Intelligent Internal Controls

Dallas IIA
with
Raven Catlin
Raven Global Training

Raven Catlin, CPA, CIA, CFSA

Call me: 571-283-1878
Email me: raven@ravenglobaltraining.com
Check out www.ravenglobaltraining.com

Your mission:
/ Have Fun!
/ Think
/ Ask Questions
/ Share something
/ Learn something
This session is designed to help you...

- Apply skills and knowledge to perform efficient and effective risk assessments
- Learn and apply principles to create and identify Intelligent Internal Controls
- Evaluate Intelligent Internal Controls
- Promote Intelligent Internal Controls

Understanding risk and control concepts

- Risk concepts
- Control concepts
- Frameworks
Risks

- Known – knowns
- Known – unknowns
- Unknown – Unknowns

OR

- Successes (and what we needed to achieve them)
- Near misses
- Losses

Risk Velocity

- How do individual risks impact each other?
- How quickly will events materialize?
- Pervasive risk vs. specific risk
- Static vs. dynamic
Identifying & Evaluating Entity and Activity Level Controls

...Intelligent Internal Controls
...versus “necessary” or “required” controls

What is an “Intelligent Internal Control?”

- Design first, compliance last
- Value second
- Cost third

- It’s not about “covering” the auditor or giving assurance

Intelligent Internal Control and Risk Management – Matthew Leitch
Management Concerns

- Personnel constraints
- Communication
- Technology
- Profitability
- Cost containment
- Political changes
- Regulatory changes
- Laws and regulations
- Competition
- Customer satisfaction
- Employee satisfaction
- Organization structure
- Organization politics
- Economic challenges
- Suppliers
- Setting policy

Intelligent Internal Controls

- Healthy tension between operating efficiency and control
- Tension creates risk
- Strong controls vs. right controls
- Good controls vs. necessary / required controls
- Not clumsy, bureaucratic, impractical, more costly than beneficial
Risk

- Risk identification and assessment drives control implementation
- Controls exist to mitigate a risk
  - No risk? No control!
- Redundant controls
  - Are they needed?
  - Do they provide additional assurance against risk?

Designing Intelligent Internal Controls

- Availability of automation
- Training needs of staff
- Cost vs. benefit
- Ease of use
- Difficulty / red tape
- Change from current process
- Culture
- Accountability and ownership
- Need, want, nice-to-have
Types of Controls

- Key / compensating or mitigating
- Entity level / Process or Activity level
- Manual / Automated
- Hard / Soft
- Preventive / Detective / Corrective
- Compensating / Mitigating
- Discretionary / Nondiscretionary (mandatory)
- Redundant and complementary
- Directive

Entity Level Controls

- An organization’s values, attitudes, systems, style, ethics, integrity, and competence.
- Effective audits evaluate intangibles (such as the management philosophy and operating style of senior management).
Assessing Entity Level Controls

- Internal controls
- Relationship with internal audit
- Existence of standards
- Actions vs. words
- Communication (consistent?)
- Change implementation
- Turnover
- Training & education
- Leadership
- Red flags
- Organization structure
- Fear
- Whistleblower

Specific Control Activities

- Approvals, authorizations, and verifications
- Reconciliations
- Reviews of performance
- Security of assets
- Segregation of duties
- Controls over information systems
Questions?

Raven Catlin  
raven@ravenglobaltraining.com  
DC Metro 571-283-1878  
www.ravenglobaltraining.com

On-site Training from  
Raven Global Training

- Customized
- Practical
- Cost-Effective
- Created by Industry Experts
- Instruction design expertise
- Consistency
- Confidentiality
- Flexibility
My Top 10 Take Aways

1. 
2. 
3. 
4. 
5. 
6. 
7. 
8. 
9. 
10.