

Continuous Monitoring of Treasury Operations

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Agenda

- Continuous Monitoring
- ADB Treasury Operation
- Road Map for Introducing Continuous Monitoring in Treasury Investment Activities using ACL
- Lessons Learnt
- References
- Q&A

Continuous Monitoring - Definition

Continuous Monitoring — a **management** process that monitors on an ongoing basis whether internal controls are operating effectively.

Continuous monitoring encompasses ongoing efforts by the **first and second lines of defense** to ensure that policies, procedures, and business processes are operating effectively. It involves identifying applicable control objectives and assurance assertions, and establishing **automated tests** to highlight activities and transactions that fail to conform to expected norms.

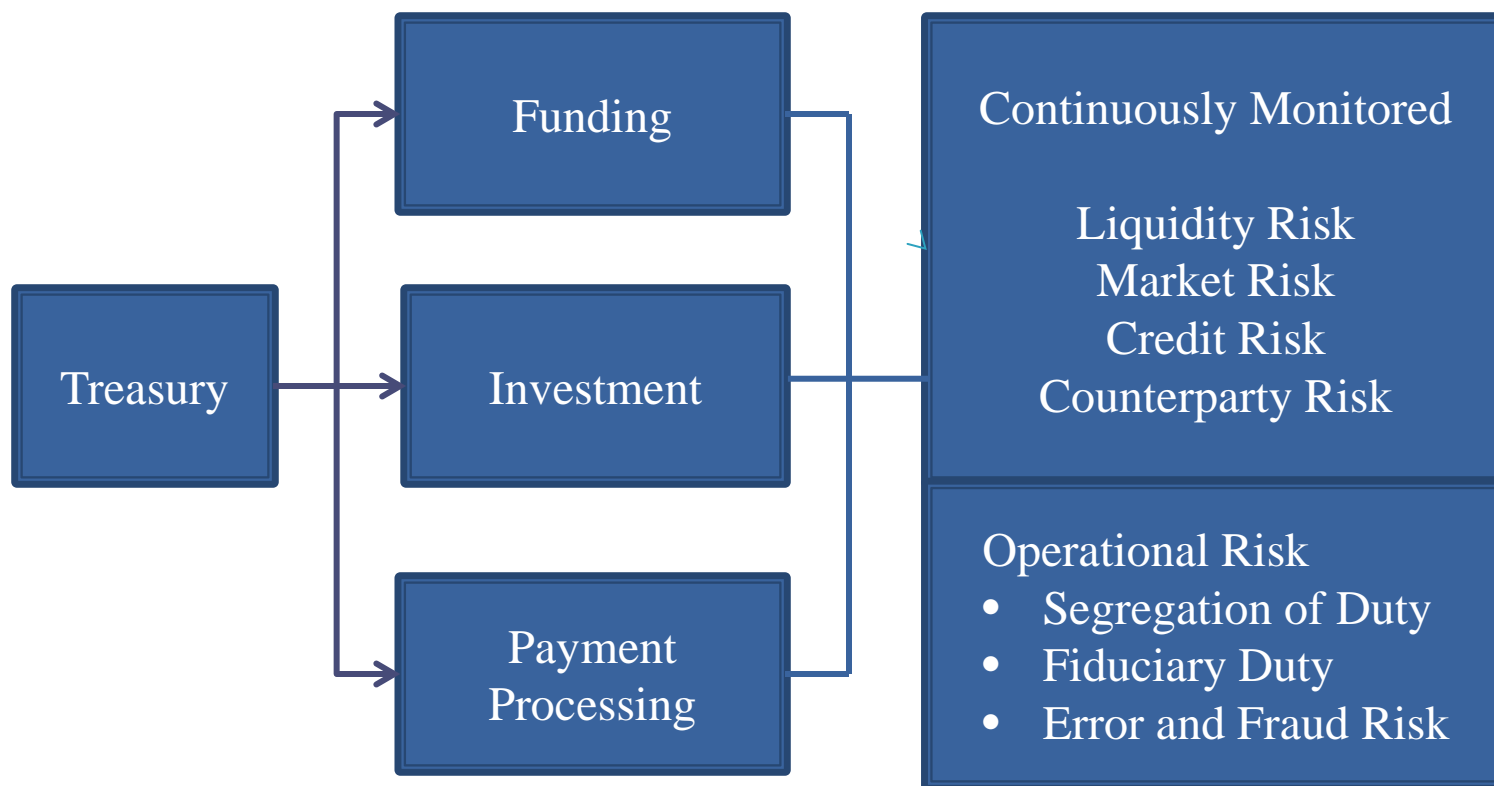
Continuous Monitoring – Benefit

- Enhance the ability to promptly identify and curtail control problems
- Reduce incidences of error and fraud
- Enhance operational efficiency
- Improve bottom-line results through a combination of cost savings and a reduction in overpayments and lost revenue
- Improve customer satisfaction through enhanced customer service quality and integrity

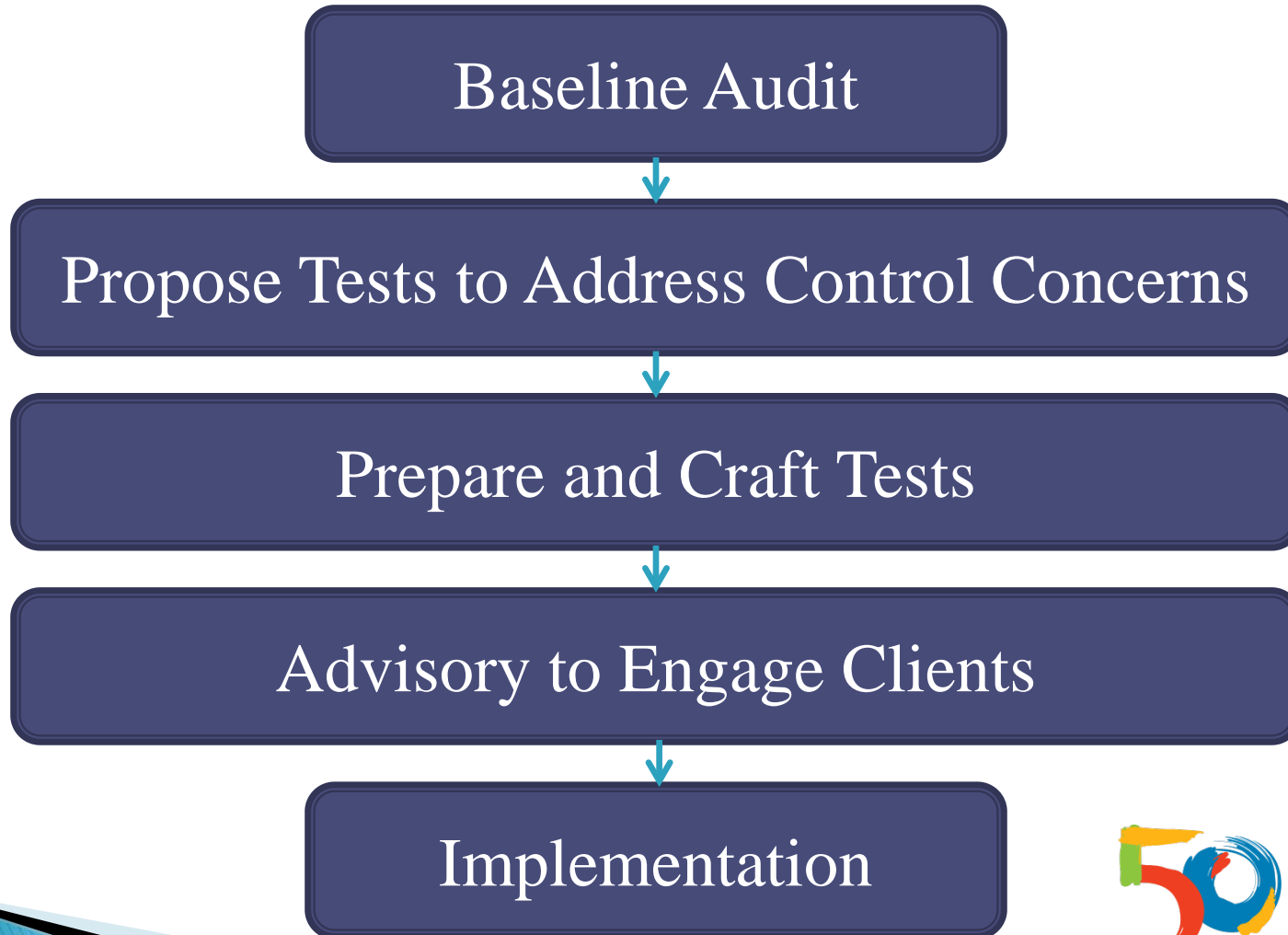
Continuous Monitoring – Driver

- Advancements of technology
- Change of regulatory requirement
- Pressure to improve operation efficiency
- Need for more timely ongoing assurance of control effectiveness

ADB Treasury Operation



The Road Map



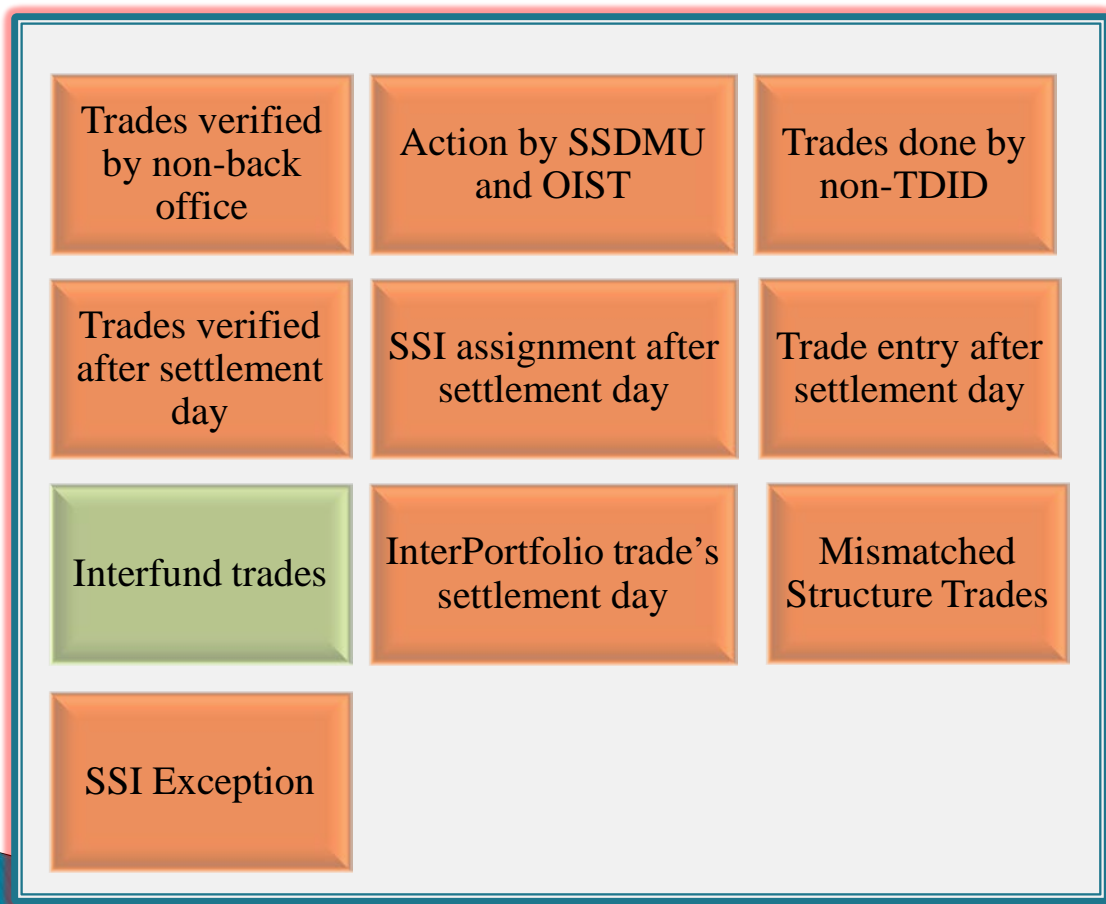
Baseline Audit

- Population audit vs. Sample audit
- Assess control effectiveness
- Review the effectiveness of existing continuous monitoring program
- Coordinate with IT or data management units (DMUs)
- Examine data completeness and reliability

Proposed Continuous Monitoring Tests

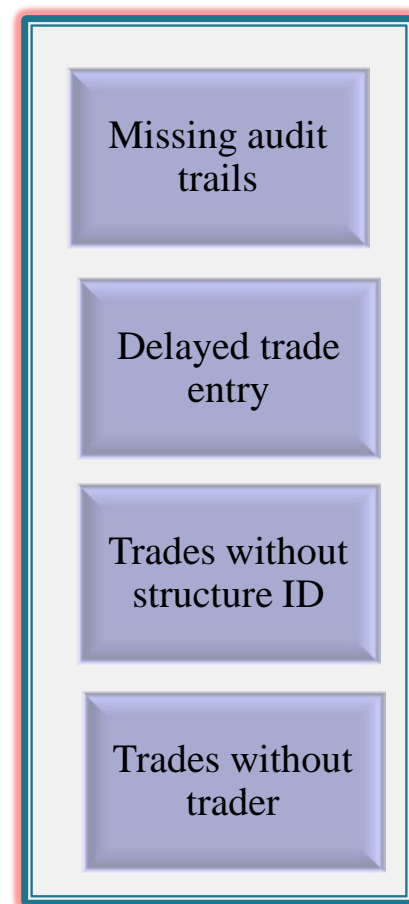
Exception Test

Medium-high risk data



Information Purpose

Low risk data



Prepare and Craft Tests

- PC-version versus Server-version Scripting
- Testing Frequency
- Automatic Data Extraction
- Report Format

Web format (ACL Analytics Exchange)



ACL Analytics 11 - Analysis App

O13_Delayed_Trade_Entry

Table View

O13_Delayed_Trade_E...
25 Records

Trade_Type	Trade_ID	P/S	Curr	Amount	Trade_Day	Trade_Entry...	Trader	Department
BOND	0000014796	P	USD	20,000,000	Mar 5, 2014 ...	Mar 6, 2014 ...	Ferdinand P. Pascual	TDID
BOND	0000014792	P	USD	25,000,000	Mar 4, 2014 ...	Mar 5, 2014 ...	Ferdinand P. Pascual	TDID
BOND	0000014883	P	USD	100,000,000	Mar 20, 201...	Mar 21, 2014...	Ferdinand P. Pascual	TDID
BOND	0000014830	P	USD	25,000,000	Mar 11, 201...	Mar 12, 2014...	Ferdinand P. Pascual	TDID
BOND	0000014819	S	USD	25,000,000	Mar 7, 2014 ...	Mar 10, 2014...	Ferdinand P. Pascual	TDID

Enhance User Experience

User Guide

Report Title:	O13 Delayed Trade Entry
Test Performed / Criteria:	All trades should be entered on the trade date. (Except for inevitable reasons; notification to SSDMU and Settlements should be sent)

	A	B	C	D	E	F	G	H	I
1	Trade_Type	Trade_ID	P_S	Curr	Amount	Trade_Day	Trade_Entry_Day	Trader	Department
2	BOND	0000014796	P	USD	20000000	05/03/2014	06/03/2014	Wynona Robles	TDID
3	BOND	0000014792	P	USD	25000000	04/03/2014	05/03/2014	Wynona Robles	TDID
4	FXSPOT	0000012757	P	USD	5000000	07/03/2014	10/03/2014	Domingo Montes	TDID
5	<i>Note: The examples are for illustration purposes only.</i>								
6									
7									




Particulars:	Trades were entered after corresponding trade dates.
Suggested Action:	<ul style="list-style-type: none"> Investigate the reason for delayed trade entry. Notification to SSDMU and Settlements for the trade should be sent on trade day.

Enhance User Experience

Email format report

ACL Report for Period: Jun 16 to Jun 30

Test Results:

O01_Missing_Audit_Trails:	0
O02_Verified_by_Non_BackOffice:	
O03_Action_by_SSDMU_OIST:	0
O04_Trade_done_by_non_TDID:	0
O05_SSI_Exception:	0
O11_Verified_After_SettleDay:	0
O12_SSI_Assign_After_SettleDay:	0
O13_Delayed_Trade_Entry:	
O13_Trade_Entry_AfterSettle:	
O13_Trade_without_StructureID:	0
O13_Trade_without_Trader:	0
O14_Interfund_Trades:	0
O14_Interport_Settlement_Day:	0
O14_Mismatched_Structure_Trades:	0



O02_Verified_by_Non_BackOffice.XLSX

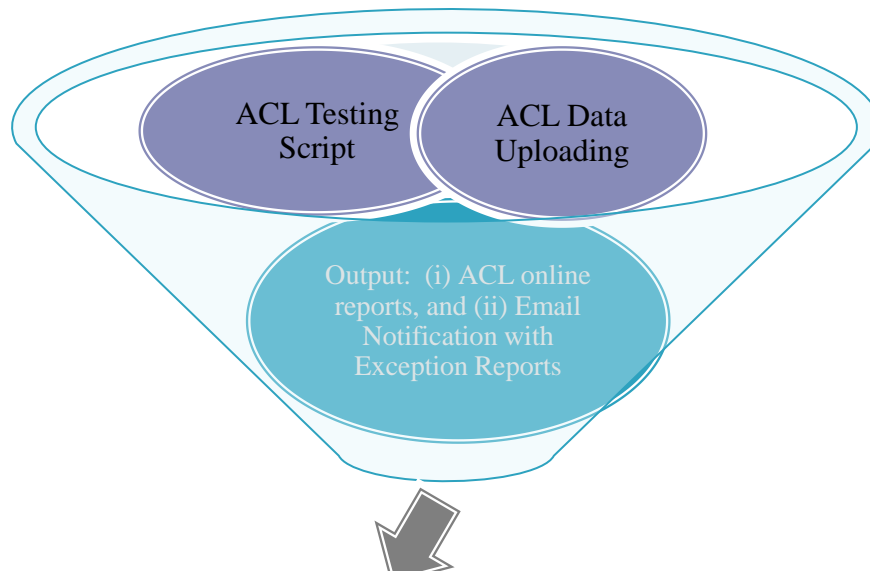


O13_Delayed_Trade_Entry.XLSX



O13_Trade_Entry_AfterSettle.XLSX

Continuous Monitoring Advisory



OAG verifies
comments and
improves reports



TD
comments

=



Collaborating with Client

TD Engagement:



- *Designated Focal Person*
 - Receive user guide
 - Login to ACL Exchange to view exception report and receive e-mail notification
 - Disseminate the report to respective unit
 - Gather responses on exceptions
 - Correspond with OAG continuous monitoring team to discuss **exception handling** and **false positives**
 - Collaborate with OAG to **improve test criteria**

Lessons Learnt

- Data Availability and Integrity
- Tools and Capacity – Data Analytics Tools and Capacity to Analyze Transactional and Unstructured Data
- Client Engagement
 - ☐ Controls to Monitor
 - ☐ Criteria
 - ☐ Frequency
 - ☐ Exception Investigation
- Management Support

References

- IIA - GTAG-3-Continuous-Auditing-2nd-Edition
- Continuous Monitoring in a Risk Management Framework, US Census Bureau, 2012
- Continuous Monitoring Core Principles, NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY, 2013
- Continuous Monitoring and Auditing: What is the difference?, Protiviti, 2008

THANK YOU



Q&A

