

Audit firm in Control

“Become fully ISQM Compliant with CERRIX’ operationalized risk & quality management”

Marcel Pentier



Technology



Governance



Risk



Compliance

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1. Audit firm in Control

1.1 Transitioning from Quality Control to Quality Management

Audit firms face a constant conflict between the business of auditing and the profession of auditing, which is manifested at audit senior level in the pressure to perform quality work within specified time limits and restriction of qualified human resources. Clearly, whenever tensions intensify it very well might increase the risk profile and must therefore be managed carefully. The new quality standards issued by the IAASB will assist Audit firms to improve their quality management processes. It has to move from a more policy based approach to a risk based approach. The three interrelated standards issued by IAASB will strengthen and modernize how audit firms approach quality management. They include the standards ISQM-1, ISQM-2 and ISA220 (Revised).

1.2 The Challenge

Many Audit Firms will translate the new standards into firm-wide policies and procedures. But the challenge is to operationalize these new standards within the set time-frame and embed it in the firm's business processes without imposing an additional burden to the audit staff.

1.3 The Solution

An efficient way to operationalize the required quality management processes is to automate these processes as much as possible. CERRIX can help audit firms with a generic GRC tool which contains not only the required functionalities, but also ready-to-use content such as the ISQM control frameworks and specific workflows to support operational control processes. Its use-full applicability is already demonstrated by a number of well-respected audit firms. It has also confirmed that even smaller firms can easily adapt to the CERRIX tooling. Our special Audit Firm template will guarantee that you will adhere to the new ISQM standards.

2. Setting up a System of Quality Management (SoQM)

Many companies embrace already Total Quality Management (TQM), some also apply more international standards like ISO9001. The IAASB has tailored quality management specifically for audit firms. It has renewed the previous ISQC standards with the ISQM standards with a more risk based approach. The implementation of these standards is not for the sake of IAASB. When effectively implemented it will ensure that commitment to quality is not limited to a corporate strategy of the audit firm but it will become part of the operations as well. It drives continuous improvement for the business operations, decrease the number of unwanted incidents and makes your staff more aware of potential risks.

2.1 SoQM with CERRIX

ISQM-1 requires audit firms to establish an System of Quality Management (SoQM). We recommend audit firms to translate the quality requirements into a generic Governance, Risk and Compliance platform like CERRIX. In doing so, you will become aligned with best industry practices and can benefit from more detailed working procedures which are lacking in these standards. Importantly, the SoQM must be able to report over subsequent time periods. Tools like Excel might bring a quick result but will fail in the long run to guarantee quality control and lack functionalities for safe data sharing. CERRIX facilitates the risk assessment process and can link these risk to the (engagement) business processes. The required risk response can be expressed in terms of risk appetite and required mitigating business controls.

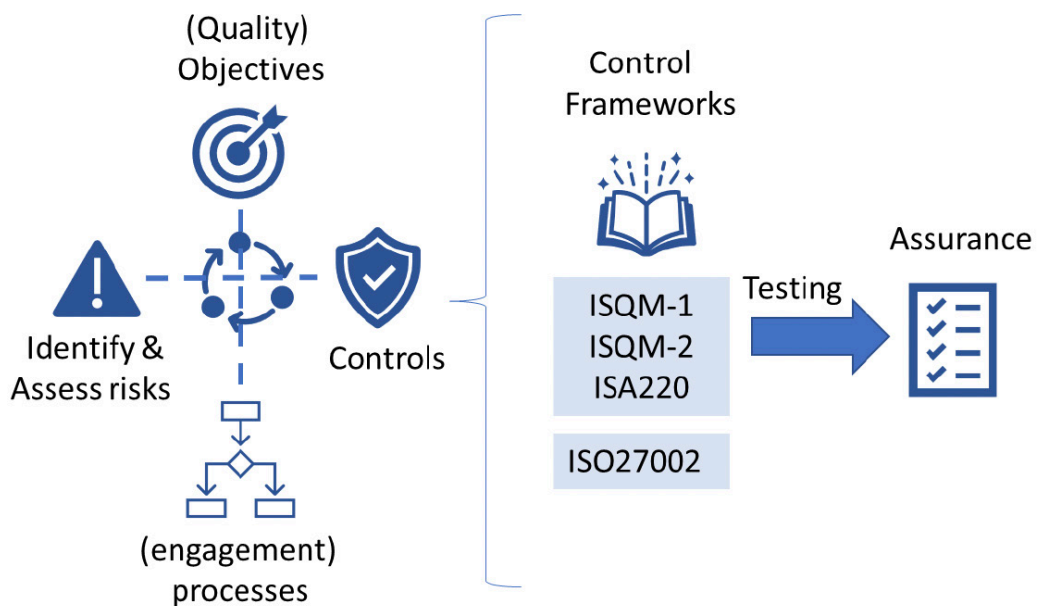


Figure 1: Objective based Risk & Quality Management Process

To ascertain that net risks remain within predefined risk appetite, one must assure the proper functioning of the key controls that mitigate these risks. Controls must assign the owner, control activity, control objective and frequency, a link with the risks that will be mitigated, control improvements actions, incidents caused by control failures and supportive documentation. The total set of controls are the nerves of the SoQM. Within CERRIX these controls will be linked to the quality standards (ISQM-1/2, ISA220) by linking them to a so-called control framework. Framework subjects can be assessed against required standards, its applicability to the (local) audit firm, analyzed for the connected controls and its effectiveness over time. These powerful analytics will also help group auditors to review local audit firms in their framework compliance status reporting.

2.2 Support of CERRIX Controls Management

- **Control Design & Implementation testing:** a repetitive test to assess its design and way of implementation;
- **Control Execution:** supportive Forms that users in operations can use to demonstrate that the control is (properly) executed (with evidence). This can be either at transactional level with a workflow Form or a daily reconciliation test;
- **Control Effectiveness:** Controls can be tested periodically according to its predefined Control Plan. Control testers will automatically be alerted when it is time to perform a control test and deliver the required evidence. Subsequently, the tester will invoke the next step in the workflow which will notify the reviewer who can then evaluate and assess the control effectiveness. This repeated process will ultimately result in a continuous assurance of the (key) controls and implementation of three-lines-of-defense.

2.3 CERRIX Forms module

In addition to the Controls Management, CERRIX offers more features that supports the quality management. The FORMS module enables flexible digital workflows that audit firms can apply for many purposes such as: Evaluating Client Onboarding, Executing Risk Assessments, Maintaining & Distributing of policies, Checklists for control execution etc.

2.4 From Quality Control to Quality Management

The new quality standards are designed to move the profession away from quality “control” and toward quality “management. A limited approach by tick-boxing requirements will not result in improved quality management. A continuous improvement mindset will really improve audit quality. CERRIX can also give performance and quality insights with metrics for Key Performance Indicators and Key Risk Indicators. worden gesteld aan de juiste groep geïnteresseerden.

Engagement Resources

- 25. The engagement partner shall determine that sufficient and appropriate resources are assigned or made available to the engagement team in a timely manner account the nature and circumstances of the audit engagement, the firm's policies and any changes that may arise during the engagement. (Ref: Para. A59-A70, A7
- 26. The engagement partner shall determine that members of the engagement team, external experts and internal auditors who provide direct assistance who an engagement team, collectively have the appropriate competence and capabilities, at time, to perform the audit engagement. (Ref: Para. A62, A71-A74)
- 27. If, as a result of complying with the requirements in paragraphs 25 and 26, the engagement partner determines that resources assigned or made available are insufficient or inappropriate in circumstances of the audit engagement, the engagement partner shall take appropriate action including communicating with appropriate individuals about the need to assign additional or alternative resources to the engagement. (Ref: Para. A75-A78)

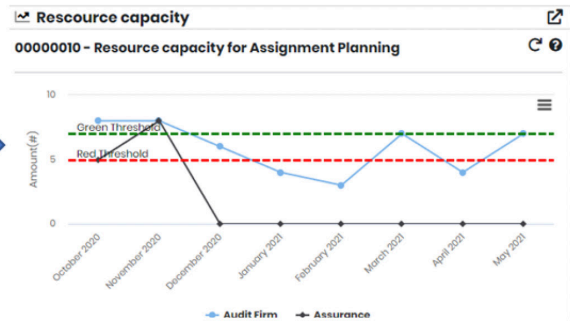


Figure 2: From ASA220 guidance to measurable metrics in CERRIX enabling guidance for managing partners.

3. Fast Implementation

Are you worried about the anticipated workload to be done before upcoming ISQM deadline? Our proposition entails a very fast implementation. Because of our experience, we are acquainted with the challenge you are facing. With our Audit Firm template, we are able to kick start quickly. Jointly, we will discuss the implementation plan. In the Gantt-chart below, an example of possible implementation plan of CERRIX is listed:

For example, the CERRIX **30 days** Implementation Plan:

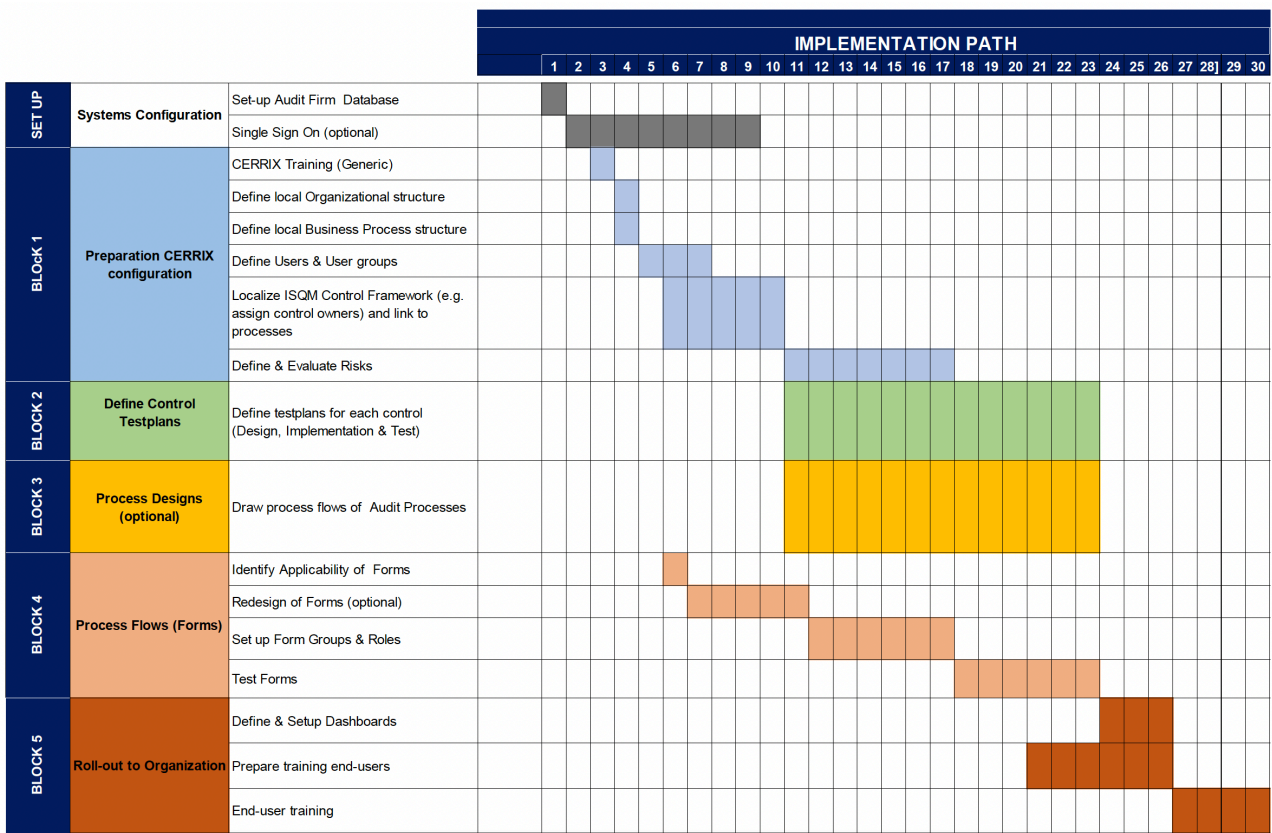


Figure 3: An example of CERRIX implementation plan.

Surely, your priorities and scope might differ, thus we will adapt the plan accordingly. Besides the tool implementation, organizational adaption is key for success. In a project team all stakeholders involved in the SoQM implementation must be represented. Although CERRIX is a very user-friendly application, end-users must be trained how to use the system and must understand their contributing role in the SoQM. CERRIX has also options for bulk import.

4. Technology Enabled Services

Technology is at the heart of our modern society and therefore at the heart of many organizations. Many governance, risk and compliance processes however lack adequate integrated automated solutions.

Since all organizations are different, the successful implementation of a GRC program (including the related technological support, e.g. through CERRIX) is a gradual process. Organizations that prepare for a GRC solution often have already a risk management process in place, though its maturity may differ. With the introduction of the GRC software, organizations aim to improve their organization's risk awareness, but also to gain more efficiency in the risk data processing and its data quality. Data needed to feed GRC systems are usually stored elsewhere in other systems. CERRIX provides many API's and can retrieve data from many source systems. A clever setup of CERRIX will lead for significant efficiencies in your GRC program.

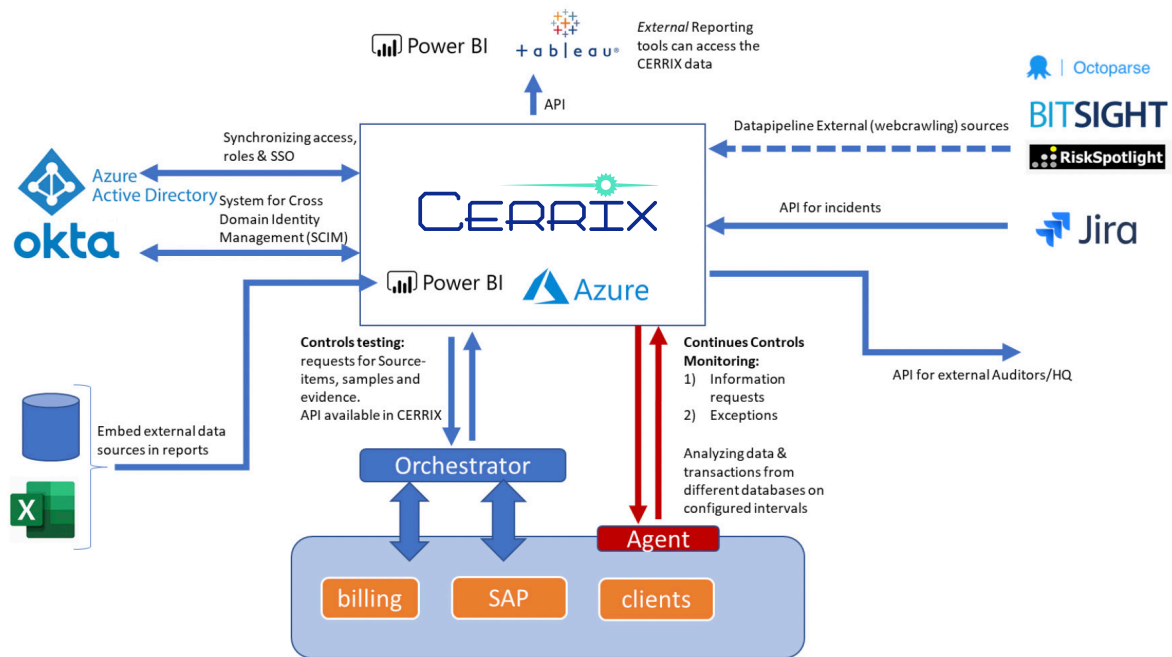


Figure 4: Example of integrated CERRIX architecture.

5. CERRIX functionalities to improve your SoQM

5.1 Risk Management

Evaluate periodically your risk profiles and assess whether your risk mitigating strategies are still sufficient compared to your risk appetite. Whilst risk profiles of most business processes remain constant, business dynamics may introduce new risks (e.g. entry new markets, blockchain). Likewise, external threats require constant vulnerability scanning and appropriate risk response. CERRIX supports a centralized Risk taxonomy.

5.2 Controls Management & Assurance on effectiveness

Periodically testing the effectiveness of the most important controls built into a process. That can be manual, procedural, or automated controls. The “monitoring controls” module in CERRIX provides automatic email alerts if a control needs to be tested or when it becomes overdue. A flexible workflow ensures that the tester and assessor follow the correct steps. In a more mature environment, one may opt for an automatic testing, using CERRIX’s API in association the companies’ RPA and let predefined rules perform these tests. The dashboard gives insight in controls that are overdue (e.d. by country) and their test-status. Actions can be defined in case of required improvements.

5.3 Workflows for execution

With the Forms module, it is easy to setup bespoke workflows that support your business processes. Appealing applications for audit forms are Client Onboarding processes, Engagement Quality Reviews, distribution and maintenance of policies, Risk Assessment etc. Forms are flexible in design and can hold many different type of entry fields. Workflows distinguish entry and review pages allowing for approval checks by senior management. CERRIX has a number of predefined forms for audit firms.

5.4 Incident Management

Incidents and data breaches that occur in a process can be handled and reported by all employees. The goal is to learn from the mistakes that occur and provide awareness on improvement. The life cycle of an incident together with any follow-up actions is fully supported with workflow.

5.5 Business Process Management

Design your business processes in a very user-friendly way in CERRIX. This should be the basis for process risk management. CERRIX enables process managers to include process risks and (compliance) controls in the designs. The graphical representation of business processes flows includes process steps, involved parties (governance), risks, and controls. This will help process managers to understand the importance of controlling these so-called preventable risks. Moreover,

this analysis will help internal discussions on the cost-of-control. Is it acceptable to increase business efficiency and release a zero tolerance for defects? Additionally, CERRIX provides for 360-degrees of insight for business managers, disclosing the actual risks status, potential failures of needed controls, incidents, 3rd party reviews, adherence to regulation, performance indicators, progress on response to audit findings etc.

6. CERRIX functionalities to improve your SoQM

6.1 Design Business Processes

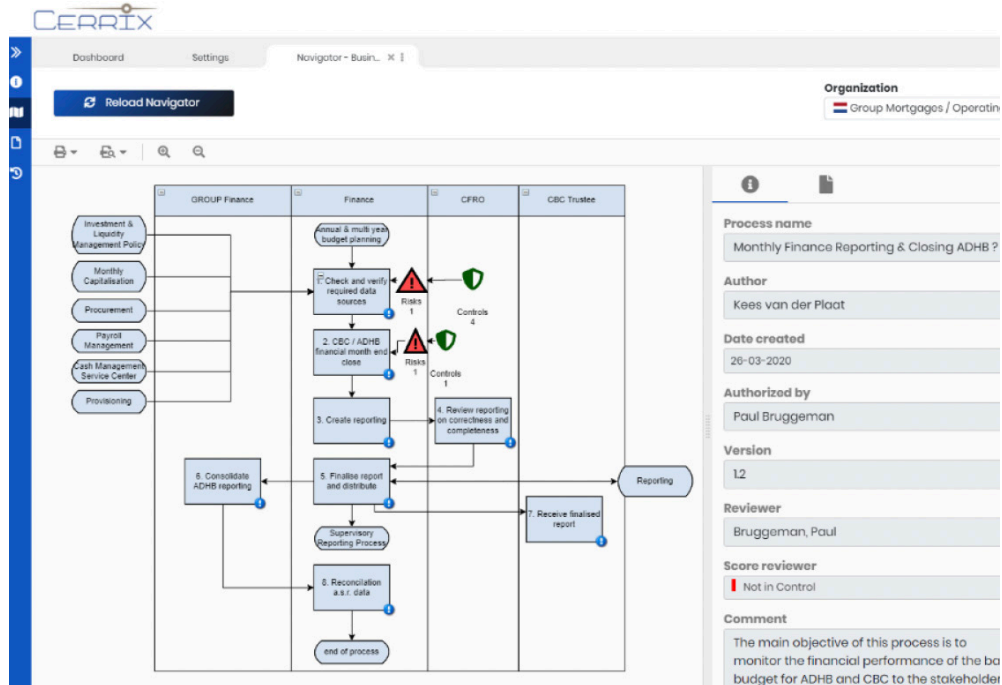


Figure 5: Business processes can be designed including associated governance, risks and controls.

6.2 Control Test plans

The screenshot shows the 'Test plans' section of the CERRIX interface. It features a table with the following data:

Test plan name	Status	Start Date	End Date	# Samples	# Source Documents	Score
2019 (3 Test plans)	-	01-05-2019	31-12-2019	4/h	2	-
Q2 2019	Completed	01-04-2019	30-06-2019	2	1	Strong
Q3 2019	Completed	01-07-2019	30-09-2019	2	1	Satisfactory
Q4 2019	Upload source documents to start workflow	01-10-2019	31-12-2019	0	0	-
2018 (3 Test plans)	-	01-05-2018	31-12-2018	4/h	2	-
Q1 2018	Completed	01-07-2018	30-09-2018	2	1	Needs significant improvement
Q4 2018	Completed	01-10-2018	31-12-2018	2	1	Needs significant improvement

Below the table is the 'Linked control' section, which includes the following details:

- Identifier:** 0000002
- Name:** EVA Check
- Frequency:** On event
- Description:** ComponentBanker enforces a (VIA + PIP) check and the outcome of the check is recorded in ComponentBanker (with user account & date / timestamp). In case of a hit LCO will review and give an advice to Operations. Only the Operations Officer can...
- Mitigated risks:** 0000008 - Customer with match on sanction list (OFAC, EU, UN etc.) or PEP list is accepted by ADHB

Figure 6: Managing test plans in CERRIX.

Control testplans are defined by control indicating the persons involved in testing workflow, period covered, required sampling and teststeps. Local entity can make use of catalogue. If needed all data (testplan, evidence) can be exported (for auditor). Testplans can be rolled forward to next year.

6.3 Centralized Risk & Control Register

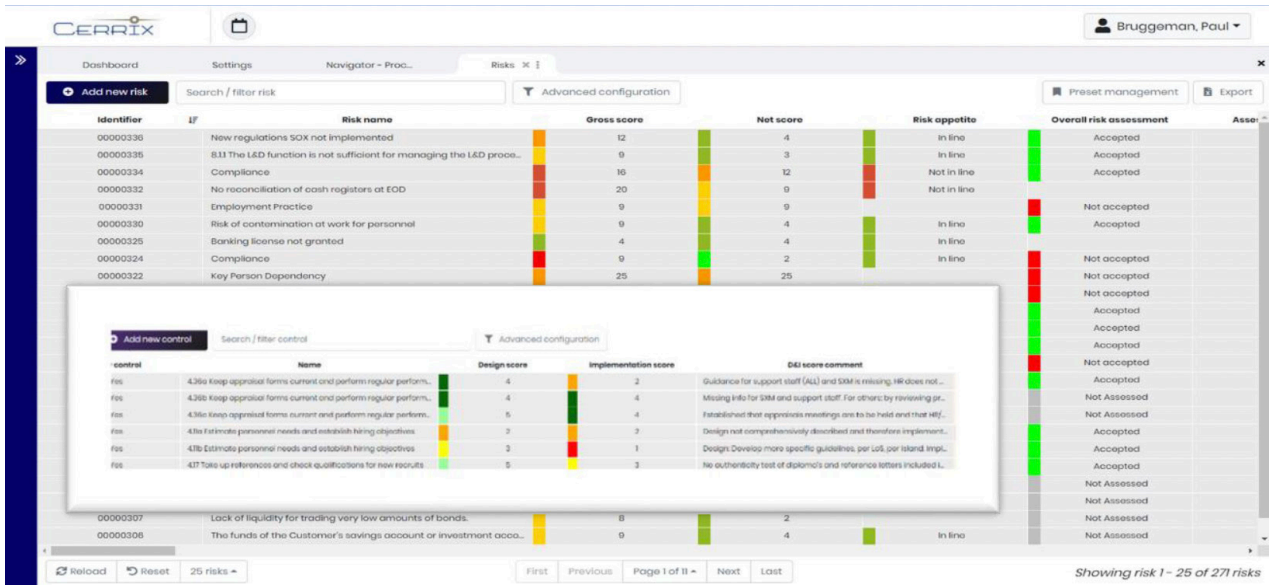


Figure 7: Risk and Control management workspaces.

All items can be easily viewed in a workspace. Personalization of pre-sets make it easy to retrieve the data with predefined filters and row selections (e.g. by country or process). Easy export to Excel.

6.4 Flexible Drill Down Dashboards

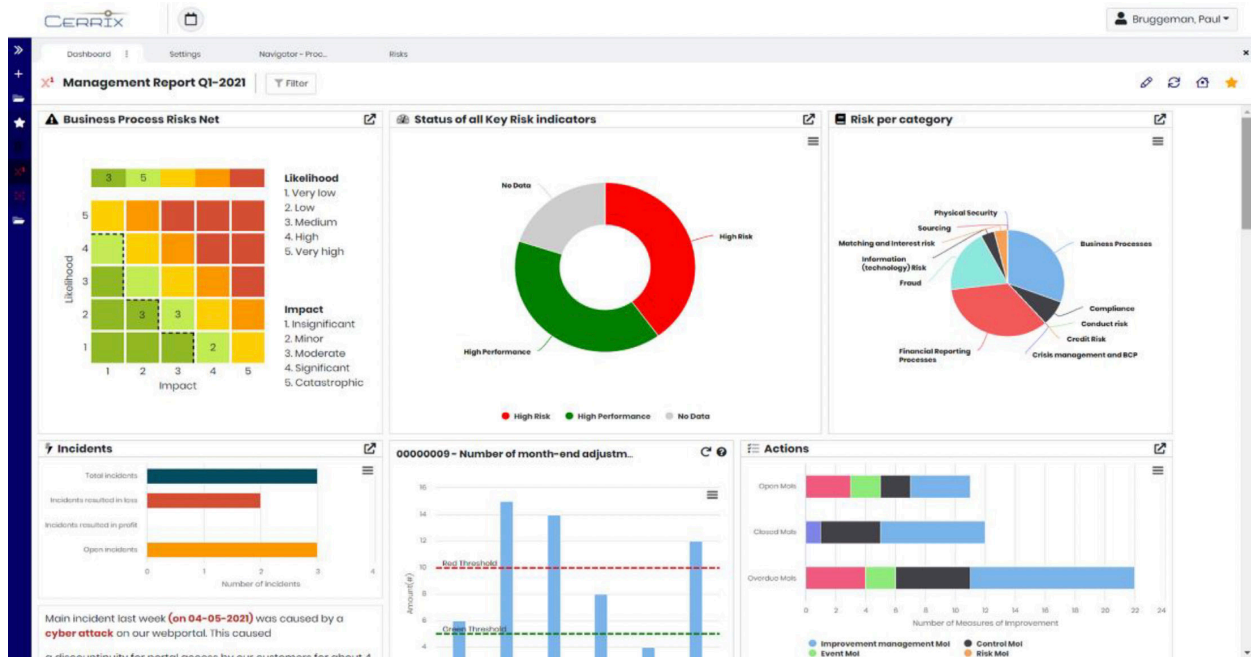


Figure 8: Dashboard widgets in CERRIX.

CERRIX's flexible dashboard can be made on the spot. A library of widgets allows you to define the content whereby each widget can be setup for specific selections. Comments may support the explanation of actual information. A simple click on the graph will drill-down to next level of data items.

“We understand the Quality Management standards for Audit Firms and can offer a practical solution that enables fast compliance with ISQM standards, but will also bring you an efficient and automated internal control process”

About CERRIX

CERRIX is a limited liability company based in The Hague, The Netherlands. We have a sole focus for GRC offerings. Thousands of people use our GRC product on a regular basis all over the world. Our product is state-of-art, build on the latest technology, has rich functional coverage and is easy-to-use and easy-to-implement. Our team is composed of highly educated professionals, both technical and functional, very experienced and committed to our goals. We embrace working ethics that stimulate personal development, professional attitudes, and pleasure in work.

Encouraging for us is also the positive feedback we often receive from our clients. This is not specifically related to the offered functionality and user friendliness of the product itself, but also the appreciation for the pleasant co-operation, prompt responses on questions and service request as well as willingness to adapt suggested product improvements. Frequently, we provide webcasts and user conferences for our client community in which we explain new product releases, discuss potential improvements and our development roadmap. New clients will also become a member of a customer group with very experienced risk and audit managers.

Visit CERRIX.com today to find out how we can help you.

Contact

+31 7 0363 7733
info@cerrix.com

Koninginnegracht 29
2514 AB The Hague
The Netherlands



Marcel Pentier
+31 642602323
marcel.pentier@cerrix.com

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