

# Governance Perspectives

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## WHAT'S IN A NAME?

Continuous monitoring, assurance, or auditing – what it does is more important than what it's called.

Our old friend Shakespeare knew back then that what something *is* is more important than what it is *called*. Take, for example, continuous monitoring. To the credit of the internal audit profession, my foundation vocation, we were part of the creation of the process of monitoring as it relates to controls and risks. In essence, an audit process is monitoring. As technology enabled, we added automated monitoring, as well as, in the early days, the advanced concept of automated continuous assurance monitoring.

Recognizing the independent dimension of audit, we assisted business managers in defining their responsibilities for systems of control and risk mitigation, including the recommendation that these control systems include monitoring. In the 1990s, The Committee of Sponsoring Organizations of

the Treadway Commission released its internal control framework, which offered innovative advice on a controls structure, including monitoring, and became the accepted standard in the United States and around the world.

Consequently, it is noteworthy that we still hear the question today: Should internal auditors implement continuous monitoring or encourage management to implement it? The answer is elementary: Internal audit should be using automated continuous monitoring and recommending the use of it to management in audit reports. The techniques (and software tools) could be the same, though when implemented by an internal auditor they become renamed *continuous assurance* or *continuous auditing*. But what's in a name?

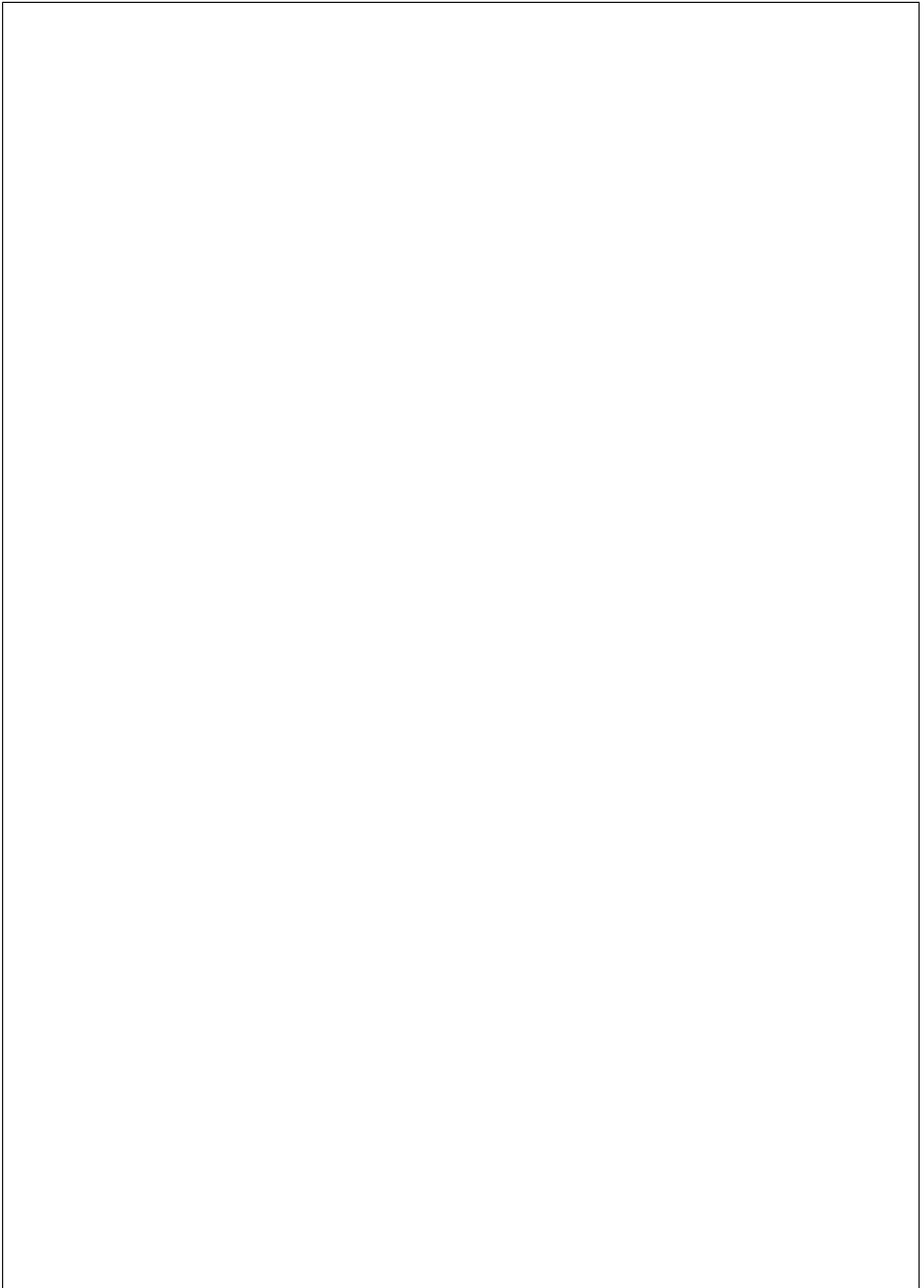
Readers of *Internal Auditor* magazine are well aware of the tools used

for continuous automated auditing. New mitigation-of-findings tools are helping with even greater efficiency, effectiveness, and reporting capabilities. Internal audit practitioners who use these tools should ask themselves two important questions:

- Are we using the tools to their full extent?
- How can we improve controls and risk mitigation systems in our organization by recommending continuous monitoring?

Even though a lot of audit departments have the software, many do not take full advantage of it. They use it for periodic audit routines but have not yet evolved to continuous assurance processes. However, leading edge internal auditors are using continuous assurance, and progressive internal audit functions are beginning to evolve to where they soon will make the leap to not only

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automated continuous monitoring, but also business intelligence tools and analytics.

The main focus of my work these days involves the study and encouragement of the use of automated

evolved beyond finance and into every aspect of business operations. The explosion of data into what is referred to as “big data” alone demands automated continuous auditing and monitoring. Existing monitoring tools can address the

structured data portion of big data, along with enterprise resource planning and oversight systems.

Unstructured big data bubbling out of social media systems like Twitter, Pinterest, and Flickr, represents another challenge, and there are

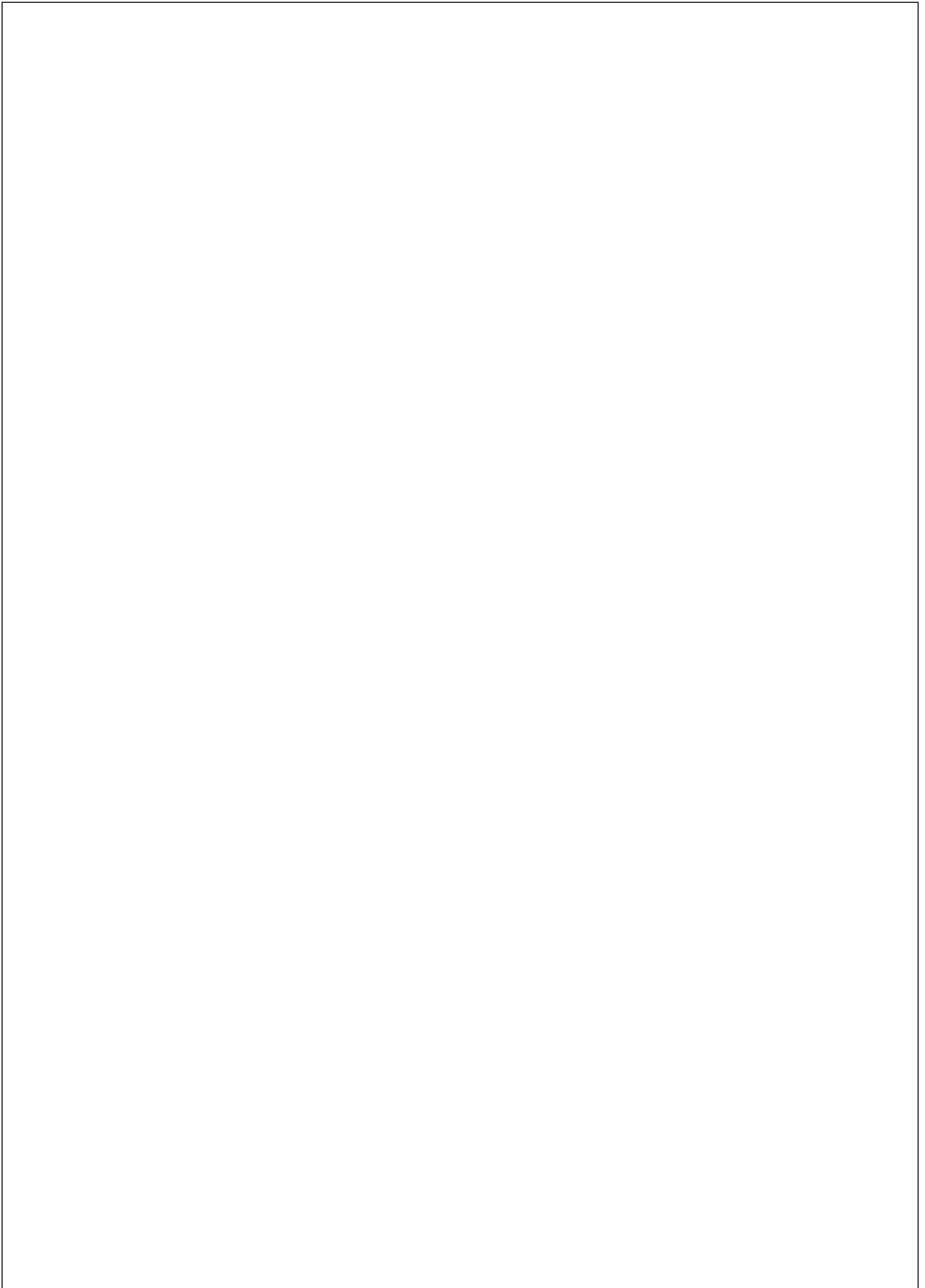
many new software tools developed, and more in design, that will allow for continuous monitoring of this complex data. This newer field should be on internal audit’s radar. In addition, there are many new automated governance, risk, and compliance (GRC) systems that include continuous monitoring components. These will be essential for companies addressing the ever-growing complexities and volumes of GRC requirements.

Presenting big data as a “new frontier” for internal audit, David Salierno, managing editor of this magazine, recently

## Big data bubbling out of social media demands continuous monitoring.

continuous monitoring and analytics in internal audit, and beyond by finance and management. One issue facing internal audit, as a result of the new millennium’s advanced business systems, is the need for automated controls built into operations systems.

From my early days as a chief audit executive, I proposed internal audit should set its charter higher rather than using a backwardly looking audit model and include recommendations that could improve the organization’s controls and risk mitigation systems. Clearly business systems have





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said: “Leveraging big data can provide tremendous insight to organizations.” He goes on to report that big data will be a key basis for future competition and growth. Given the importance of big data, there is need for verification of the quality of the data as well as data mining possibilities that can be accomplished only with automated continuous monitoring.

I recently co-authored a research study on the benefits of continuous monitoring. In our research, my co-authors and I discovered that leading companies recognize the importance of continuous monitoring and are deploying it effectively across functions and departments. They recognize how continuous monitoring can be a precondition for achieving superior corporate performance as well as governance outcomes. In addition, we found many internal audit departments are working to expand the use of continuous monitoring in operations and connecting their enhanced automated continuous assurance programs to the continuous monitoring processes.

One example of the efficiency and effectiveness of continuous monitoring comes from Loretta Cangialosi, senior vice president and controller at Pfizer. “With continuous monitoring systems for our travel and entertainment process

and three employees, we can review and act on discrepancies identified by continuously monitoring thousands of transactions in a way that would have required at least 30 employees using traditional audit methods.”

No matter what it’s called—continuous monitoring, continuous assurance, or continuous audit—internal audit must move forward on the technology trail. Big data demands the use of automated monitoring. Internal audit should use these techniques as part of the independent audit verification process and ensure that their organizations are aware of the potential and value of automated monitoring solutions. The range of uses of monitoring, integrated in all aspects of information systems—for GRC, cash recoveries, data integrity, U.S. Foreign Corrupt Practices Act compliance, competitive advantage, and customer satisfaction—is limited only by the auditor’s creativity. [i](#)

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