

Control Testing – An Overview

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About Us

- ⦿ Experienced Risk & Compliance Professionals
- ⦿ Members of the IRM, IOD, ACCA, ISACA, etc.
- ⦿ We offer award winning GRC software solutions and services
- ⦿ CalQRisk solution is used by more than 200 organisations
- ⦿ Client base in Financial Services: Credit Unions, Fund management, Insurance, Payments and other sectors



Agenda



Different types of controls



Why do control testing?



Control testing process



A practical example



Reporting

Applying the Five Ps Approach to the system of controls:

- Policy
- People
- Practices
- Paperwork
- Performance Management

Types of Controls



DIRECTIVE



PREVENTIVE



DETECTIVE



CORRECTIVE

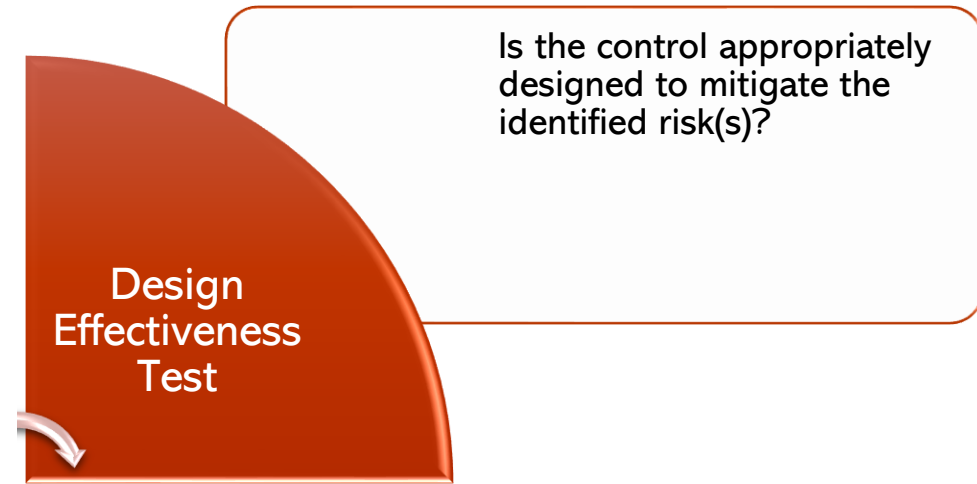
Types of Controls



Why you should be doing control testing?

-  Less incidents / risk events
-  Robust risk management process
-  Provides assurance to relevant stakeholders
-  Regulatory expectations
-  Assists with compliance

Control Testing Process



Design Effectiveness Test

- 🌀 Evidence – documented procedures / guidance?
- 🌀 Key Person – does the control depend on one individual?
- 🌀 Automated vs Manual
- 🌀 Control Type – direction, prevention, detection or correction?
- 🌀 Etc.

Operating Effectiveness Test

- 🌀 “Sample” the control
 - 🌀 Is it operating as designed?
 - 🌀 Is there evidence of this?
 - 🌀 Does it always happen?
 - 🌀 Etc.

An Example

- Background –
 - Financial institution exposed to credit risk
 - Offer small to medium loans to borrowers
 - Creditworthiness control

An Example – Design Effectiveness

-  **Documentation** -> documented step by step procedure in place
-  **Roles & Responsibilities** -> defined in the documentation
-  **Key person** -> more than one person can operate the control
-  **Automation** -> manual control due to cost of automating
-  **Control type** -> Preventive

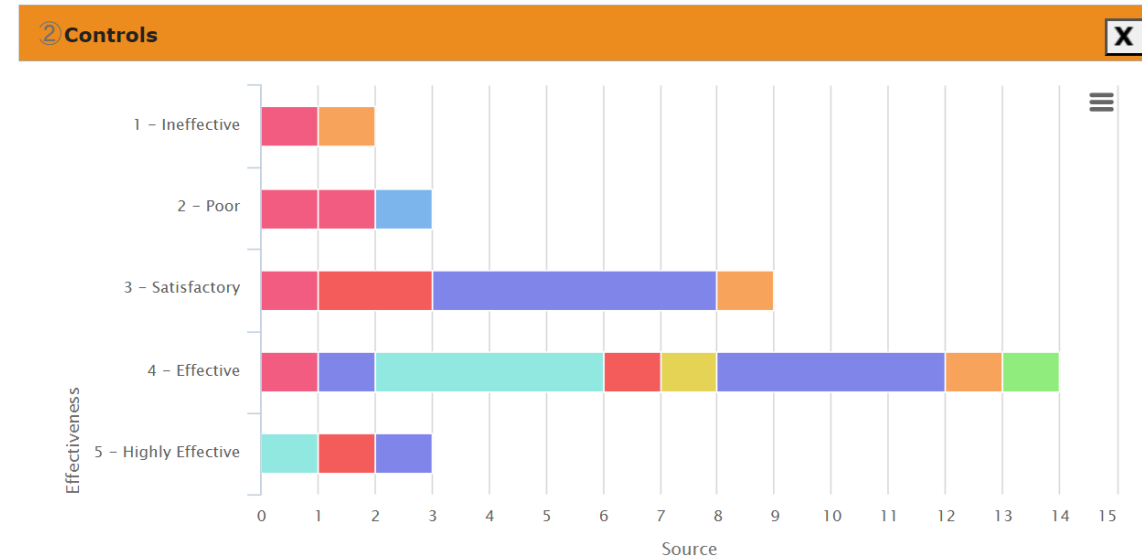
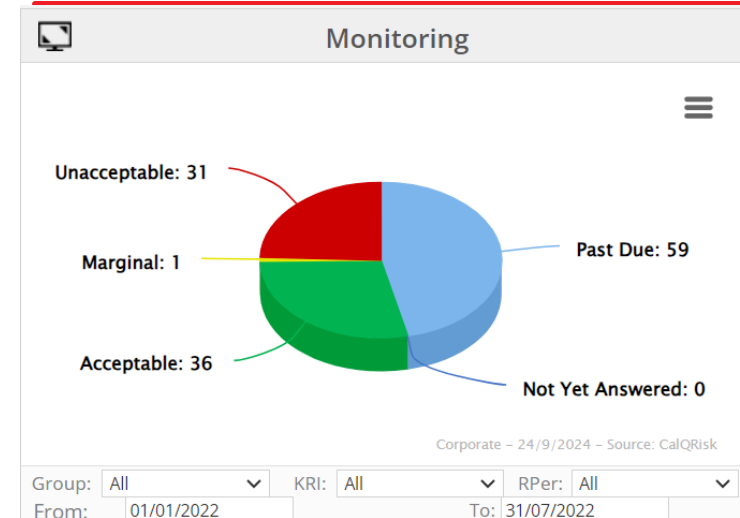


An Example – Operating Effectiveness

-  **Sample** -> obtain an adequate sample size
-  **Test** -> is the control operating as designed?
-  **Record & Report**

Reporting

- Build it in, don't bolt it on
- Make it a continuous process
- High level, report by exception



Frequently Asked Questions

- ❏ Who should conduct the control test?
- ❏ How often should I test the control(s)?
- ❏ How big should my “sample” be? (for OE testing)
- ❏ What happens when a control fails a test?

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