ongoing data analytics program when its scope of operation is entirely within the area of responsibility of that manager. Here, we arguably have a Line 1 monitoring system.

Line 2 will establish continuous monitoring processes that relate to their own areas of interest. So, finance may have monitoring processes that relate to finance, risk management may have monitoring processes that relate to monitoring the environment or risk indicators, the human resources may have monitoring over the HR systems, and so on. Line 2 may also test and / or rely on the results from Line 1 monitoring.

Line 3 may test and / or rely on the monitoring of Line 1 and Line 2. They will also develop ad hoc monitoring or monitoring where there are gaps. If these Line 3 data analytic activities are valuable to the organisation, it may be desirable to run them on an ongoing basis.



The output from a program of analytics should be directed to those who must correct any issues identified. It is desirable that problems are identified as close as possible (in time and hierarchy) to the point of occurrence or the point of remedy. It is also undesirable for internal audit to become part of the control system of the organisation – as distinct from monitoring the control system. Continuous monitoring is effectively a control and should be located in Line 1 or Line 2.

When internal audit develops a useful data analytics tool, it should be transferred to line management for their use. The correct point of operation may be a Line 2 manager such as a manager in finance, or a Line 1 manager – it is not with internal audit. Internal audit should retain its role of high-level overview.