

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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