

Larry's Cheat Sheet – CSA

Definitions

Definition: Self-assessment is a formal, documented process that allows management and work teams (directly involved in a business unit, function, or process) to participate in a structured manner to:

- Identify and record the controls in place
- Identify remaining risks and exposures;
- Develop action plans to reduce remaining risks to acceptable levels, or otherwise improve the activity;
- Assess the adequacy of the controls in place
- **CSA = ERM, for all intents and purposes**

Main Types of CSA are Workshops and Surveys

- **Surveys are typically questionnaires**
- **Types of CSA Workshops:**
 - Objective Focused; Risk Focused; Control Focused
 - Process Focused
 - Situational or Department Focused
 - Soft Controls Evaluation
 - Special Purposes – Audit Planning

What Makes CSA CSA

- The people doing the job do the assessment of controls
- The auditors/facilitators are neutral
- Finds “good” things – controls
- Workers are treated like experts, and they are
- It is not an audit and not treated like one
- Report may be done by work team

Using CSA in Internal Controls over Financial Reporting (ICFR)

- Risk/Control Matrix (RCM) was meant to be stand-a-lone and filled out in a participative, self-assessment mode
- Have a real task to do when updating RCM's:
 - Distinguish type of controls (O, F, C)
 - Identify the financial statement assertion (EVCRP)
 - Change from ORCA to OCRR
- Can use CSA to get operational data about company-level controls, instead of surveys
- Can use CSA to test the operation of controls, as mentioned in PCAOB guidance, for management's assessment “ ... testing by means of a self assessment process, some of which might occur as part of management's ongoing monitoring activities”.

Predicting Success in Implementing CSA

| Question | Score (0 to 5) |
|--|----------------|
| 1. To what extent are department managers ready to involve employees in the ongoing identification of objectives, risks and controls for their activities? | |
| 2. To what extent are department managers ready to receive and act on control information from their employees? | |
| 3. To what extent is IA ready to gather and provide information about soft controls? | |
| 4. To what extent is executive management ready for IA to help managers with internal control rather than play a police role? | |
| 5. To what extent are audit managers ready to embrace a new of evaluating controls that treats audit clients as experts? | |
| 6. To what extent are employees ready to provide information about hard and soft controls? | |
| Total | |

Score Range

0 to 10
10 to 20
20 to 30

Chance of Success

20%
40%
80%

| Why to do CSA: | Why NOT to do CSA: |
|--|------------------------------------|
| • Get data about entity-level controls | • It's a best practice |
| • Transfer ownership of controls | • Everybody else is doing it |
| • Organizational culture needs it | • To improve the image of auditors |
| • Utilize the experts – clients | • So auditees will like us better |
| • Cover more areas | • We were told to do it |
| • Address elephants | • To reduce audit resources |
| • Set scope of traditional auditing | • Because it's fun |
| | |

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CSA Mechanics

After Initial CSA Training

- Establish a plan for going forward, including pilot workshops
- Establish a Steering Committee to guide the effort
- Send message to all participants regarding the plan
- Pilot in a friendly area, not a problem area, where success is likely
- Pilot again
- Steering Committee determine next steps

Running Pilot Workshops

- Decide: Process-based or department-based
- Clearly define internal controls
- Arrange meeting logistics
- Select meeting participants
- Send meeting announcement, with pre-reading about CSA and the objective or process to analyze in the workshop.
- Conduct the workshop
- Issue the workshop report within 24 hours
- Ask participants for improvement suggestions

Running a Workshop

- Facilitator and scribe greet everyone at the door
- People can sit anywhere; no name tents
- Start on-time
- Senior manager introduce the workshop (facilitator coach them on what to say)
- Introduce the workshop
- Provide training in risks and control identification
- Facilitate participant identification of risks and controls
- Scribe record and project the data based on facilitator's instructions
- Identify any action items, being specific about who takes next steps and when
- Assess controls
- Issue draft report to participants
- Issue final report within 24 hours

CSA Workshop Report Contents

- Introduction
- Attendees
- Activity, scope or objective used in workshop
- Description of current controls in place
- Remaining risks, despite the controls
- Assessment of control effectiveness
- Action items from workshop, indicating importance, who takes the next step, and when.

CSA Best Practices

- Identify controls first, then residual risks (inherent risk identification is good in theory, not in practice)
- Do workshops, not questionnaires
- Dedicated group doing facilitations
- One workshop per week per facilitator
- Perform pre-workshop interviews
- Use frameworks – controls or risks
- Identify controls first, then remaining risks
- If you vote, use 80% talk, 20% vote
- Include Entity-Level controls in the evaluations
- Prepare report in the workshop
- Issue report by workteam next day to next level of management
- Quality assurance work done by facilitation group
- Workshops done regularly for each workteam
- Obtain certification in CSA – CCSA
- Use facilitation skills for improvements other than to risks and controls

Other Thoughts about CSA

- Always ask, "Why do you want to do CSA?"
- CSA is a generic term
- CSA is not for every organization
- Don't rely on senior management to sell CSA
- Choose the right objectives to start
- The best outcome is "everything is working OK"
- Don't use the word "finding" in a workshop
- Really believe the workers know more than the auditors
- Enterprise Risk Management is a form of CSA

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