Monitoring Internal Control Systems and IT

A Primer for Business Executives, Managers and Auditors on How to Embrace and Advance Best Practices

Executive Summary

The Issue

Consider the following questions regarding how your enterprise is using controls monitoring to support achieving its goals:
1. What are the key financial, operational and information technology (IT) controls that we are monitoring and how often are we doing this?
2. How does the enterprise integrate and leverage monitoring activities related to financial reporting, compliance and operational objectives?
3. Do we agree on the effectiveness and efficiency of our monitoring activities?

If you asked three executives in your organization these questions, would you get the same answers? If not—or, worse, if they replied “I don’t know”—then it is time to reevaluate what is important from a monitoring perspective. You may find yourself asking more questions: Where do I go from here? How do I get there?

The Business Case

Monitoring represents one of the most overlooked, but most effective, means to get information on how well key controls are operating over time. Having this information supplies management with the necessary facts and knowledge to mitigate significant risks to the business and to ensure that operating, financial and compliance objectives are met. Although monitoring is not an easy sell, as companies are tightening their belts during this difficult economic period, monitoring can help validate whether a company is reaping value from its investments. The first step is determining what is important from a control standpoint; the next step is deciding how these controls will be monitored. This is where IT comes into play.

Key Controls—Addressing Meaningful Risks

Every organization has certain controls—call them key controls—that are relied on each day to run the business. The key controls might be operational, strategic, focused on compliance risks or related to financial reporting. The bottom line is that if any of those key controls fail to operate, there will be an impact on the business—usually in the form of a surprise. Identifying the key controls, based on prioritized risks, is essential to an effective controls monitoring program. Once the key controls are identified, monitoring activities need to be developed and implemented.

IT—Monitoring Enabler or Silver Bullet

IT has created operating efficiencies and opportunities for enterprises. For executives, an important question in relation to controls monitoring centers on how to leverage the existing investment in IT to improve the monitoring approach. Related questions include: Is there a return on investment (ROI)? Can we leverage our existing IT to automate manual controls and monitoring? Are there specialized monitoring tools available? In general, the answer to these questions is yes. Just as there are newer, almost daily opportunities to improve how enterprises leverage IT, there are newer, almost daily opportunities to leverage IT for effective and efficient controls monitoring.

Where Do I Go From Here?

Faced with issues such as changing controls, IT advances, new initiatives and a lack of consensus on what is important and what should be monitored, an executive needs to understand the important issues and what actions should be taken.

ISACA has developed important new guidance on how to address these challenges. Monitoring Internal Control Systems and IT: A Primer for Business Executives, Managers and Auditors on How to Embrace and Advance Best Practices (www.isaca.org/monitoring) serves as a guide on how to help enterprises think about, implement and evaluate monitoring of their key controls to reach their business goals and objectives. It is applicable to executives accountable for achieving business objectives as well as to operational management responsible for day-to-day operations and controls. Unless you were pleased with the answers you received to the three questions posed above, there is something in this guide for you—no matter where you are in the enterprise. Executives agree: better monitoring means fewer surprises.