

Special points of interest:

- Control Self-Assessment - Perspective and Methods
- KnowRisk — Your Must Have Risk Management Tool
- What is Risk Management?
- Using ACL for Risk Based Approach to Auditing

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Control Self-Assessment — Perspective and Methods

According to a “Perspective on Control Self-Assessment (CSA)” from the Institute of Internal Auditors, control self-assessment is a methodology used to review key business objectives, risks involved in achieving objectives and internal controls designed to manage those risks. Some control self-assessment proponents expand this description to encompass opportunity as well as risk, strength as well as weakness, and the overall effectiveness of the system in ensuring that the organisation’s objectives are met.

CSA is usually defined simply as the involvement of management and staff in the assessment of internal controls within their workgroup. There are a number of ways to accomplish this purpose, from highly interactive workshops based on behavioral models at one end of the spectrum to prepackaged self audit internal control questionnaires on the other end, and a number of techniques in between.

All CSA methods generate a lot of data. Although the aggregate of data is not much more than a normal program of internal audits, the data comes in large clumps instead of being spread out over an extended audit schedule. It is important that CSA practitioners are prepared for handling large amounts of data in very short periods of time. Depending upon the CSA method chosen, there are hardware and software aids to help capture, store, manipulate, and report out the data generated by CSA.

There are six methods for CSA in use today.

- ◆ ICQ Self Audit
- ◆ Customized Questionnaires
- ◆ Control Guides
- ◆ Interview Techniques
- ◆ Control Model Workshops
- ◆ Interactive Workshops

ICQ Self Audit — Internal Control Questionnaires are commonly used by external auditors to record their understanding of internal control. The ICQ is a series of questions used by auditor as a checklist of expected controls. The questions are about various control activities that may be or should be present in the operation. Any answer other than yes or n/a requires an explanation. The ICQ is filled out by auditor using observation and interviews during the preliminary assessment phase of audit. It helps determine the level of control activity and hence the level of testing and overall scope of audit.

Customised Questionnaires — A step up from handing out Internal Control Questionnaires for self auditing is the use of customised structured questionnaires. Questions about internal controls are developed to be answered either yes or no. The questions may be customised to comply with certain regulations or laws. During the audit fieldwork, staff auditor will verify some of the self-audit items as a form of quality assurance.

...Continued on Page 2



Your Must Have Risk Management Tool

In a world, where globalisation, technology, competition, deregulation and cost containment pressures are a way of life. Where the proliferation of assurance and inspection groups and approaches is imposing a heavy burden on work units. KnowRisk is a welcome and timely tool allowing reduction of the "assurance burden" on work units, and integration and streamlining of all your risk management and assurance activities.

KnowRisk is an easy-to-learn, easy-to-use software program that allows you to chart and monitor any facet of your operation. Business areas or processes can be detailed on a computerised record. These records help assemble all, or any part of, your "risk" and "control". Along the way you assess risks and controls, identify problems, monitor performance, assign responsibility and prioritise action areas. Over time, an integrated database of performance results, loss history, risk exposures, controls, residual risk status, and action plans for your entire organisation is built.

KnowRisk has the potential to empower your employees, allowing them to share responsibility for performance results and the risk and control management systems that support the achievement of business objectives.

For more information or a demo, please contact us at info@prodigy.com.sg or tel: (65) 6221 2810.



ACL Tips of the Month

How do I copy an IFD in a batch and link it to a new data file?

This operation can be done with the Extract and Open commands:

1. OPEN IFD_Name
2. EXTRACT RECORD TO "New_IFD_Name" IF F
3. OPEN "Data_File_Name" FORMAT "New_IFD_Name"

...Continued from Page 1

The self-audit is also a time saver in that much of what would be done by preliminary survey is completed by the department being audited. It does not involve the audit customer in designing audit process or evaluating controls; however, it does involve the customer in identifying the risks and controls.

Control Guides — Control Guides are binders with a description of the expected set of internal controls for the operations covered. These guides are issued by auditors and/or controllers to cover internal financial controls in operations. They are still used by internal auditors who perform mostly financial audits. In the CSA version, these control binders become Internal Control Workbooks. This exercise is used to start a dialogue about operations, risks, and controls. Internal auditors and operations management discuss the completion of the workbook, and the completed workbook pages are sent in to internal audit for use as part of the preliminary survey.

Interview Techniques — The Interview Techniques approach to CSA allows some interaction between information provider and gatherer. This brings the two closer together in partnership rather than just a process of filling out forms and mailing them back. Using a structured interview as the basis for gathering management's input to the assessment process ensures the same questions are addressed in each session.

Control Model Workshops — These workshops use a purchase of information or an expertise model where the central premise is that the facilitator needs to transfer knowledge to the work group in order for the work group to complete the task of assessing controls and risks. This approach tries to build up knowledge of assessment and design of internal control systems and the assessment of risk.

Interactive Workshops — Interactive Workshops approach uses a process consultation model where the central premise is that management owns the issue of internal control, and management continues to own the problem throughout the workshop. The facilitator draws out information during the workshop. Some of the differences noted between this method and Control Model Workshops are:

- ◆ Facilitation skills, especially in process consulting, are more necessary in the Interactive Workshops.
- ◆ Interactive Workshops are not as long because they do not emphasise the element of instruction or training.
- ◆ Anonymous voting tools are favored by the users of Interactive Workshops, but not by Control Model Workshop users.

Using ACL for Risk Based Approach to Auditing

In the Citibank consumer area, the internal audit team has been using ACL, one of its audit retrieval tools, as an integral part of its audit work for two and a half years. The team uses a risk based approach to auditing and comprises 11 auditors who are all specialists in various areas including credit, financial reporting, legal/compliance, operational risk and technology.

The team conducts regular business monitoring as well as formal country based audits. Each auditor runs his or her own retrievals mostly using data sourced from a regional data warehouse which is then imported into ACL for analysis. Some of the areas where the team has found retrievals particularly useful have been credit portfolio analysis, checking for exceptions

to policies and approved programs, verifying the completeness of general ledger account proofing, and checking information security.

The benefits that have been obtained include the ability to review an entire portfolio instead of just sampling, identification of exceptions, improved sampling and focusing of other audit testing and the completion of some testing prior to visiting a country.



Elizabeth Abbott is the Program Director for Operations and Technology for the Consumer Bank - a regional team based in Singapore, covering 11 countries.



On A Lighter Side



"Be Careful! All you can tell me is 'Be Careful?'"

WHAT IS RISK MANAGEMENT?

Risk management is not a new concept; somehow it has touched each of our lives at some time. Perhaps someone else was helping us to take care of those potentially severe situations where some level of comfort was put in place to soften the impact if risk occurred. Perhaps unknowingly that is how we have dealt with some of the risks that face us.

Interestingly, with an age-old awareness of risk management it seems that most people are still looking for a practical, easy to use approach that makes sense to them. Some countries have established Committees to draw up a Standard or Code of Practice for operational risk. Operational risk, also known as risk management is the process that allows business managers to balance operational and economic costs of protective measures with a resulting gain in mission effectiveness. In addition, it is the total process of identifying, controlling and mitigating information system related risk.

One of the way-showers for developing methodology around risk management has been the Australian - New Zealand Standard for Risk Management, known as AS/NZS 4360 - the first Standard to be published internationally in Nov 1995. It is not surprising that along with the Standard, some Australian and New Zealand companies were quick of the mark to develop software that would leverage off the Standard as the public and private sectors began to make its use mandatory. The first software to meet the requirements of AS/NZS 4360 was KnowRisk,

a client-server, relational database that provided a separate knowledge base of risks and controls, from risk profiles. In its simplest form, KnowRisk offered a risk management process as follows:

- ◆ The risk and its associated consequence(s) are identified, e.g. there is a risk that there could be a fire due to electrical fault in switchboard, and the consequences could be that the building burns down, and that staff are fatally injured.
- ◆ The inherent likelihood and consequence levels are assessed without considering the reduction / mitigating effects of the controls, thus giving the worst-case situation. This means that there is some degree of possibility that the building is totally destroyed and a number of staff die.
- ◆ At this stage two types of Controls are considered, the foremost being termed a "preventive" control (e.g. outsource regular inspections of the electrical switchboard) that would reduce the possibility of there being an electrical fault in the switchboard, and the other being termed a "corrective" control, one that mitigate the full consequence (impact) from taking its course (and in this example would be taking out workers compensation policy against injury to staff).
- ◆ The effectiveness of these controls is assessed that in turn permits the residual levels of risk to be calculated. The level of risk will be expected to lessen after some reasonable controls have been put in place.
- ◆ If the residual risk is still at an unacceptable level, some further improvements to the controls are planned for. An action plan is developed to implement the improvements to the basic control.

What was unique about the KnowRisk approach is that it

dealt with inherent risk. An aspect that was not covered in the Standard was the means to give real values to the effectiveness of a control and thereby calculate the level of risk. The developers of KnowRisk have taken the steps to pioneer a science in risk quantification that still remains unique and unchallenged today.

Together with any enhancements to the Standard, KnowRisk has brought out one of the most powerful messages from the Standard that allows stakeholders to consider three options for reducing their risks: have just preventive controls to reduce the likelihood, or to institute corrective controls to mitigate the full impact that might otherwise occur, or the third option is a combination of both. Of course, controls imply that some resources must be there and by implication controls cost money. So the art in risk management is how to balance the expenditure that you can afford in having preventive and or corrective type controls.

At the heart of risk management today is the notion that being "risk averse" is no longer a good defence against having a successful business. In fact it can be quite the opposite because being risk averse means you think you are not taking any risks but in fact you are hiding the risks from view. Being in business means that you are taking risks anyway. So it is better to know the risks that face you and how to have a good methodology that helps you sort the bigger risks from the smaller and to help you put in place the best controls that you can afford to keep risks at the lowest possible level.

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- ◆ More Useful ACL Tips
- ◆ Articles on Business Continuity Planning
- ◆ ACL User Feature
- ◆ And many other useful industries information

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PRODIGY NEWS & EVENTS



Calling all supported users of ACL!

ACL VERSION 8

is coming soon!

Log in to www.acl.com/en/online/beta/download/default.asp and
Be the first to TEST DRIVE it!

If you have not renewed your support and would like to join in and test drive the coming ACL Version 8, please contact us at info@prodigy.com.sg or tel: (65) 6221-2810

Prodigy Data Solution is proud to present our newly revamped website — www.prodigy.com.sg — where a host of useful information and activities awaits you.

Under our user community, you will be able to interact and share your experiences with ACL users in our ACL Forum; access to our useful tips, case studies, applications, articles and links; and in the near future, test your ACL knowledge and chat with users from around the world!

There will also be regular updates on the coming related conferences and events in the region.

We will also be running our ACL version 8 Roadshow in July 2003. Themed “**Business Assurance through Good Risk Management – The Essence of Risks & Controls**”, the roadshow will be held in Singapore, Malaysia, Indonesia and Thailand. Log in to our website to receive updates on this coming Roadshow.

Open Enrolment ACL Training Schedule — May to July 2003

VENUE	COURSE NAME	DATES
Singapore	ACL for windows - Introductory (3-day course)	05 - 07 May
		02 - 04 June
		01 - 03 July
	ACL for windows - Introductory (2-day intensive course)	22 - 23 May
		26 - 27 June
		07 - 08 July
	ACL for windows - Intermediate	23 - 24 June
	ACL for windows - Developing Applications	19 - 20 May
	Fraud Detection Using ACL for Windows	28 - 29 July
	ACL for windows - Functions	12 - 13 May
ACL for windows - Refresher	8 May	
	9 May	
	31 July	
Kuala Lumpur, Malaysia	ACL for windows - Introductory	05 - 07 May
		25 - 27 June
		07 - 09 July
	ACL for windows - Intermediate	21 - 23 July
		12 - 13 May
		10 - 11 July
	ACL for windows - Developing Applications	24 - 25 July
		8 - 9 May
		01 - 02 June
	24 - 25 July	
Jakarta, Indonesia	ACL for windows - Introductory	20 - 22 May
		26 - 28 May
		03 - 05 June
		09 - 11 June
		16 - 18 June
		25 - 27 June
		01 - 03 July
		14 - 16 July
		23 - 25 July
	28 - 30 July	
	ACL for windows - Intermediate Workshop	08 - 09 May
		10 - 11 July
	ACL for windows - Developing Applications	05 - 06 May
		12 - 13 May
		07 - 08 July
ACL for windows - Functions	1 May	
	19 May	
	13 June	
	30 June	
	31 July	
Bangkok, Thailand	ACL for windows - Introductory	09 - 11 June
	ACL for windows - Intermediate	12 - 13 June
Manila, Philippines	ACL for windows - Introductory	12 - 14 May
	ACL for windows - Developing Applications	15 - 16 May
India	ACL for windows - Introductory	14 - 16 July
	ACL for windows - Intermediate Workshop	17 - 18 July

* For training schedule beyond July 2003, please contact us at info@prodigy.com.sg or tel: (65) 6221-2810