Oracle® Internal Controls Manager

Implementation Guide

Release 11*i*

Part No. B12267-02

March 2004

ORACLE®

Oracle Internal Controls Manager Implementation Guide, Release 11*i*

Part No. B12267-02

Copyright © 2003, 2004, Oracle. All rights reserved.

Primary Author: Jacob John

Contributing Authors: Nigel King, Bastin Gerald

Contributors: Anand Thiagarajan, Mumu Pande, Sayekumar Arumugam, Neil Davda, Sampathkumar Pudhukottai, Amit Bedajna, Tsun-Tsun Ho, Gaurav Kumar, Nilesh Panandikar, Krishnan Nair.

The Programs (which include both the software and documentation) contain proprietary information; they are provided under a license agreement containing restrictions on use and disclosure and are also protected by copyright, patent, and other intellectual and industrial property laws. Reverse engineering, disassembly, or decompilation of the Programs, except to the extent required to obtain interoperability with other independently created software or as specified by law, is prohibited.

The information contained in this document is subject to change without notice. If you find any problems in the documentation, please report them to us in writing. This document is not warranted to be error-free. Except as may be expressly permitted in your license agreement for these Programs, no part of these Programs may be reproduced or transmitted in any form or by any means, electronic or mechanical, for any purpose.

If the Programs are delivered to the United States Government or anyone licensing or using the Programs on behalf of the United States Government, the following notice is applicable:

U.S. GOVERNMENT RIGHTS Programs, software, databases, and related documentation and technical data delivered to U.S. Government customers are "commercial computer software" or "commercial technical data" pursuant to the applicable Federal Acquisition Regulation and agency-specific supplemental regulations. As such, use, duplication, disclosure, modification, and adaptation of the Programs, including documentation and technical data, shall be subject to the licensing restrictions set forth in the applicable Oracle license agreement, and, to the extent applicable, the additional rights set forth in FAR 52.227-19, Commercial Computer Software--Restricted Rights (June 1987). Oracle Corporation, 500 Oracle Parkway, Redwood City, CA 94065.

The Programs are not intended for use in any nuclear, aviation, mass transit, medical, or other inherently dangerous applications. It shall be the licensee's responsibility to take all appropriate fail-safe, backup, redundancy and other measures to ensure the safe use of such applications if the Programs are used for such purposes, and we disclaim liability for any damages caused by such use of the Programs.

The Programs may provide links to Web sites and access to content, products, and services from third parties. Oracle is not responsible for the availability of, or any content provided on, third-party Web sites. You bear all risks associated with the use of such content. If you choose to purchase any products or services from a third party, the relationship is directly between you and the third party. Oracle is not responsible for: (a) the quality of third-party products or services; or (b) fulfilling any of the terms of the agreement with the third party, including delivery of products or services and warranty obligations related to purchased products or services. Oracle is not responsible for any loss or damage of any sort that you may incur from dealing with any third party.

Oracle is a registered trademark of Oracle Corporation and/or its affiliates. Other names may be trademarks of their respective owners.

Contents

6 Risk Library Change Control

7 Audit Projects

8 Segregation of Duty Constraints

9 Process Variations and Exceptions

10 Process Certification

11 Financial Statement Certification

12 Findings in Oracle Internal Controls Manager

13 Control Reports

Send Us Your Comments

Oracle Internal Controls Manager Implementation Guide, Release 11*i*

Part No. B12267-02

Oracle welcomes your comments and suggestions on the quality and usefulness of this document. Your input is an important part of the information used for revision.

- Did you find any errors?
- Is the information clearly presented?
- Do you need more information? If so, where?
- Are the examples correct? Do you need more examples?
- What features did you like most?

If you find any errors or have any other suggestions for improvement, please indicate the document title and part number, and the chapter, section, and page number (if available). You can send comments to us in the following ways:

- Electronic mail: appsdoc_us@oracle.com
- FAX: (650) 506-7200 Attn: Oracle Internal Controls Manager
- Postal service:
  Oracle Corporation
  Oracle Internal Controls Manager Documentation
  500 Oracle Parkway
  Redwood Shores, CA 94065
  USA

If you would like a reply, please give your name, address, telephone number, and (optionally) electronic mail address.

If you have problems with the software, please contact your local Oracle Support Services.

Preface

Welcome to the Oracle Internal Controls Manager Implementation Guide, Release 11*i*.

This guide assumes you have a working knowledge of the following:

- The principles and customary practices of your business area.
- Oracle Internal Controls Manager

  If you have never used Oracle Internal Controls Manager, we suggest you attend one or more of the Oracle Internal Controls Manager training classes available through Oracle University.

  In the event that you are unable to take a class, this guide should still provide you with help in implementing Oracle Internal Controls Manager.
- The Oracle Applications graphical user interface

  To learn more about the Oracle Applications graphical user interface, read the Oracle Applications User's Guide.

See Other Information Sources for more information about Oracle Applications product information.

How To Use This Guide

This implementation guide includes all the information you need to understand and use Oracle Internal Controls Manager effectively. It discusses the following topics:

Chapter 1: Introduction to Oracle Internal Controls Manager

Provides an introduction to corporate governance and the Oracle Internal Controls Manager. The introduction includes a high level overview of setup as well as information on how Oracle Internal Controls Manager integrates with other modules in the Oracle E-Business suite.

Chapter 2: Processes in Oracle Internal Controls Manager

Describes how to create processes that accurately reflect your enterprise's business flows. The chapter also discusses setting up the processes once they are imported from Oracle Tutor and Oracle Workflow.

Chapter 3: Risks and Controls in Oracle Internal Controls Manager

Contains detailed information on creating risks and controls in the application. The chapter includes material on importing risks and controls into Oracle Internal Controls Manager.

Chapter 4: Assessments in Oracle Internal Controls Manager

Describes how to incorporate an assessment of the organization regarding its internal control structure and compliance. Detailed information is provided on creating the assessment in Internal Controls Manager as well as associating it to a survey that is defined using the Oracle Scripting tool.

Chapter 5: Audit Procedures in Internal Controls Manager

Furnishes detailed information on creating audit procedures and associating them with the controls that the procedures are supposed to verify. The chapter also includes information on entering results for the audit procedures.

Chapter 6: Risk Library Change Control

Describes the approval process used to create or modify risk library items in Oracle Internal Controls Manager. Approvals are required to maintain the integrity of information within the risk library.

Chapter 7: Audit Projects

Internal audits in organizations are usually managed as projects and audit procedures typically translate into tasks within these projects. This chapter contains detailed information on setting up and executing your audit projects.

Chapter 8: Segregation of Duty Constraints

Provides detailed information on setting up these constraints and then monitoring the system for violations. Oracle Internal Controls Manager enables you to identify any combination of tasks in an enterprise as incompatible. An individual in the enterprise with access to more than one of these tasks is therefore in violation of a segregation of duties standard.

Chapter 9: Process Variations and Exceptions

Although it is advantageous for a firm to setup and execute standardized processes, one or more organizational units within an enterprise may be running modified forms or "derivatives" of the standard process. Oracle Internal Controls Manager allows you to create process "variations" and process "exceptions" and this chapter furnishes detailed information on handling such alterations.

Chapter 10: Process Certification

Describes the mechanism to certify your business processes in Oracle Internal Controls Manager. Process certification requires process owners to provide assurance that their organization's processes are in compliance with the standard(s) utilized as the basis of the firm's management system. You can use the results of audit projects executed in the application as a basis for the certification.

Chapter 11: Financial Statement Certification

Provides detailed information on using Oracle Internal Controls Manager in certifying financial statements.

Chapter 12: Findings in Oracle Internal Controls Manager

During the audit process, nonconformities to established standards are often discovered in the organization. These nonconformities are identified as "Findings" and are typically items of material concern that violate sound accounting practice and accountability. A certification cannot be issued until they are effectively addressed and remedied.

This chapter provides information on creating Findings using Oracle Internal Controls Manager.

Chapter 13: Control Reports

Provides detailed information on the seven predefined risk library reports in Internal Controls Manager. These reports enable you to periodically verify the accuracy and integrity of the processes and objects that are present in the risk library.

Documentation Accessibility

Our goal is to make Oracle products, services, and supporting documentation accessible, with good usability, to the disabled community. To that end, our documentation includes features that make information available to users of assistive technology. This documentation is available in HTML format, and contains markup to facilitate access by the disabled community. Standards will continue to evolve over time, and Oracle is actively engaged with other market-leading technology vendors to address technical obstacles so that our documentation can be accessible to all of our customers. For additional information, visit the Oracle Accessibility Program Web site at http://www.oracle.com/accessibility/

Accessibility of Code Examples in Documentation

JAWS, a Windows screen reader, may not always correctly read the code examples in this document. The conventions for writing code require that closing braces should appear on an otherwise empty line; however, JAWS may not always read a line of text that consists solely of a bracket or brace.

Accessibility of Links to External Web Sites in Documentation

This documentation may contain links to Web sites of other companies or organizations that Oracle does not own or control. Oracle neither evaluates nor makes any representations regarding the accessibility of these Web sites.

Other Information Sources

You can choose from many sources of information, including documentation, training, and support services, to increase your knowledge and understanding of Oracle Internal Controls Manager.

If this guide refers you to other Oracle Applications documentation, use only the Release 11*i* versions of those guides.

Online Documentation

All Oracle Applications documentation is available online (HTML or PDF).

- **PDF Documentation-** See the Online Documentation CD for current PDF documentation for your product with each release. This Documentation CD is also available on Oracle*MetaLink* and is updated frequently.
- **Online Help -** You can refer to Oracle Applications Help for current HTML online help for your product. Oracle provides patchable online help, which you can apply to your system for updated implementation and end user documentation. No system downtime is required to apply online help.
- **Release Content Document -** See the Release Content Document for descriptions of new features available by release. The Release Content Document is available on Oracle*MetaLink*.
- **About document -** Refer to the About document for information about your release, including feature updates, installation information, and new documentation or documentation patches that you can download. The About document is available on Oracle*MetaLink*.

Related Guides

Oracle Internal Controls Manager shares business and setup information with other Oracle Applications products. Therefore, you may want to refer to other guides when you set up and use Oracle Internal Controls Manager.

You can read the guides online by choosing Library from the expandable menu on your HTML help window, by reading from the Oracle Applications Document Library CD included in your media pack, or by using a Web browser with a URL that your system administrator provides.

If you require printed guides, you can purchase them from the Oracle Store at http://oraclestore.oracle.com.

Guides Related to All Products

Oracle Applications User's Guide

This guide explains how to enter data, query, run reports, and navigate using the graphical user interface (GUI). This guide also includes information on setting user profiles, as well as running and reviewing reports and concurrent processes.

You can access this user's guide online by choosing "Getting Started with Oracle Applications" from any Oracle Applications help file.

Guides Related to This Product

Oracle Internal Controls Manager is independent of the applications that it tests and validates and can be successfully deployed in any environment (Oracle or non Oracle). However, integration with other modules in the Oracle E-Business suite provides additional benefits. Therefore, you may want to refer to other user guides when you set up and use Oracle Internal Controls Manager.

Oracle Workflow Administrator's Guide

Explains how to complete the setup steps necessary for any Oracle Applications product that includes workflow-enabled processes, as well as how to monitor the progress of runtime workflow processes.

Oracle Workflow Developer's Guide

Explains how to define new workflow business processes and customize existing Oracle Applications-embedded workflow processes. It also describes how to define and customize business events and event subscriptions.

Oracle Workflow User's Guide

Describes how Oracle Applications users can view and respond to workflow notifications and monitor the progress of their workflow processes.

Oracle Workflow API Reference

Describes the APIs provided for developers and administrators to access Oracle Workflow.

Tutor Manuals and Guides

Provide detailed information on creating and maintaining process documentation like procedures and instructions.

The Tutor Author User Manual contains detailed descriptions of each feature in Tutor Author. In addition, you will find instructions on how to write each one of the Tutor document types (for example, Writing a Procedure).

The Tutor Implementation Guide is meant to be used to plan for and complete the initial implementation of Tutor in your company. It contains a high-level description of the Tutor methodology and lists the various documents you will need to get started.

Oracle Approvals Management Implementation Guide

Explains how to create approval rules for an application without having to write code or customize the application. Once you define these rules for any application, that application communicates directly with Oracle Approvals Management to manage the approvals for the application's transactions.

Oracle Scripting Implementation Guide

Provide detailed information on implementing Oracle Scripting components and testing the implementation appropriately. The Scripting Implementation guide also details task-based steps for administering Oracle Scripting. You can access Oracle Scripting administration procedures online by choosing "Getting Started with Oracle Applications" from any Oracle Applications help file.

Oracle Scripting User Guide

This Scripting User guide explains how to understand the various components of Oracle Scripting, how to plan for an Oracle Scripting implementation, and how to use the Script Author to create scripts to be executed in the Scripting Engine (agent or Web interfaces).

Oracle Projects Guides

Contains detailed information on setting up and implementing audit projects.

Installation and System Administration

Oracle Applications Concepts

This guide provides an introduction to the concepts, features, technology stack, architecture, and terminology for Oracle Applications Release 11*i*. It provides a useful first book to read before an installation of Oracle Applications. This guide also introduces the concepts behind Applications-wide features such as Business Intelligence (BIS), languages and character sets, and Self-Service Web Applications.

Installing Oracle Applications

This guide provides instructions for managing the installation of Oracle Applications products. In Release 11*i*, much of the installation process is handled using Oracle Rapid Install, which minimizes the time to install Oracle Applications and the Oracle technology stack by automating many of the required steps. This guide contains instructions for using Oracle Rapid Install and lists the tasks you need to perform to finish your installation. You should use this guide in conjunction with individual product user guides and implementation guides.

Oracle Applications Implementation Wizard User Guide

If you are implementing more than one Oracle product, you can use the Oracle Applications Implementation Wizard to coordinate your setup activities. This guide describes how to use the wizard.

Upgrading Oracle Applications

Refer to this guide if you are upgrading your Oracle Applications Release 10.7 or Release 11.0 products to Release 11*i*. This guide describes the upgrade process and lists database and product-specific upgrade tasks. You must be either at Release 10.7 (NCA, SmartClient, or character mode) or Release 11.0, to upgrade to Release 11*i*. You cannot upgrade to Release 11*i* directly from releases prior to 10.7.

"About" Document

For information about implementation and user documentation, instructions for applying patches, new and changed setup steps, and descriptions of software updates, refer to the "About" document for your product. "About" documents are available on Oracle*MetaLink* for most products starting with Release 11.5.8.

Maintaining Oracle Applications

Use this guide to help you run the various AD utilities, such as AutoUpgrade, AutoPatch, AD Administration, AD Controller, AD Relink, License Manager, and others. It contains how-to steps, screenshots, and other information that you need to run the AD utilities. This guide also provides information on maintaining the Oracle applications file system and database.

Oracle Applications System Administrator's Guide

This guide provides planning and reference information for the Oracle Applications System Administrator. It contains information on how to define security, customize menus and online help, and manage concurrent processing.

Oracle Alert User's Guide

This guide explains how to define periodic and event alerts to monitor the status of your Oracle Applications data.

Oracle Applications Developer's Guide

This guide contains the coding standards followed by the Oracle Applications development staff and describes the Oracle Application Object Library components that are needed to implement the Oracle Applications user interface described in the *Oracle Applications User Interface Standards for Forms-Based Products*. This manual also provides information to help you build your custom Oracle Forms Developer forms so that the forms integrate with Oracle Applications.

Oracle Applications User Interface Standards for Forms-Based Products

This guide contains the user interface (UI) standards followed by the Oracle Applications development staff. It describes the UI for the Oracle Applications products and how to apply this UI to the design of an application built by using Oracle Forms.

Other Implementation Documentation

Oracle Applications Product Update Notes

Use this guide as a reference for upgrading an installation of Oracle Applications. It provides a history of the changes to individual Oracle Applications products between Release 11.0 and Release 11*i*. It includes new features, enhancements, and changes made to database objects, profile options, and seed data for this interval.

Oracle Applications Flexfields Guide

This guide provides flexfields planning, setup and reference information for the Oracle Internal Controls Manager implementation team, as well as for users responsible for the ongoing maintenance of Oracle Applications product data. This guide also provides information on creating custom reports on flexfields data.

Oracle eTechnical Reference Manuals

Each eTechnical Reference Manual (eTRM) contains database diagrams and a detailed description of database tables, forms, reports, and programs for a specific Oracle Applications product. This information helps you convert data from your existing applications, integrate Oracle Applications data with non-Oracle applications, and write custom reports for Oracle Applications products. Oracle eTRM is available on Oracle*Metalink*

Oracle Applications Message Manual

This manual describes all Oracle Applications messages. This manual is available in HTML format on the documentation CD-ROM for Release 11*i*.

Training and Support

Training

Oracle offers a complete set of training courses to help you and your staff master Oracle Internal Controls Manager and reach full productivity quickly. These courses are organized into functional learning paths, so you take only those courses appropriate to your job or area of responsibility.

You have a choice of educational environments. You can attend courses offered by Oracle University at any one of our many education centers, you can arrange for our trainers to teach at your facility, or you can use Oracle Learning Network (OLN), Oracle University's online education utility. In addition, Oracle training professionals can tailor standard courses or develop custom courses to meet your needs. For example, you may want to use your organization structure, terminology, and data as examples in a customized training session delivered at your own facility.

Support

From on-site support to central support, our team of experienced professionals provides the help and information you need to keep Oracle Internal Controls

Manager working for you. This team includes your technical representative, account manager, and Oracle's large staff of consultants and support specialists with expertise in your business area, managing an Oracle server, and your hardware and software environment.

Do Not Use Database Tools to Modify Oracle Applications Data

Oracle STRONGLY RECOMMENDS that you never use SQL*Plus, Oracle Data Browser, database triggers, or any other tool to modify Oracle Applications data unless otherwise instructed.

Oracle provides powerful tools you can use to create, store, change, retrieve, and maintain information in an Oracle database. But if you use Oracle tools such as SQL*Plus to modify Oracle Applications data, you risk destroying the integrity of your data and you lose the ability to audit changes to your data.

Because Oracle Applications tables are interrelated, any change you make using Oracle Applications can update many tables at once. But when you modify Oracle Applications data using anything other than Oracle Applications, you may change a row in one table without making corresponding changes in related tables. If your tables get out of synchronization with each other, you risk retrieving erroneous information and you risk unpredictable results throughout Oracle Applications.

When you use Oracle Applications to modify your data, Oracle Applications automatically checks that your changes are valid. Oracle Applications also keeps track of who changes information. If you enter information into database tables using database tools, you may store invalid information. You also lose the ability to track who has changed your information because SQL*Plus and other database tools do not keep a record of changes.

About Oracle

Oracle develops and markets an integrated line of software products for database management, applications development, decision support, and office automation, as well as Oracle Applications, an integrated suite of more than 160 software modules for financial management, supply chain management, manufacturing, project systems, human resources and customer relationship management.

Oracle products are available for mainframes, minicomputers, personal computers, network computers and personal digital assistants, allowing organizations to integrate different computers, different operating systems, different networks, and even different database management systems, into a single, unified computing and information resource.

Oracle is the world's leading supplier of software for information management, and the world's second largest software company. Oracle offers its database, tools, and applications products, along with related consulting, education, and support services, in over 145 countries around the world.

Your Feedback

Thank you for using Oracle Internal Controls Manager and this user guide.

Oracle values your comments and feedback. In this guide is a reader's comment form that you can use to explain what you like or dislike about Oracle Internal Controls Manager or this user guide. Mail your comments to the following address or call us directly at (650) 506-7000.

Oracle Applications Documentation Manager
Oracle Corporation
500 Oracle Parkway
Redwood Shores, CA 94065
U.S.A.

Or, send electronic mail to appsdoc_us@oracle.com.

1

Introduction to Oracle Internal Controls Manager

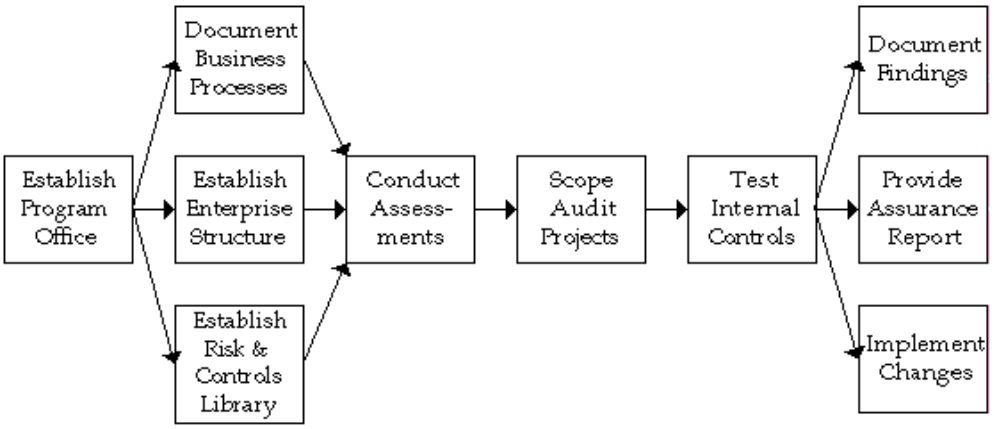
Oracle Internal Controls Manager is a comprehensive tool for executives, controllers, internal audit departments, and public accounting firms to document and test internal controls and monitor ongoing compliance. It is based on COSO (Committee of Sponsoring Organizations) standards.

In many countries, governmental regulations apply to the testing and reporting of corporate internal controls. For example, in the United States, the Sarbanes-Oxley Act of 2002 makes reporting on a company's internal control mandatory for both management and external auditors.

This chapter provides an introduction to corporate governance and the Oracle Internal Controls Manager.

Corporate Governance

The following diagram provides a high level overview of a generic corporate governance business flow:



As shown in the above figure, corporate governance generally includes a series of tasks that must be performed in any organization.

Establish a Program Office

The program office is typically authorized by the most senior executives in the enterprise. The program office establishes internal and external oversight responsibility and sets the parameters under which other offices will operate. These parameters will include the dates and milestones by when internal controls need to be in place as well as the personnel in the organization whose involvement is critical for compliance. Specific audit projects can be undertaken either as a scheduled activity or as the result of trigger events.

A critical task of the program office is to establish a framework that will be used to assess and manage the entity's risk as well as the controls mitigating that risk. The COSO framework is the most prevalent framework for assessing the effectiveness of an organization's internal controls.

Establish Enterprise Structure

Establish an organization structure that allows segregation of duties and alerts management of possible infringements. This exercise will also result in identifying specific departments that must be analyzed for compliance.

Document Business Processes

Identify and analyze all the business processes that are specific to a particular entity within the enterprise. A review of the entity's procedure manuals, interviews, and replicating existing procedures will often highlight the business processes involved. These processes must also be mapped to key financial accounts to provide reasonable assurance regarding the reliability of financial statements.

Establish a Risk and Controls Library

Create a library of all the recurring risks to which business process within the entity are exposed. To create this risk library auditors must take factors such as the business structure and control environment into consideration. Though some financial, operational, and disclosure risks are specific to an entity, a business process is typically subject to the following types of risk:

- Recorded transactions are valid. For example, sales are for shipments made to non fictitious customers.
- Transactions are authorized. For example, payments are made for approved orders.
- Transactions are correctly valued. For example, sales are recorded for the correct amount of goods shipped.
- Transactions are properly classified. For example sales transactions are included in the correct accounts and properly summarized.
- Transactions are recorded at the proper time. For example, sales are recorded on a timely basis.
- Transaction are free from omissions and mistakes. For example, all sales that have taken place are recorded.

The library also consists of internal controls set up to mitigate process risk. Analyze the internal controls of the entity that are currently in place and add them to the controls library.

Control procedures generally fall into the following five categories:

- Adequate separation of duties
- Maintaining an audit trail through adequate documents and records
- Procedures for authorization
- Control over assets and records
- Independent checks on performance

Auditors often create a matrix that links an entity's financial, operational, and disclosure risk to the internal controls currently in place. Where necessary, propose new internal controls or modify existing controls to mitigate risk.

Conduct Assessments

Once an auditor has obtained an overview of the design and operation of the internal control structure (through an investigation of processes, risks, and controls), an assessment of control risk must be made. This assessment will determine the extent of audit work that must be performed to test internal controls.

The assessment of control risk is usually conducted by detailed control objective for each major type of transaction. This will include collecting data for key processes such as:

- Acquisition and payment
- Sales and collection
- Production & inventory
- Processes related to employees
- Capital acquisition, depreciation, and repayment
- Processes related to debt and investment portfolios

While making assessments, it is also critical that you monitor issues from whistle blowers. These can be suppliers, customers & employees. Periodically, a survey can be conducted for concerned stakeholders to obtain their opinion on the adequacy of internal controls.

Finally, document the results of your assessment evaluations.

Scope Audit Projects

Identify the nature of the audit project, the scope of testing, and the resources required.

Test Internal Controls

As a prerequisite to testing, it is important to define key metrics for evaluating internal controls. Audit procedures can then be designed to test whether internal controls are effective and operating as designed. Ensure that the internal controls are being tested on a sample that is representative of the population.

Document Results and Provide Audit Opinions and Reports

Document all audit procedures and their results. Based on these results, auditors issue opinions and reports. It is useful to integrate results and alerts into the disclosure and reporting cycle.

Evaluations and results must be communicated to the audit committee and independent auditor regarding issues such as the following:

- Control Deficiencies
- Fraud
- Material Weaknesses

Implement Changes

Based on the audit results, you can propose new internal controls or modify existing controls to improve their effectiveness in mitigating risk.

Overview of Oracle Internal Controls Manager

As a key module of Oracle's Internal Control Applications, Oracle Internal Control Manager is a comprehensive audit tool that offers web based risk and audit management features. The module can be used by executives, controllers, internal audit departments, and public accounting firms to document and test internal controls and monitor ongoing compliance.

With Oracle Internal Controls Manager, your company can increase internal control testing efficiency, improve risk assessment confidence, and lower external audit verification costs. Use the application's intuitive workbench to organize, execute, and manage audit activities like the following:

- ❏ Define standard business processes and map them to an organization structure
- ❏ Set up risks to which processes are exposed
- ❏ Set up controls that can mitigate process risk
- ❏ Record your assessment of the organization’s compliance with established controls and regulations
- ❏ Create audit procedures to verify controls
- ❏ Review the compliance of your business processes/systems and record audit results.

Setup of Oracle Internal Controls Manager

The following section provides a brief overview of the tasks that must be undertaken to set up and execute audits using the Oracle Internal Controls Manager application.

Set up Auditable Units

The entire setup of Oracle Internal Controls Manager is done within the context of "Auditable Units." An Auditable Unit is a special category of an Oracle organization.

Note: For more details, refer to Organizations in Oracle Internal Controls Manager on page 2-5.

Define Standard Business Processes and Map them to an Organization Structure

Use Oracle Internal Controls Manager to create processes that accurately reflect your enterprise's business flows. Processes can be authored using Oracle Tutor (preferred) or Oracle Workflow, both of which integrate with Oracle Internal Controls Manager.

> **Note:** For more details, refer to Processes in Oracle Internal Controls Manager on page 2-1.

Set Up a Risk and Controls Library

The risk library consists of processes and risks, as well as the policies, procedures, and activities that allow an organization to address those risks.

Risks: Use Oracle Internal Controls Manager to create and maintain a library of reusable risks that can then be associated with business process in the organization.

> **Note:** For more details, refer to Risks on page 3-2.

Controls: Set up controls that can mitigate process risk.

Risk libraries can consist of content from external sources. If you decide to implement a partner's library, Oracle Internal Controls Manager includes a spreadsheet interface that allows third party content to be imported.

> **Note:** For more details, refer to Controls on page 3-5.

To maintain the integrity of information within the risk library, creation or modification of library items in Oracle Internal Controls Manager is controlled by an approval process.

> **Note:** For more details on this, refer to Risk Library Change Control on page 6-1.

Record Your Assessment of the Organization's Compliance with Established Controls and Regulations

With respect to testing controls, as well as other tests like tests of details of balances, the amount of procedural work performed in an audit depends to a large extent on an auditor's assessment of the organization's internal control structure and compliance with established controls and regulations.

Oracle Internal Controls Manager enables you to incorporate an assessment of the organization regarding its internal control structure and compliance. The assessment is made with respect to:

- Predefined components affecting the organization's audit environment
- A particular organizational context

> **Note:** For more details on this, refer to Assessments in Oracle Internal Controls Manager on page 4-1.

Create Audit Procedures to Verify Controls

Audit procedures provide detailed steps to be performed during audit fieldwork. They are designed to achieve specific audit objectives by validating the effectiveness of controls, in terms of their design, as well as their operation. In Oracle Internal Controls Manager, you can create audit procedures and associate them with the controls that the procedures are supposed to verify.

> **Note:** For more details on this, refer to Audit Procedures in Internal Controls Manager on page 5-1.

Set up Audit Projects to Manage Audit Assignments

Internal audits in organizations are usually managed as projects and audit procedures typically translate into tasks within these projects. Once you have reviewed compliance and completed the audit, Oracle Internal Controls Manager enables you to record your evaluations and audit opinions.

> **Note:** For more details on this, refer to Audit Projects on page 7-1.

Test for Segregation of Duties Violations

Oracle Internal Controls Manager enables you to identify any combination of tasks in an enterprise as incompatible. Access to more than one task from a set of such tasks allows a user the opportunity for misconduct. An individual in the enterprise with access to more than one of these tasks is therefore in violation of a segregation of duties standard.

The application enables the proactive monitoring of incompatible tasks and reports those occurrences where a single person has access to them.

> **Note:** For more details on this, refer to Segregation of Duty Constraints on page 8-1.

Set up Process Variations and Exceptions

A primary task in setting up Oracle Internal Controls Manager is to create processes that accurately reflect the business flows of the enterprise. It is advantageous for an enterprise to work with standardized business processes.

For a variety of reasons however, one or more organizational units within an enterprise may be running modified forms or "derivatives" of the standard process. To handle such process alterations, Oracle Internal Controls Manager allows you to create process variations and process exceptions.

> **Note:** For more details on this, refer to Process Variations and Exceptions on page 9-1.

Business Process Certification

Process certification requires process owners to provide assurance that their organization's processes are in compliance with the standard(s) utilized as the basis of the firm's management system. It includes a series of rigorous audits and other activities to provide assurance that the organization's processes are adequate and effective.

Successful completion of an audit and any related follow-up activities which may be required results in the process being "certified." The certification attests to the process meeting the requirements of the applicable standard. External auditors

seek objective evidence of such a system being established and effectively implemented prior to issuance of financial statements.

Oracle Internal Controls Manager provides an elaborate mechanism to certify your business processes. You can use the results of audit projects executed in the application as a basis for the certification.

Note: For more details on this, refer to Process Certification on page 10-1.

Financial Statement Certification

Note: For more details on this, refer to Financial Statement Certification on page 11-1.

Findings

During the audit process, non-conformities to established standards are often discovered and these anomalies are identified as "Findings." They are typically items of material concern that violate sound accounting practice and accountability.

A certification cannot be issued until all Findings are effectively addressed and remedied. Oracle Internal Controls Manager allows you to record and track Findings that come to light during the execution of your audit projects.

Note: For more details on this, refer to Findings in Oracle Internal Controls Manager on page 12-1.

Reporting

The application provides seven predefined risk library reports that enable you to periodically verify the accuracy and integrity of the processes and objects that are present in your risk library.

Note: Reports in the Oracle Internal Controls Manager are discussed in detail under Control Reports on page 13-1.

Integration with E-Business Suite Applications

Oracle Internal Controls Manager is independent of the applications that it tests and validates and can be successfully deployed in any environment (Oracle or non Oracle). However, integration with other modules in the Oracle E-Business suite provides additional benefits as described below.

Oracle Tutor: Oracle Tutor is a powerful application for mapping and documenting your business processes and workflows. It offers procedure authoring, automatic flowcharting, and role based publishing. Oracle Tutor also contains predefined business models and flows.

Business processes authored in Tutor can be uploaded into Oracle Internal Controls Manager. The import automatically creates the same processes in Oracle Internal Controls Manager along with a visual diagram of the process flow. Oracle Tutor is the preferred tool for procedure authoring and documentation.

Oracle Workflow: Oracle Workflow charts your processes through the E-Business suite, controlling and enforcing the flows that work for your business. It is an active work management tool and serves as the database of business processes and process activities.

Business workflows defined in the Oracle Workflow Builder can be made available as processes in Oracle Internal Controls Manager. You therefore ensure that the process is executed in the way that you set it up.

Oracle Files: Oracle Files is a document management tool. Help files and process documentation developed using Oracle Tutor or any other tool can be associated with procedures and applicable processes. Process documentation often becomes the basis for compliance checking performed by auditors.

Oracle Files provides you with document version control, check in, check out, and storage in an Oracle Database.

Oracle Scripting: Oracle Scripting is a powerful tool for quickly building questionnaires, easily identifying survey participants, deploying the surveys via e-mail, and allowing respondents to fill out questionnaires via the internet.

By obtaining employee and stakeholder feedback on processes and internal controls, Oracle Scripting helps you to provide an effective control environment and perform high level risk assessments. Use the survey results to help in assessing the extent of audit work to be performed.

Once seeded, survey scripts can be deployed and used with minimal changes. You can review a seeded survey, make organization specific changes, and then redeploy them to collect information from survey participants.

Oracle Corporate Performance Management: Enterprise performance management encompasses activities like:

- Strategic goal setting and alignment
- Planning, budgeting, forecasting and modeling
- Operational analytics and reporting

Several Oracle products make up the Corporate Performance Management framework. These include applications like Oracle Financial Analyzer, Sales Analyzer and Performance Analyzer, Oracle Activity Based Management, Oracle Balanced Scorecard, and Oracle Daily Business Intelligence.

By setting process control limits within these applications, the performance management framework allows you to constantly monitor your business processes and notify you of exceptions that may warrant audit work.

Oracle Project Applications: By creating your audit procedures as projects set up in Oracle Projects, you get all the benefits of the Oracle Projects family of applications. These applications include

- Oracle Project Management
- Oracle Project Costing
- Oracle Project Resource Management
- Oracle Project Collaboration
- Oracle Project Intelligence

Oracle Approvals Management: The integration with Oracle Approvals Management enables a formal approval of risks, controls, and audit procedures. Approval is required for the creation and modification of these risk library objects. There is no requirement to customize any application code.

These rules are setup in Oracle Approvals Management and determine who must approve a risk library object before it can be used. Approvers can be one or more individuals in a hierarchy.

Other Oracle E-Business Suite modules: If your environment includes Oracle E-Business suite applications like Oracle Payables, Oracle Receivables, etc., several

internal controls in those modules are made available to Oracle Internal Controls Manager by Oracle development.

Note: For more information, refer to Automation Type, Application, and Control Source on page 3-9.

2

Processes in Oracle Internal Controls Manager

A significant portion of the typical internal audit function is associated with the business processes in an enterprise. In addition, auditing standards referenced by most regulatory institutions define internal controls in the context of business processes.

Your first task in setting up Oracle Internal Controls Manager is to create processes that accurately reflect your enterprise's business flows.

Setting up Processes in Oracle Internal Controls Manager

The following steps list the tasks you must complete to accurately create your processes in Oracle Internal Controls Manager.

1. Obtain an understanding of the business processes occurring within the enterprise by:
   - Reviewing documentation of current business processes
   - Interviewing business process owners
   - Reviewing standard business flows within the organization

2. You can "author" your processes using Oracle Tutor (preferred) or Oracle Workflow, both of which integrate with Oracle Internal Controls Manager. You can also import processes using Oracle WebADI.

   Process authoring consists of documenting the business processes for an organization. The documented processes are then used for assessing the organization's control environment through an identification of the risks and controls associated with the process. Since most business processes are hierarchical in structure, a process can be documented at several levels and can contain other processes.

   Typically, the process owners and their designees do the authoring. Once the documentation is completed, the documented processes can be uploaded into the Internal Controls Manager process library. For processes authored in Oracle Tutor, a graphic image of the process flow can also be displayed to help users visualize the process.

   See Also: For more information on authoring processes using these tools, refer to the *Oracle Tutor Author User Manual* and the *Oracle Workflow User's Guide*.

   For more information on importing processes, refer to Importing Process Documents from Oracle Tutor on page 2-7, Importing Processes from Oracle Workflow on page 2-14, and Importing Processes using Web ADI on page 2-16

   Oracle Internal Controls Manager allows you to enrich the definition of the process by identifying process attributes like the process owner, process category, approval status, etc.

> **See Also:** For more information, refer to the section Process Attributes on page 2-28.

3. Map processes in Oracle Internal Controls Manager to the organization structure of the enterprise.

   As different organizations may perform different processes, Oracle Internal Controls Manager allows you to associate specific processes with specific organizations in the enterprise. Note that an organization may be running a slight variation of a standard process. Such variations should be justified and subject to approval.

   > **See Also:** For more information, refer to Organizations in Oracle Internal Controls Manager on page 2-5. For detailed information on setting up organizations, refer to *Using Oracle HRMS – The Fundamentals*.

4. Associate procedure documents with Oracle Internal Controls Manager processes.

   As part of the audit function, the internal auditor needs to document the business processes within an organization. You can associate these documents with the corresponding processes in Oracle Internal Controls Manager.

   Oracle Tutor includes a repository of Oracle E-Business Suite procedural content that can be dynamically adapted to your company's unique business processes. With Oracle Tutor, you can author and publish procedural documentation that can be associated with processes in Oracle Internal Controls Manager.

   > **See Also:** For more information, refer to Importing Process Documents from Oracle Tutor **on page 2-7**.

5. Link key financial accounts with Oracle Internal Controls Manager processes.

   Auditing standards require internal controls to provide reasonable assurance regarding the reliability of financial reporting.

   By providing a link with general ledger accounts, Oracle Internal Controls Manager enables the integration between processes and the elements of financial statements. Oracle Internal Controls Manager allows you to associate each process with multiple financial statement accounts. For example, the Order to Cash process affects the Revenue, Deferred Revenue, Cost of Goods Sold, Finished Goods Inventory, and Accounts Receivable Control accounts.

   Since processes are exposed to business risk, the association of key accounts with processes also establishes the link between financial statements items and the risks that they are exposed to. For example, the risk "customer default" would impact the financial statement item "Revenue" through the "Order-To-Cash" process.

   See Also: For more information, refer to Linking Key Accounts with Processes on page 2-27.

6. Associate Risks, Controls, and Audit Procedures with your business processes.

   Before they can issue audit opinions and compliance reports, auditors need to first execute appropriate audit procedures. These procedures verify the internal controls that have been set up to mitigate risks that the organization's business processes are exposed to.

   Therefore risks, controls, and audit procedures must be associated with each other and with processes before an audit opinion can be issued.

   See Also: For more information on linking risks and controls with the processes in Oracle Internal Controls Manager, see Setting up Risks in Oracle Internal Controls Manager on page 3-2 and Setting up Controls in Oracle Internal Controls Manager on page 3-6.

   For information on associating audit procedures with controls, see Setting up Audit Procedures in Oracle Internal Controls Manager on page 5-3.

Organizations in Oracle Internal Controls Manager

Use the Associate Organization button in the Risk Library > Processes window to link processes set up in Oracle Internal Controls Manager with organizations. Organizations in Oracle Internal Controls Manager must be "Auditable Units."

An Auditable Unit is any logical division or grouping of the enterprise that is available as an organization classification in the Oracle E-Business Suite. For example, a legal entity, operating unit, company cost center, inventory organization, or any other organization can be classified as an Auditable Unit.

Prerequisite

Before you can set up an organization as an Auditable Unit, you need to first seed the following profile options.

- ❏ AMW: Subsidiary Value Set for Auditable Units
  Required. This value set should be the same as the one used by the "Company" segment in your chart of accounts.
- ❏ AMW: Line of Business Value Set
  Optional. This can be any value set that is used for line of business values.

> **Note:** If you have Oracle Daily Business Intelligence installed, this value set corresponds to Line of Business value set that is used in the Management flexfield.

Setting up Auditable Units in Oracle Human Resources

The following is a summary of the steps that must be performed in Oracle Human Resources.

> **See Also:** For detailed information on setting up organizations, refer to *Using Oracle HRMS – The Fundamentals*.

1. In Oracle Human Resources, navigate to the Work Structures > Organizations > Description form.
2. Enter the primary attributes of the organization like the Name, Dates it is valid, and Location.

Organization Classification

3. In the Organization Classification section, select Auditable Unit. Click the Enabled check box and then Others to drill into the details of the Auditable Unit.

4. Select the Subsidiary value set for this Auditable Unit. The list of values defaults the value set from the AMW: Subsidiary Value Set for Auditable Units profile option. Next, select a subsidiary value. The Auditable Unit is now associated with this Subsidiary.

   It is important to note that the Auditable Unit goes beyond the concept of a subsidiary. In the Organization window, your organization (that is now an Auditable Unit) can also be set up with any other classification like an "Inventory Organization" or a "Legal Entity."

   As an example, if you are investigating the internal controls of inventory organizations in your enterprise, then each of these inventory organizations must also be tagged as an Auditable Unit and associated with a subsidiary. You can have several organizations like Inventory Organizations under the same subsidiary. Each of these Auditable Units will also be linked to this subsidiary.

   On the other hand, assume your domain of interest is a Legal Entity that spans multiple subsidiaries. In this case you need to set up multiple Auditable Units, with one Auditable Unit for each subsidiary. Each of these Auditable Units will also be tagged as a Legal Entity.

5. Select the Line of Business value set for this Auditable Unit. This step is optional. The list of values defaults the value set from the AMW: Line of Business Value Set profile option. Select a Line of Business value that will be associated with the Auditable Unit.

   Note that multiple Audit Units can be associated with a particular Line of Business value.

Associate Page Search

When you associate a process to an organization, you can optionally look for the organization in the Associate search window using the following dimensions:

- Organization Name.
- Organization Location.
- Subsidiary. Subsidiaries in Oracle Internal Controls Manager map to "companies." The list of values for this field shows the values of the Accounting Flexfield Company segment. Once you select a subsidiary in the Search window, the resulting page shows all the organizations linked to this subsidiary.
- Line of business. The list of values for this field shows the values from the Line of Business value set that have been associated with existing Auditable Units. Once you select a Line of Business in the Search window, the resulting page shows all organizations linked to this Line of Business value.

Importing Process Documents from Oracle Tutor

Though not required for the implementation of Oracle Internal Controls Manager, Oracle Tutor is Oracle's preferred procedure authoring and documentation tool. Tutor provides a ready and comprehensive base of procedures that can be easily modified to match your business processes.

In addition, an out of the box integration between the two products enables a process that is authored in Oracle Tutor to be easily loaded into Oracle Internal Controls Manager. The import automatically creates the Oracle Internal Controls Manager processes along with visual diagrams of the process flow.

Note: For detailed information on creating and modifying process flows and procedures in Oracle Tutor, refer to the *Oracle Tutor Author User Manual*.

To Import Process Documents from Tutor into Internal Controls Manager

Perform the following tasks to import processes from Tutor into Oracle Internal Controls Manager:

> **Warning:** Process names are limited to 80 characters. In addition, the "@" is reserved as an internal key in Oracle Internal Controls Manager. It is therefore mandatory that you do not use the "@" symbol as the first character in a process name.

1. Turn on the Audit mode in Tutor Author Preferences by clicking on Author > Flowchart Preferences > Select Enable Audit Mode > OK.

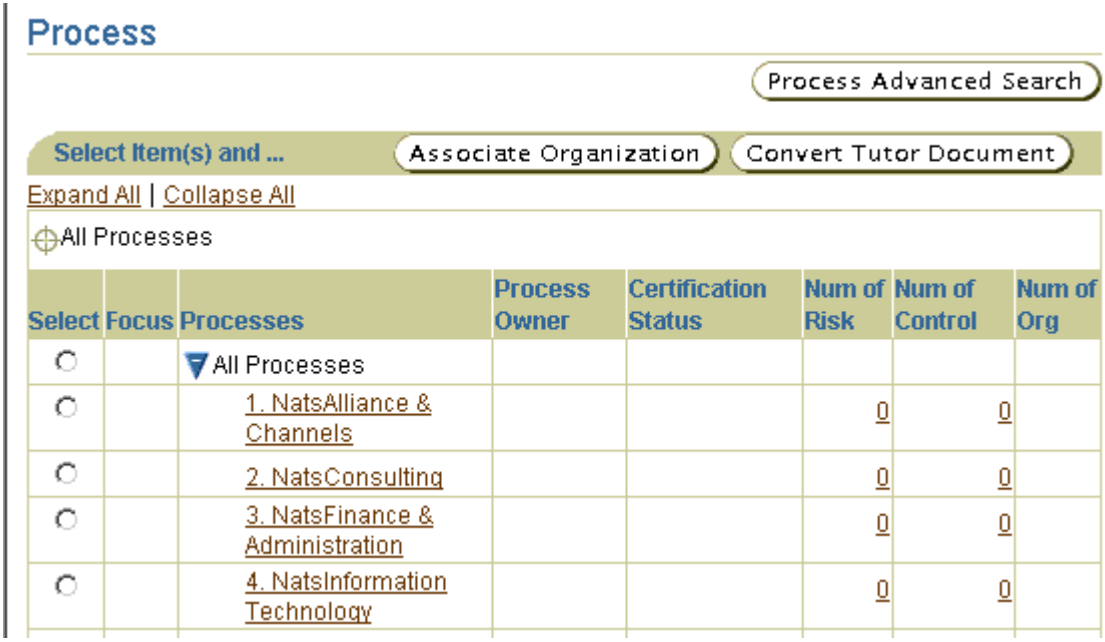
   This setting places the process/procedure fl1 files into the Audit folder. Fl1 is the file format that is readable by Oracle Internal Controls Manager and is used to populate the H-grid.

2. From the Tutor/Word menu bar select Author > Flowchart. This generates a flow chart for the process and also creates a (process name).fL1 file in the Tutor installed directory/Author/Audit.

3. In the Risk Library > Process tab of Oracle Internal Controls Manager, select the radio button appropriate to the process that will serve as a parent process. The Tutor processes being imported will be created as children of this parent. Note that you can expand the processes shown by clicking on "Expand All."

   The highest level parent in Oracle Internal Controls Manager is "All Processes." If there are no processes listed, create and import a parent process document, which will define all your high level processes.

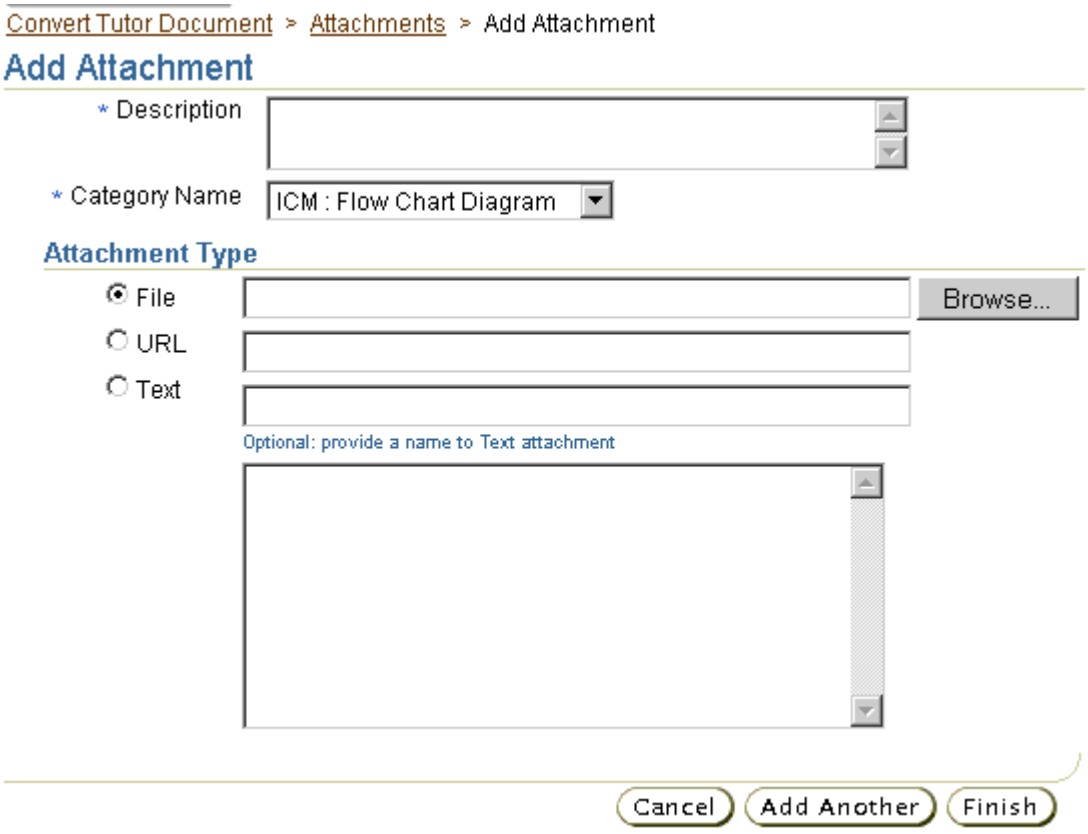
   We recommend that you initially load the highest level processes first (for example Procure to Pay, Order to Cash, etc.) and then load the sub processes in the order they are sequenced. A parent process can have many child processes associated with it.



4. Click Convert Tutor Document and then Attach. The resulting window shows existing attachments, if any.
   - By selecting Test for Uniqueness, the application compares Tutor .Fl1 files with processes already in Oracle Internal Controls Manager and creates a concurrent report regarding which processes are unique.
   - By selecting Treat Duplicate Process Names as New Processes, the application considers duplicate process names as new processes and does not replace those that exist.

5. Now click Add Attachments and provide the following:
   - A Description of the file that is being attached.
   - The Category of the attached file. For Tutor documents, this value is "ICM: Tutor Flow Chart Data."
   - Whether the Attachment Type is a File, URL, or a Text file. For Tutor files, select the "File" radio button and then click Browse. In the browse window

go to the Oracle Tutor installed directory /Author/Audit and select the .FL1 file that is associated to the process doc (the file name is the same except that it has a .FL1 extension).



Note: If you choose to upload a process flow diagram from Tutor at this time, click Add Another and follow the directions given in Step 4 of the section To Import Process Flow Diagrams from Tutor into Internal Controls Manager on page 2-12.

6. Finally complete importing the Tutor document as follows:
   - Click Finish to complete the addition of the file. The window shows a summary of attachments for the selected process or procedure.
   - Click Return to return to the Processes screen.
   - Click Apply to apply the changes.
   - Click Convert to load the new process. This launches a concurrent process with a request ID.

7. When the concurrent process has completed, you can view the imported processes in the Risk Library Window under the Processes tab.

8. If the changes are not visible, go to the Forms menu and find the concurrent request with the ID obtained in step number 5. If there is an error click the View Log and you should see the error message and log file.

Note on importing tasks at the lowest level

In a Tutor document, you can set up multiple levels of sub-processes / sub-tasks under a parent process or task. During the import, only "First Level" sub-processes or tasks in the Tutor document will be uploaded to Oracle Internal Controls Manager.

You can upload a subsequent level of sub-processes/sub-tasks under the prior level by selecting the appropriate parent process/task before executing the next import. In Oracle Internal Controls Manager, a parent process can have an unlimited number of child processes associated with it. You are also allowed unlimited levels of sub processes and sub-tasks under a parent level process.

In a large and complex environment, it is conceivable that the view of processes and tasks as seen in the Risk Library window can soon get overwhelming since each process or task appears as a separate entry (line). In such a context, we recommend that all lowest level tasks under a process that do not have risks and controls directly associated with them, be described in an attached HTML file. Note that lowest level tasks are typically procedures or instruction documents.

The steps to attach a file to a process are shown below.

1. In the Risk Library > Process tab of Oracle Internal Controls Manager, select the radio button for the process to which you want to attach your procedures document. This process will serve as the parent for the lowest level tasks.
2. Click Convert Tutor Document and then on Attach. The resulting window shows existing attachments, if any.
3. Now click Add Attachments and provide the following:
   - A Description of the file that is being attached.
   - For the Category of the attached file select "Miscellaneous."
   - Whether the Attachment Type is a File, URL, or a Text file. Make sure that your entry corresponds to the appropriate radio button in this window.
4. Finally complete importing the attachment as follows:
   - Click Finish to complete the addition of the file. The window shows a summary of attachments for the selected process or procedure.
   - Click Return to return to the Processes screen.
   - Click Apply to apply the changes.
   - Do NOT click Convert as the HTML file (or any other file) is an attachment only. If you click this button, the concurrent process that is launched completes with errors.
5. You can now view the lowest level tasks by selecting the parent level process, clicking on Convert Tutor Document, and then selecting Attachments.

To Import Process Flow Diagrams from Tutor into Internal Controls Manager

Perform the following tasks to import process diagrams from Tutor into Oracle Internal Controls Manager:

1. From the Tutor/Word menu bar select Author > Convert To html. This generates a gif file depicting the flow of the process or procedure and stores the (process name).gif file in the Tutor installed directory. The Tutor installed directory is either /US/APPSHTML/FND or Tutor11i/HTML depending on the Tutor Author HTML option selected.
2. In the Home > Process tab of Oracle Internal Controls Manager, select the radio button corresponding to the process or procedure that the flow diagram

represents. Note that you can expand the processes shown by clicking Expand All.

3. Click Convert Tutor Document and then Attach. The resulting window shows existing attachments, if any.
4. Now click Add Attachments and provide the following:
   - A Description of the gif file that is being attached.
   - The Category of the attached file. In this case, this value is "ICM: Flow Chart Diagram."
   - The Attachment Type. For Tutor GIF files, select the "File" radio button and then click Browse. In the browse window go to the Oracle Tutor installed directory and select the GIF file corresponding to the process or procedure.
5. Finally complete importing the flow diagram as follows:
   - Click Finish to complete the addition of the file. The window shows a summary of attachments for the selected process or procedure.
   - Click Return to return to the Processes screen.
   - Click Apply to apply the changes.
   - Click Convert to load the new process diagram. This launches a concurrent process with a request ID. Note that the gif file in this case is not an attachment but an embedded object.
6. When the concurrent process has completed, you can view the imported process diagram by selecting the process in the Risk Library Window under the Processes tab.

Note: If the changes are not visible, go to the Forms menu and find the concurrent request with the ID obtained in Step 5. If there is an error click View Log and check the error message and log file.

Importing Processes from Oracle Workflow

Oracle Workflow provides a complete business process definition, automation, and integration solution. A workflow process consists of a sequence of activities that together make up a business flow. The activities can include business events, automated functions, notifications to users, and sub-processes.

Using Oracle Workflow you can perform activities like the following:

- ❏ Define, implement, and enforce your organization's business policies
- ❏ Route information like approvals and data through the organization based on user defined rules
- ❏ Capture exceptions when they occur and take action based on the type of exception
- ❏ Integrate with trading partner systems

Workflows defined in the Oracle Workflow Builder can be made available as processes in Oracle Internal Controls Manager.

Benefits

- ❏ During the import of processes written in Oracle Tutor, only "First Level" sub processes or tasks in the Tutor document are uploaded to Oracle Internal Controls Manager. You need to upload a subsequent level of sub-processes / sub-tasks under the prior level by selecting the appropriate parent process/task before executing the next import.

  This can be a disadvantage if you have several organizations with multiple levels of sub-processes/sub-tasks under a parent process or task. In a large and complex environment, it is conceivable that a large number of imports will be necessary to fully import your organization's processes.

  On the other hand, processes defined appropriately in Oracle Workflow are automatically available in their entirety as processes in Oracle Internal Controls Manager. Sub-processes defined in Oracle Workflow under a particular parent process will be available as such in Oracle Internal Controls Manager.

- ❏ Oracle Workflow is an active work management tool. The Oracle platform hosts the business applications that are integrated with the Workflow Engine, the Business Event system, the Notification system, and directory services.

  Hence by defining your business processes using Oracle Workflow Builder, you automatically ensure that the process is executed in the way that it is set up.

See Also: For detailed information on using the Workflow Builder and workflow components and services, refer to the *Oracle Workflow Guide*.

It is important to note the following caveat with respect to Oracle Workflow: The setup of process in Oracle Workflow Builder requires considerably more technical expertise than that required to create processes using Oracle Tutor.

To import processes from Oracle Workflow

There are two requirements for processes written in the Workflow Builder to be available as processes in Oracle Internal Controls Manager.

1. The workflow processes must be created under the AUDITMGR_ITEM_TYPE.

   In Oracle Workflow, an Item Type is a grouping of workflow components into a high level category. All components of a workflow process (including the process itself) must be associated with a specific Item Type. You can set up multiple processes under a particular Item Type.

2. Processes must be defined under the "All Processes" node.

Once the process is accessible in Oracle Internal Controls Manager, you need to update its attributes like Approval Status before it can be assigned to an organization and be associated with appropriate risks and controls. Note that once a parent process is updated, then all children under it are also updated with the same information.

See Also: For more information, refer to Process Attributes on page 2-28. You can also attach images and process documents to the imported process.

Importing Processes using Web ADI

While conducting internal audits, companies build up libraries of significant business processes along with their associated risks and controls. Consulting firms have also created large data sets of risk library objects. These repositories are typically built over several years and incorporate the industry's best practices in executing processes and conducting audits.

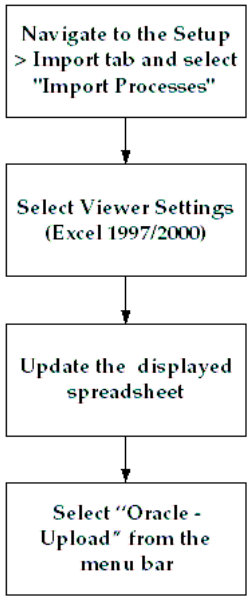
Applications Desktop Integrator (ADI) is a spreadsheet based extension to the Oracle E-Business Suite and enables suite applications to import data using a native spreadsheet interface. With the import functionality in Oracle Internal Controls Manager, companies can leverage the existence of existing repositories by importing them from a file. The data can then be applied to their organizations with minimal customization.

Oracle Internal Controls Manager uses Oracle Web ADI for the import of all risk library objects - processes, risks, controls, and audit procedures.

See Also: For more information on importing risk and control objects into Oracle Internal Controls Manager, see Importing Risks and Controls into Oracle Internal Controls Manager on page 3-14. Also see Importing Audit Procedures into Oracle Internal Controls Manager on page 5-9.

To Import Processes with Web ADI

Use the Setup tab in Oracle Internal Controls Manager to import process libraries. Note that processes constitute relatively static data and most organizations will typically import them infrequently.



Note the following points with regard to the import of processes using Oracle Web ADI.

- The process spreadsheet includes a header parent process as well as a parent process for every row on the spreadsheet. This allows you to define any number of process hierarchies within the spreadsheet. If a process does not have a parent process listed, then the process is treated as a highest-level process.
- Attributes of processes are the major part of the spreadsheet and processes are imported/updated with these attributes. Validation of the import data is done within the spreadsheet itself through lists of values for all lookup based columns.
- Web ADI uploads the data from the spreadsheet into the AMW_PROCESSES_INTERFACE table. A concurrent program then uploads the data from the

interface table to the base tables. You may choose to submit this program automatically during the upload. Any errors that occur during the import process are flagged as errors with appropriate error messages.

- Once data is imported, the profile option "AMW: Processes-Delete after import?" provides users with the option of deleting the rows from the interface. The default value is set to "Yes" so that once the rows are successfully imported, they are automatically deleted from the interface.

The following table lists the fields in the header of the import spreadsheet:

Field Name	Mandatory	Validation
Parent Process Name	No	All valid processes in the system. If left blank, then "All Processes" is assumed as the default parent.

The following table lists the fields in the body of the import spreadsheet:

Field Name	Mandatory	Validation (Lookup Type)
Process Name	Yes	None
Significant Process	Yes	AMW_SIGNIFICANT_PROCESS
Update/Delete Process	No	Y/N/D
Process Category	No	AMW_PROCESS_CATEGORY
Approval Status	No	AMW_PROCESS_APPROVAL_STATUS
Standard Process	No	AMW_STANDARD_PROCESS
Process Owner	No	A valid Party in the AMW_ EMPLOYEES_CURRENT_V view.
Finance Owner	No	A valid Party in the AMW_ EMPLOYEES_CURRENT_V view.
Application Owner	No	A valid Party in the AMW_ EMPLOYEES_CURRENT_V view.
Parent Process Name	No	If an existing process name is entered in the header of the spreadsheet, then this field lists all processes under the hierarchy of that parent. If left blank, then "All Processes" is assumed as the default parent. Alternately, you can enter a new parent process name. Since this process does not exist in the application tables, it must be entered and imported as a new process line in the spreadsheet.

During the import, processes are created if they do not exist and updated based on the status of the "Update/Delete Process" flag. This flag supports process revisions as follows:

- ❑ The flag is ignored if the process record does not exist.
- ❑ If the process exists and the flag is "Y," the process will be updated in the base tables. If the process exists and the flag is "N," an error message is displayed as process names in Oracle Internal Controls Manager must be unique.
- ❑ If the process exists and the flag is "D," the process will be deleted. All sub processes in the hierarchy below this process will be deleted as well.

Profile Option Settings

The following profile option values need to be set correctly based on the load of the concurrent program.

1. BNE: Upload Retry Count

   This indicates the number of times to check concurrent status. The default is 50.

2. BNE: Upload Sleep Seconds

   This indicates the number of seconds to wait between each check of concurrent status. The default is 3. This indicates WebADI will wait for 150 seconds to finish the concurrent request.

3. "BNE: UIX Physical Directory": should be set as file_path/cabo/

   The file_path where the cabo directory is located.

4. The ICX profile "Apps Servlet Agent": should be set to "http://xxxxx:port/oa_servlets/"

   Note that '/' is important at the end of the URL.

5. "BNE: Upload Staging Directory": should point to a directory where the apps user has write permission.

   If not the user will get a write privilege error as follows:

   IOException: Please have your system administrator view the bns.log file.
   Cause: jave.io.FileNotFoundException:/Directory path/bnee0tdZvSg.xml (Permission denied)
   Action: Please contact your support representative.

The file "bnee0tdZvSg.xml" is dynamically generated and will vary with the concurrent program run.

Using Web ADI with Excel 2002 (XP)

For Web ADI to work with Excel 2002 (XP), perform the following three steps:

1. Open Excel 2002
2. Go to Tools -> Macro -> Security -> Trusted Sources
3. Check the "Trust access to Visual Basic Project"

Associating Documents with Processes

Process documentation often becomes the basis for compliance checking performed by auditors. With Oracle Internal Controls Manager you can attach any document to a process. The attached document can serve a variety of purposes. For example, it may be descriptive or as a basis for teaching users how to deploy the process.

Oracle Tutor is Oracle's preferred documentation tool. Tutor offers process / procedure authoring, automatic flowcharting, and role based publishing along with predefined business models and flows. Out of the box processes and procedures can therefore be easily modified to represent your business processes in the Oracle E-Business suite. Oracle Tutor is also integrated with Oracle iLearning which allows your managers to verify that their employees have studied the procedures required to perform the job.

Once procedures are developed using Oracle Tutor, you can associate the procedures with applicable processes as well as access them from the process details window in Oracle Internal Controls Manager.

To associate documents with processes

From the Processes window of the Risk Library, click Convert Tutor Document (since Tutor is Oracle's preferred documentation and authoring tool) and then click Attach to attach your documents to a process.

The steps to associate a document with a process are the same as listed in the section Note on importing tasks at the lowest level on page 2-11.

Note: Distinguish these files from Tutor Process Authoring files. These documents are attached to processes for descriptive / explanatory purposes only.

Process Objectives

All business processes, explicitly or implicitly, have objectives that the process is oriented towards. These objectives send a powerful signal as to what you intend to achieve by running the process in the organization. Process objectives are typically classified as being one or both of the following:

- Control objectives that must be met. For example, an Accounts Receivable department process may have control objectives that are consistent with segregating duties with respect to credit granting authority and sales commissions. Another control objective for this process could be ensuring authorized credit commitments.
- Performance objectives that the process must achieve. For example, the Accounts Receivable department process may have performance objectives that are consistent with minimizing working capital requirements, like "Days sales outstanding."

A review of your business process can help to determine these objectives. Once identified, process objectives provide guidance in identifying process risks as well as the controls to mitigate those risks. Process objectives, when used in conjunction with process definitions, also provide useful benchmarks that can be used by process owners to evaluate the performance of their processes.

Oracle Internal Controls Manager allows you create objectives that can be associated with process definitions. The process objectives can be categorized as being control or performance objectives.

Setting up Process Objectives

Oracle Internal Controls Manager allows you to create process objectives in two ways:

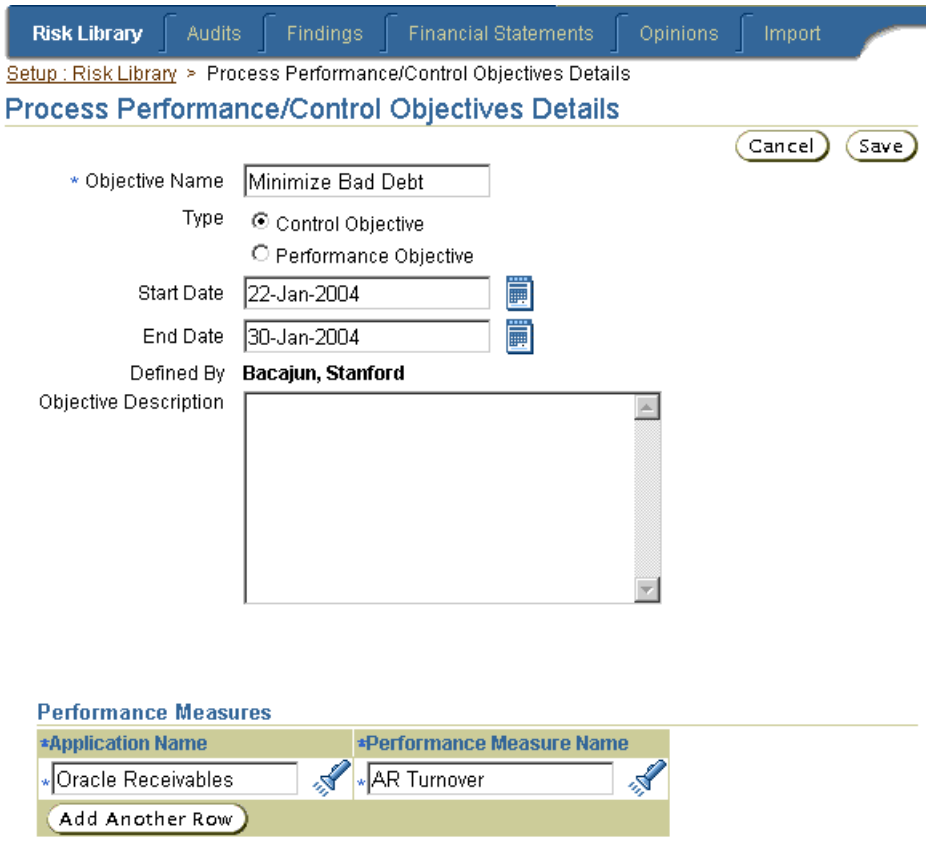
- Manually set up your process objectives
- Import process objectives when importing risk library objects

Note that you can only define process objectives in the risk library of the Oracle Internal Controls Manager application.

Manually create process objectives

Topic	Navigation Path	Oracle Internal Controls Manager Window
Manually create process objectives	Using the Business Process Owner (or equivalent) responsibility, click the Setup tab and then the Risk Library subtab Select the Process Objectives Summary link Click the Create button	Create Process Objective

1. Enter the attributes of the objective and specify whether it is a control or performance objective.



For both control and performance objectives, you can associate a performance measure in the form of a Key Performance Indicator from the Oracle Daily Business Intelligence module. The same performance measure can be used by multiple objectives.

2. Once the process objective is created, drill down to the Objectives section of the Process Details page

Topic	Navigation Path	Oracle Internal Controls Manager Window
Link Process Objectives with Processes	Using the Business Process Owner (or equivalent) responsibility, click the Risk Library tab and the Processes subtab Drilldown into the relevant process and select the Objectives hyperlink	Process Details

Click the Associate button to link the relevant objectives with the process.

Import Process Objectives

Instead of creating process objectives manually and then associating them with processes individually, Oracle Internal Controls Manager furnishes a powerful import mechanism for process objectives. Using this functionality, you can import and associate process objectives with processes in a single step.

Note that process objectives cannot be imported while importing processes into the risk library. Instead process objectives form a part of the spreadsheet to import risks and controls. This is because these objectives can only be fully understood in the context of process risks. By virtue of orienting a process in a particular direction, process objectives expose processes to risk. Hence the import of process objectives along with risks and controls in Oracle Internal Controls Manager.

See Also: Processes must exist in the application before the import of risks, controls and process objectives is executed. For more information, refer to "Importing Risk Library Objects" into Oracle Internal Controls Manager.

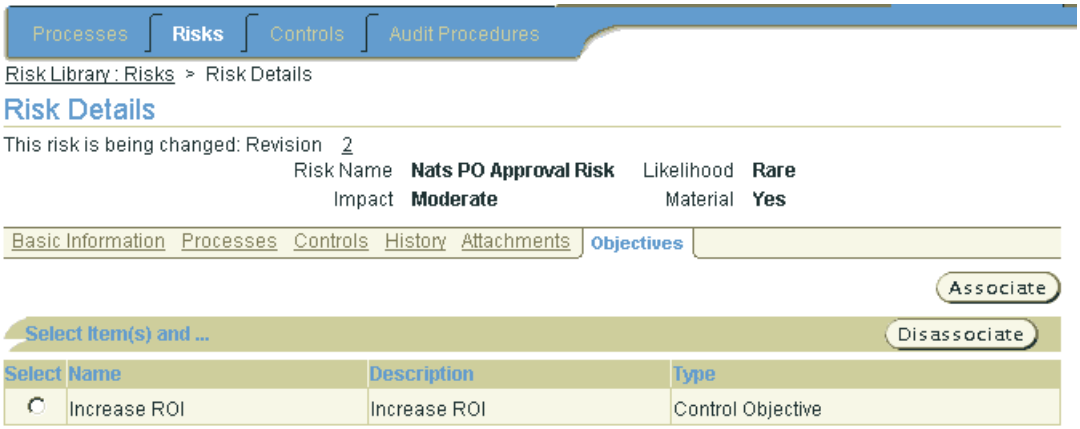
Process Objectives in the Risk Library

You can view the objectives associated with a process in the process details window in the risk library.

Topic	Navigation Path	Oracle Internal Controls Manager Window
View Process Objectives associated with a process	Using the Business Process Owner (or equivalent) responsibility, click the Risk Library tab and the Processes subtab Drilldown into the relevant process and select the Objectives hyperlink	Process Details

You can also view and set process objectives in the context of related risks. As noted earlier, these are the risks that arise as a result of the objectives orienting the process in a particular direction.

Topic	Navigation Path	Oracle Internal Controls Manager Window
View Process Objectives in the context of risks	Using the Business Process Owner (or equivalent) responsibility, click the Risk Library tab and the Risks subtab Drilldown into the relevant risk and select the Objectives hyperlink	Risk Details



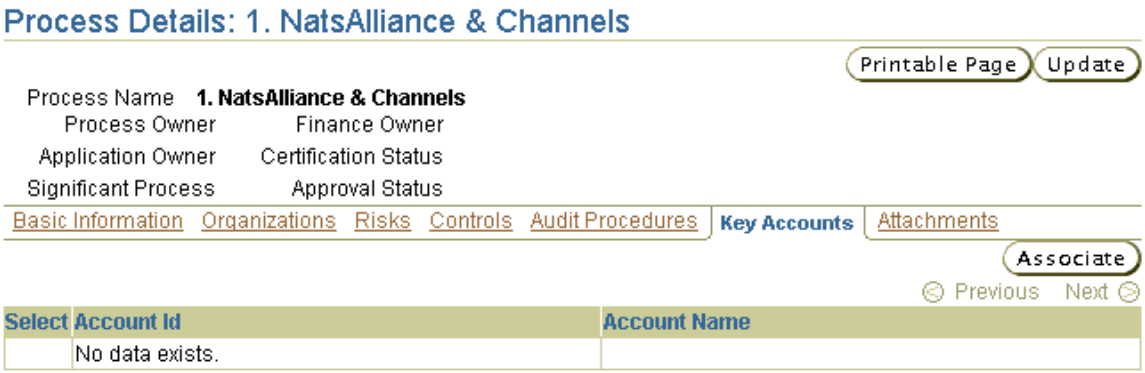
By clicking the Associate/Disassociate buttons, Oracle Internal Controls Manager allows you to associate specific process objectives to a particular risk.

Linking Key Accounts with Processes

Oracle Internal Controls Manager enables the mapping of processes to natural accounts defined in the system. These accounts are based on the natural account segment definition in the chart of accounts.

See Also: For more information on natural accounts and their definition, see the *Oracle Applications Flexfields Guide*.

To link key accounts with processes



Prerequisite: In the System Profile Values window, seed the AMW: Natural Account Value Set profile option. Select the value set that is associated with the natural account segment.

1. In the Processes subtab under the Risk Library tab, select the process that the key accounts will be linked to.
2. In the Process Details window, select the Key Accounts hyperlink and then click Associate.
3. Finally, select the natural account to associate with the process. All natural accounts defined in the associated value set appear in the list of values. You can link multiple key accounts with a process.

Process Attributes

The following table gives further information on select fields in the process details page.

Field	Description	Seeded Values	Lookup Type	Accessibility Level
Process Owner	The name of the person responsible for the execution of the process	N/A	N/A	N/A
Finance Owner	The name of the person responsible for the financial aspects/results of the process	N/A	N/A	N/A
Approval Status	Process Approval Status. To be available for use in Oracle Internal Controls Manager, a process must have a status of "Approved"	Approved Draft Pending Approval Rejected	AMW_ PROCESS_ APPROVAL_ STATUS	System
Standard Process	Whether the process is considered to be standard or non standard. Non standard processes may possess unique risks and require distinct controls and audit procedures.	Yes No	AMW_ STANDARD_ PROCESS	System
Process Category	Process classification. Non-routine processes require more audit focus than Routine processes. An Estimate process is performed for arriving at a financial estimate.	Estimate Non-Routine Routine	AMW_ PROCESS_ CATEGORY	Extensible
Significant Process	An indicator of the priority of the process	Yes No	AMW_ SIGNIFICANT_ PROCESS	User

Process Significance: As noted in the table above, when Processes are created in the risk library, you can set the attribute of Significance using a "Yes/No" flag. For a significant process, Oracle Internal Controls Manager allows you to specify the determinants of this attribute i.e. why this process was determined to be significant.

Topic	Navigation Path	Oracle Internal Controls Manager Window
Significant Process Determinants	Using a superuser or equivalent responsibility, click the Risk Library tab and then the Processes subtab. Drill into the Process Details page and click the Process Significance hyperlink	Process Details

The determinants are from a Lookup Type and are user extensible.

3

Risks and Controls in Oracle Internal Controls Manager

Overview of the Risk Library

The risk library consists of processes, risks, as well as the policies, procedures, and activities that allow an organization to address those risks. There are four primary objects in the risk library:

- ❏ Processes
- ❏ Risks
- ❏ Controls
- ❏ Audit Procedures

Risk libraries can consist of content from professional organizations (for example, The Institute of Internal Auditors or Accounting Firms), and/or from users in the organization. If you decide to implement a partner's library, Oracle Internal Controls Manager includes a spreadsheet interface that allows third party content to be imported.

See Also: For more information on importing risk library objects into Oracle Internal Controls Manager, refer to Importing Risks and Controls into Oracle Internal Controls Manager on page 3-14.

Processes are fully described under Processes in Oracle Internal Controls Manager on page 2-1 and Audit Procedures under Audit Procedures in Internal Controls Manager on page 5-1.

Risks

Risks are defined as the possibility of acts or events occurring that would have an adverse effect on the organization's processes and its control environment. An example of a risk would be having the same person who enters supplier information into the system also enter and pay invoices.

The Risks tab allows you to change the orientation of your information from being centered around the processes in the organization to being centered around the risks to which the processes are exposed.

Auditors identify the risks associated with each business process and the possible effect they might have on the process. Use Oracle Internal Controls Manager to create and maintain a library of reusable risks that can then be associated with business process in the organization. Each risk is classified for its probability and impact. For example, a loss resulting order being accepted may be a low probability risk that has a high impact.

Setting up Risks in Oracle Internal Controls Manager

Oracle Internal Controls Manager allows you to create risks that are associated with processes in two ways:

1. Click Create in the Risk Library > Risks subtab to manually create your risks. Once the risk is created, drill down to the Risk Details page and choose the Processes or Controls links to associate the risk with these objects.
   You can view all entered risks in the main Risks page by navigating to the Risk Library > Risks sub-tab.

   See Also: For more information on select fields in the risks details page, refer to Risk Attributes on page 3-4.

   If you save the risk for later editing, the risk is created with a status of "Draft." When the risk is finalized, click on Update in the main Risks page and then submit the risk for approval. If you need to update an approved risk, drill into the risk details and then select Revise.

   Note that risk library objects can only be utilized in Oracle Internal Controls Manager after they are approved. Risks are approved/reapproved based on your setup of workflow rules and the approval hierarchy in the Oracle

Approvals Management application. When the approval is complete, the risk approval status changes to Approved.

> **Note:** The use of Oracle Approvals Management for approving risk library objects is optional. For more details, refer to Manage the Process Risk Library on page 6-2.

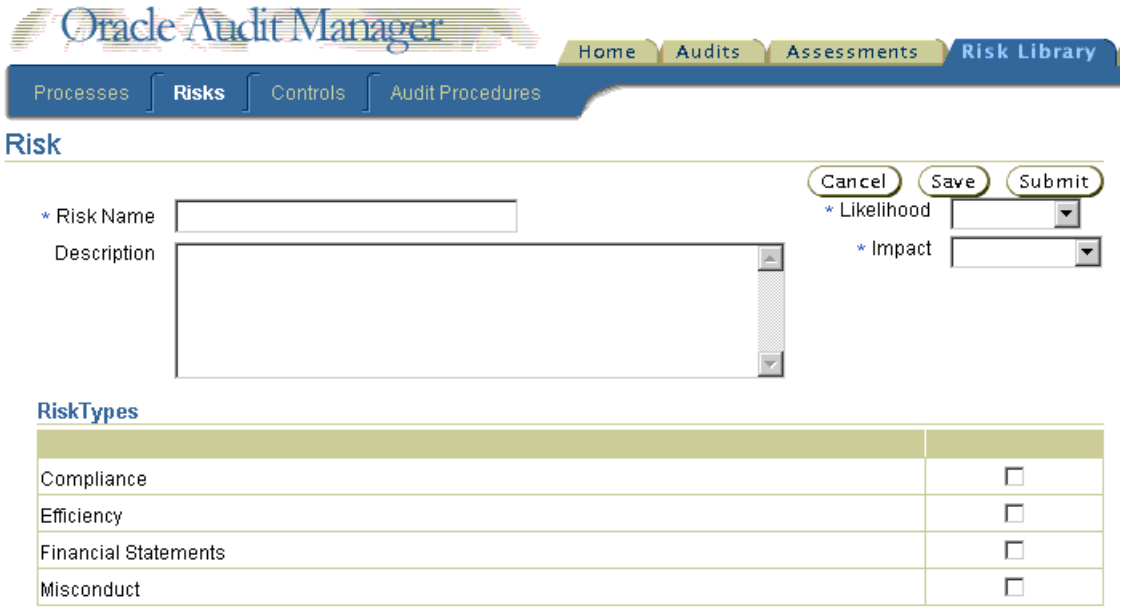
2. Import Risks from the Setup tab. Instead of creating risks manually and then associating them with controls and with processes individually, Oracle Internal Controls Manager provides a powerful import mechanism for risk and control objects. Using this import functionality you can import risks and controls and associate them with processes in a single step.

Risks Search

You can optionally search for a subset of risks using the following dimensions:

- Risk Name.
- Revision. For more information, refer to Revising Objects in the Risk Library on page 6-5.
- Risk Likelihood. For more information, refer to the section on Risk Attributes on page 3-4.
- Search Context. Three search contexts are available as follows:
  - The Risks Context search returns all risks in the system without their associated process or organization names.
  - The Associated Process Context search returns all risks in the system that are associated with processes. Note that if a risk is associated with multiple processes or the same process in multiple organizations, then the risk will be listed more than once.
  - The Organization Context search returns all risks associated with organizations (through processes in those organizations).

Risk Attributes



The following table provides further information on select fields in the Risk details and Results pages.

Field	Details	Seeded Values	Lookup Type	Accessibility Level
Risk Type	User defined risk classification. You can associate multiple risk types with a risk.	Compliance Efficiency Financial Statements Misconduct	AMW RISK TYPE	User
Likelihood	User defined risk classification	Rare Unlikely Often Most Time Certain	AMW LIKELIHOOD	User

Field	Details	Seeded Values	Lookup Type	Accessibility Level
Impact	User defined risk classification	Insignificant Minor Moderate Major Catastrophic	AMW IMPACT	User
Approval Status	The Approval Status of the Risk. To be available for use in Oracle Internal Controls Manager, a Risk must have a status of "Approved"	Approved Draft Pending Approval Rejected	AMW_RISK_ APPROVAL_ STATUS	System
Material	Would the damage or loss be material if the risk occurred	Yes No		

Controls

Company management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that the firm's objectives and goals will be achieved. Controls are actions taken by management, the board of directors, and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved.

The Controls tab allows you to change the orientation of your information from being centered around processes or other library objects in the organization to being centered around the control objects.

Design controls to mitigate process risk. As an example, if the risk is having the same person who enters suppliers also enter and pay invoices, then an example of a mitigating control would be to split the tasks or have someone review the payment register for unauthorized supplier payments. Monthly reconciliations, credit approvals before shipment occurs and separation of duties between billing, recording sales, and handling cash receipts are examples of controls for sales transactions.

Setting up Controls in Oracle Internal Controls Manager

Oracle Internal Controls Manager allows you to set up controls to mitigate process risk in two ways:

1. Click Create in the Risk Library > Controls subtab to manually create your controls. Once the control is created, drill down to the Control details page and choose the Risks or Audit Procedures links to associate the risk with these objects.
   You can view all entered controls in the main Controls page by navigating to the Risk Library > Controls sub-tab.

   See Also: For more information on select fields in the Control Details page, refer to Control Attributes on page 3-7.

   If you save the control for later editing, the control is created with a status of "Draft." When the control is finalized, click on Update in the main Controls page and then submit the control for approval. If you need to update an approved control, drill into the control details and then select Revise.

   Note that risk library objects can only be utilized in Oracle Internal Controls Manager after they are approved. Controls are approved/reapproved based on your setup of workflow rules and the approval hierarchy in the Oracle Approvals Management application. When the approval is complete, the Control approval status changes to Approved.

   Note: The use of Oracle Approvals Management for approving risk library objects is optional. For more details, refer to Manage the Process Risk Library on page 6-2.

2. Import Controls from the Setup tab. Instead of creating controls manually and then associating them with risks individually, Oracle Internal Controls Manager provides a powerful import mechanism for risk and control objects. Using this import functionality you can import risks and controls and associate them with processes in a single step.

Controls Search

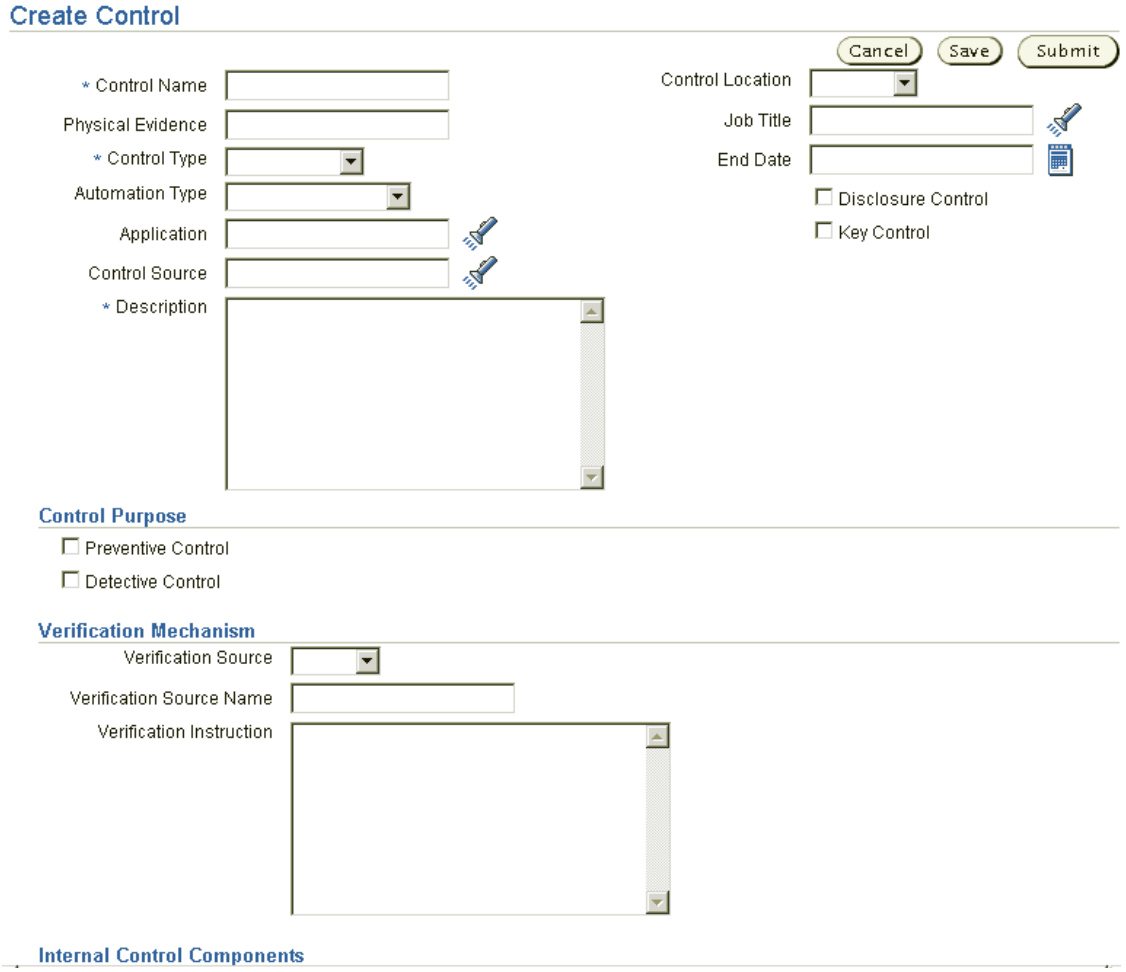
You can optionally search for a subset of controls using the following dimensions:

- ❏ Control Name
- ❏ Control Location
- ❏ Control Type
- ❏ Automation Type

> **See Also:** For more information, refer to Control Attributes below on page 3-7.

Control Attributes

Controls have several attributes that provide more details on how a particular control is implemented in Oracle Internal Controls Manager.


Create Control
Cancel
Save
Submit
* Control Name
Physical Evidence
* Control Type
Automation Type
Application
Control Source
* Description
Control Location
Job Title
End Date
Disclosure Control
Key Control
Control Purpose
Preventive Control
Detective Control
Verification Mechanism
Verification Source
Verification Source Name
Verification Instruction
Internal Control Components

The following sections provide more details on select attributes.

Control Type

Lookup Type: AMW CONTROL TYPE

User Accessibility level: Extensible

The Control Type designates whether the control is inherently Automatic, Manual, or a Combination of the two.

Seeded Values	Description
Automatic	Profiles, Application Access, Workflows, KPIs are examples of Automatic controls. These controls are enforced within the E-Business suite.
Combination	Alerts are an example of controls that use a combination of both automatic and manual procedures. The Alert can automatically raise a flag when a condition is met and then manual intervention is initiated.
Manual	Manual procedures

Automation Type, Application, and Control Source

Lookup Type: AMW AUTOMATION TYPE

User Accessibility level: System

If the Control Type is Automatic or Combination, then select the control's Automation Type. The Automation Type provides details on the kind of automatic control used to mitigate process risk.

Based on the value selected in the Automation Type field, select a corresponding Control Source. Control Sources are the names (values) of the automatic controls. For any given Automation Type, you can have a large number of corresponding control source values. For example, the Automation type "Profile" has potentially hundreds of profile values seeded in the Oracle E-Business Suite.

The Application field allows you to restrict the values in the Controls Source list of values. Once you link an Application with the Automation Type, the Control Source values are limited to those values in the selected Application.

Seeded Values	Control is implemented through:	Control Source Values
Profiles	Profile options and registered application parameters	All system profile option values
Setup	No current functionality	No control source
Application Access	Restricted application access	Form Functions
System Access	Restricted system access	No control source
Change Control	Controls defined in Oracle Internal Controls Manager	No control source
Workflow	Registered workflow activities in the application	All registered workflows
Alert	Alert notifications	No control source
Report	Applications reports	All reports in the system
Built In	Oracle Applications	No control source
KPI	KPIs in the E-Business Suite modules or the Oracle Performance Management Framework. You can set process control limits that notify you when the limits are exceeded.	All available KPIs from the Performance Management Framework
Manual	Manual procedures	No control source

Disclosure vs. Key Control

Control Purpose

Select the purpose of the control to be one or more of the following:

- Preventive Control
- Detective Control
- Disclosure Control
- Key Control

Verification Mechanism

Verification Source - Form, Report

Verification Source Name

Verification Instruction

Internal Control Components

These are predefined components affecting the organization's audit environment. The seeded components shown below are from the COSO framework. You may classify the control as belonging to one of these domains.

- Control Activities
- Control Environment
- Information and Communication
- Monitoring
- Risk Assessment

> **See Also:** For more information on these components, see Creating an Assessment in Oracle Internal Controls Manager on page 4-5.

Control Assertions and Objectives

The framework used to evaluate the controls that mitigate process and account balance risk includes:

- ❏ Control Assertions
- ❏ Control Objectives

Accordingly, for each control, Oracle Internal Controls Manager allows you to assign objectives and assertions.

Control Assertions

Lookup Type: AMW CONTROL ASSERTIONS

Accessibility Level: Extensible

Assertions refer to implied or expressed representations by management about an organization's processes and/or the components of its financial statements. Auditing standards classify assertions into five broad categories as follows:

- Existence or Occurrence

- Completeness
- Valuation or Measurement
- Rights and Obligations
- Presentation and Disclosure

Control Objectives

Lookup Type: AMW CONTROL OBJECTIVES

Accessibility Level: Extensible

Control objectives provide a platform to help the auditor accomplish the following tasks:

- ❑ Accumulate sufficient competent evidence as required by audit standards.
- ❑ Decide on the proper evidence to accumulate given the circumstances of the audit engagement.

Control objectives can also be used to verify a control's design and operational effectiveness. Seeded values for control objectives are:

- Effectiveness and efficiency of operations
- Reliability of Financial Statements
- Compliance with applicable laws and regulations
- Safeguarding Information and Systems

Control Location

Lookup Type: AMW CONTROL LOCATION

Accessibility Level: Extensible

The control location refers to the geographic scope and implementation of the control. Seeded values for control locations are:

- Global
- Local
- Regional

Control Approval Status

Lookup Type: AMW CONTROL APPROVAL STATUS

Accessibility Level: System

The Approval Status of the Control. To be available for use in Oracle Internal Controls Manager, a Control must have a status of "Approved." Seeded values for control approval status are:

- Approved
- Draft
- Pending Approval
- Rejected

Importing Risks and Controls into Oracle Internal Controls Manager

As in the case of processes, companies build up libraries of risks and controls that apply to their organizations based on the nature of their businesses. With the import functionality in Oracle Internal Controls Manager, audit professionals can import risks and controls from a file thereby leveraging the presence of existing repositories.

Oracle Internal Controls Manager uses Oracle Web ADI for the import of risks, controls and risk-control associations. Web ADI provides many advantages including the use of a native spreadsheet interface. You can copy risk library objects into a spreadsheet and make use of the Web ADI framework to import them. The spreadsheet has a dynamic layout based on the risk objects being imported.

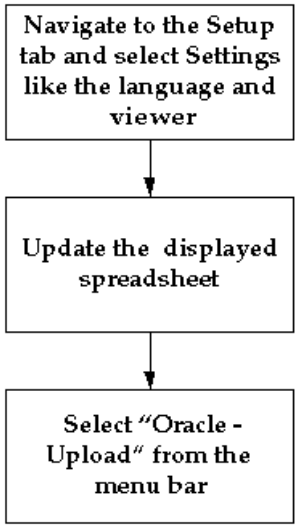
Use the Setup tab in Oracle Internal Controls Manager to import risk and control libraries. Note that risks and controls constitute relatively static data and most organizations will therefore import this information infrequently.

Topic	Navigation Path	Oracle Internal Controls Manager Window
Import Risks and Controls	Using a super user (or equivalent) responsibility, click the Setup tab and then the Import subtab	Import Details

Oracle Internal Controls Manager provides two paths for the import of risk/control objects:

- Import Risks and Controls
- Import Controls

> **Note:** Not all attributes of control objects can be imported using the import path "Import Risks and Controls." Oracle Internal Controls Manager therefore provides the path "Import Controls" for the detailed import of control objects



As shown in the above diagram, Oracle Internal Controls Manager first requires that you select user settings like the language and viewer (Excel 1997/2000). The spreadsheet is then displayed and you can enter/copy values into these cells. Finally select Oracle - Upload from the menu bar to begin the import process.

Note: Web ADI is certified against Excel 2002 (XP). For more details, refer to Using Web ADI with Excel 2002 (XP) on page 3-19.

Also, see the section Profile Option Settings on page 2-19.

To Import Risks and Controls

Using the "Import Risks and Controls" hyperlink, audit professionals can import risks, controls, and their associations into the application.

> **Prerequisite:** All processes must be created before you can use this import path for risks and controls into the Oracle Internal Controls Manager.

During the import, risks and controls are created if they do not exist and updated if they are already in the system. Attributes of risks and controls are the major part of the risk-control spreadsheet and objects are updated with these attributes.

The import also allows you to associate risks and controls with processes. Select a parent process before importing risks and controls. The processes in the body of the spreadsheet, to which the risks and controls are associated, will only display the children of the parent process. Any row that does not have a process defined in the spreadsheet will be associated with the parent process. Validation of the import data is done within the spreadsheet itself through lists of values for all lookup based columns.

The following table lists the fields in the import spreadsheet:

Field Name	Mandatory	Validation
Process Name	No	All valid processes in the system
Process Objective Name	No	Valid process objective names for objectives already stored in the system OR Enter the name for new process objectives.
Process Objective Description	No	None
Risk Name	Yes	Valid names for risks already stored in the system OR Enter the name for new risks.
Revise Risk	No	Y/N
Risk Description	Yes	None
Compliance (Risk Type)	At least one of the four risk types is mandatory	Y/N
Efficiency (Risk Type)	At least one of the four risk types is mandatory	Y/N

Field Name	Mandatory	Validation
Financial Statements (Risk Type)	At least one of the four risk types is mandatory	Y/N
Misconduct (Risk Type)	At least one of the four risk types is mandatory	Y/N
Likelihood	Yes	AMW_LIKELIHOOD
Impact	Yes	AMW_IMPACT
Risk Approval Status	No	Approved, Draft
Control Name	No	Valid names for controls already stored in the system OR Enter the name for new controls.
Revise Control	No	Y/N
Control Description	No	None
Control Approval Status	No	Approved, Draft
Control Location	No	AMW_CONTROL_LOCATION
Control Type	No	AMW_CONTROL_TYPE
Automation Type	No	AMW_AUTOMATION_TYPE
Control Source	No	Valid Control Sources. Refer to Automation Type in the section on Control Attributes
Physical Evidence	No	None
Business Group	No	PER_BUSINESS_GROUPS table. Accessible under Work Structures -> Organizations in Oracle Human Resources
Job Name	No	PER_JOBS table. Accessible under Work Structures -> Jobs in Oracle Human Resources
Control Object 1 ... N	No	AMW_CONTROL_OBJECTS
Control Assertions 1 ... N	No	AMW_CONTROL_ASSERTIONS

Web ADI uploads the data from the spreadsheet into the AMW_RISKS_CONTROLS_INTF interface table. A concurrent program then uploads the data from the interface table to the base tables. Any errors that occur during the import process are flagged as errors with appropriate error messages.

To Import Controls

Using the "Import Controls" hyperlink, you can import the details of controls objects into the application.

The following table lists the fields in the import spreadsheet:

Field Name	Mandatory	Validation
Control Name	Yes	Valid control names for controls already stored in the system. You can enter the control name if it does not exist in the application.
Revise Control	No	Y/N
Control Description	Yes	None
Control Approval Status	No	Approved, Draft
Control Location	No	AMW_CONTROL_LOCATION
Control Type	Yes	AMW_CONTROL_TYPE
Automation Type	No	AMW_AUTOMATION_TYPE
Application	No	To restrict the values in the Controls Source list of values. Refer to Automation Type in the section on Control Attributes
Control Source	No	Valid Control Sources. Refer to Automation Type in the section on Control Attributes
Physical Evidence	No	None
Business Group	No	PER_BUSINESS_GROUPS table. Accessible under Work Structures -> Organizations in Oracle Human Resources
Job Name	No	PER_JOBS table. Accessible under Work Structures -> Jobs in Oracle Human Resources
Preventive Control	No	Y/N
Detective Control	No	Y/N
Disclosure Control	No	Y/N
Key Control	No	Y/N
Verification Source	No	Form, Report
Verification Source Name	No	None
Verification Instruction	No	None
Ctrl Comps - Control Activities	No	Y/N

Field Name	Mandatory	Validation
Ctrl Comps - Control Environment	No	Y/N
Ctrl Comps - Information and Communication	No	Y/N
Ctrl Comps - Monitoring	No	Y/N
Ctrl Comps - Risk Assessment	No	Y/N
Ctrl Objs - Effectiveness and efficiency of operations	No	Y/N
Ctrl Objs - Reliability of Financial Statements	No	Y/N
Ctrl Objs - Compliance with applicable laws and regulations	No	Y/N
Ctrl Objs - Safeguarding Information and Systems	No	Y/N
Ctrl Asserts - Existence or Occurrence	No	Y/N
Ctrl Asserts - Completeness	No	Y/N
Ctrl Asserts - Valuation or Measurement	No	Y/N
Ctrl Asserts - Rights and Obligations	No	Y/N
Ctrl Asserts - Presentation and Disclosure	No	Y/N

Using Web ADI with Excel 2002 (XP)

For Web ADI to work with Excel 2002 (XP), perform the following three steps:

1. Open Excel 2002
2. Go to Tools -> Macro -> Security -> Trusted Sources

Check the "Trust access to Visual Basic Project"

4

Assessments in Oracle Internal Controls Manager

Oracle Internal Controls Manager gives you the ability to organize, document, and test internal controls and monitor ongoing compliance. You can use the application to conduct audit activities like the following:

- Define business processes and map them to an organization structure
- Record risks and controls and associate them with business processes
- Create audit procedures to test controls

With respect to testing controls as well as other tests like tests of details of balances, the amount of procedural work performed in an audit depends to a large extent on an auditor's assessment of the organization's internal control structure and compliance with established controls and regulations.

Oracle Internal Controls Manager therefore allows you to incorporate an assessment of the organization regarding its internal control structure and compliance. The assessment is made with respect to:

- Predefined components affecting the organization's audit environment. The seeded components shown below are from the COSO framework. You can also add your own values to this list:
  - The control environment
  - Risk Assessment
  - Control activities
  - Information and communication
  - Monitoring activities

- A particular organizational context. You can specify the context in terms of:
  - The organization itself
  - Controls in the organization
  - Business processes in the organization

An audit assessment requires auditors to have executed a systematic examination of the organization's information system that includes:

- Identifying security deficiencies and the adequacy of internal controls
- Sourcing the data from which to predict the effectiveness of controls
- Confirming the adequacy of the internal controls structure after implementation.

Once assessments are made and subsequent audit work performed, you can review the compliance of your business processes and systems and then issue audit reports and opinions.

Integration with Oracle Scripting

To help in making assessments, you can associate a survey written with the Oracle Scripting tool to an Assessment in Oracle Internal Controls Manager. Oracle Scripting is a powerful web based tool for soliciting, managing, and analyzing stakeholder feedback through surveys. In any organization, surveys created with Oracle Scripting can help in providing an effective control environment and the results can be used to make macro level risk assessments.

Oracle Scripting is comprised of several components including a Script Author and a Survey Administration console. The Script Author is used to build "survey scripts" that can be deployed throughout the enterprise. With the Survey Administration console, you can establish and maintain survey campaign information as well as generate reports for analyzing survey data.

There are various ways in which scripts can be employed to gather data. For example, a script can serve as a survey questionnaire to solicit specific information from employees or any other target population. A script can also be written to integrate different aspects of multiple applications together.

For any survey, the Scripting tool provides the following capabilities:

- Ability to ask different questions based on responses. For example, if the respondent's answer to a series of questions indicates a high risk in some area, the survey can "drill down" into the specifics of the problem, leading to the collection of more detailed information for the assessor.
- Ability to ask different sets of questions for different target respondents or lines of business.
- Ability to set "triggers" within a survey to alert assessors of specific results.

Once a script is created, it can then be used as part of a survey campaign. The application can be used to identify survey participants, deploy the survey via e-mail, and allow respondents to fill out questionnaires via the internet. Survey campaigns can be targeted to cover specific lines of business as well as specific groups. You can then use the survey results to provide data on common themes or risk areas.

Using these features, an audit related survey can provide valuable insight into the functioning of the organization, process, or control/control structure. Since Oracle Internal Controls Manager allows you to associate a survey to an Assessment, the survey results provide credibility and support to your Assessment.

Survey Creation Process The major steps to create and manage surveys are listed below:

1. Author the survey questionnaire using the Script Author
2. Define a Survey Campaign via the Survey Administration utility
3. Deploy the survey using the Survey Administration Console
4. Monitor and analyze responses

> **See Also:** For more information on the survey creation process, survey administration, and survey reporting, refer to the *Oracle Scripting Implementation Guide* and the *Oracle Scripting Developer's Guide*.

Confidential Feedback Mechanism

Oracle Scripting also enables you to effectively monitor operations by providing a confidential feedback mechanism. This is a mandatory feature in certain geographic regions.

For example, the Sarbanes Oxley Act in the USA requires the audit committee of a public company to establish procedures for the receipt of confidential and anonymous submissions from employees regarding questionable accounting or auditing matters. This "whistle-blower" provision now requires employers to provide all employees with a safe way to deliver anonymous feedback.

Using Oracle Scripting, you can create and deploy surveys where employee confidentiality is maintained. Scripts can be written to capture information from employee hotline calls and multiple anonymous calls from the same person can be linked.

Survey Reporting

Survey results are available immediately via out of the box Discoverer reports. The reports are available from Oracle Business Intelligence and you can modify the Discoverer workbooks to create ad hoc reports. You can use Discoverer to export all your report data to external systems, such as to an Excel spreadsheet.

> **See Also:** For more information on reports available via Interaction Center Intelligence, refer to the Oracle Scripting Implementation Guide.

Some of the seeded reports are listed below:

Survey Question Frequency Report This report can be used to show how people have responded to survey questions at a summary level for each survey deployment. It shows the frequency of response for any question that is a non-text question. For example, how many people responded yes, how many responded no to the question "Are you satisfied with your audit?"

Survey Question Detail Report Provides all of the respondent's answers to each question for all people who have responded to the survey.

Survey Deployment Text Responses Report Extracts just the text responses so that managers can review the information in detail. Text responses often hold

comments and other critical free form information. This report is useful for supervisors or managers who want to get an overall flavor for the comments that individual respondents have provided within the survey.

Survey Campaign Summary Report This report provides summary information on each survey campaign. It shows at a glance how many surveys have been sent out, the response ratio, the number of errors (for example bad e-mail addresses), and how many surveys have been aborted (no questions answered).

Survey Deployment Detail Report Shows detailed information about a deployment for each survey including the name of the list of target respondents, how many reminders have been sent out, response ratio, etc.

Creating an Assessment in Oracle Internal Controls Manager

Oracle Internal Controls Manager enables you to record your assessment of the organization's internal control structure and compliance with established controls and regulations. As mentioned earlier, the amount of procedural work performed in an audit depends to a large measure on this up front assessment.

You can record the essential attributes of the Assessment as well as evaluations of the assessment results. Oracle Internal Controls Manager provides optional integration with Oracle Scripting to associate a survey conducted with that application to the Oracle Internal Controls Manager Assessment.

To Create an Assessment The steps to create an Assessment in Oracle Internal Controls Manager are listed below:

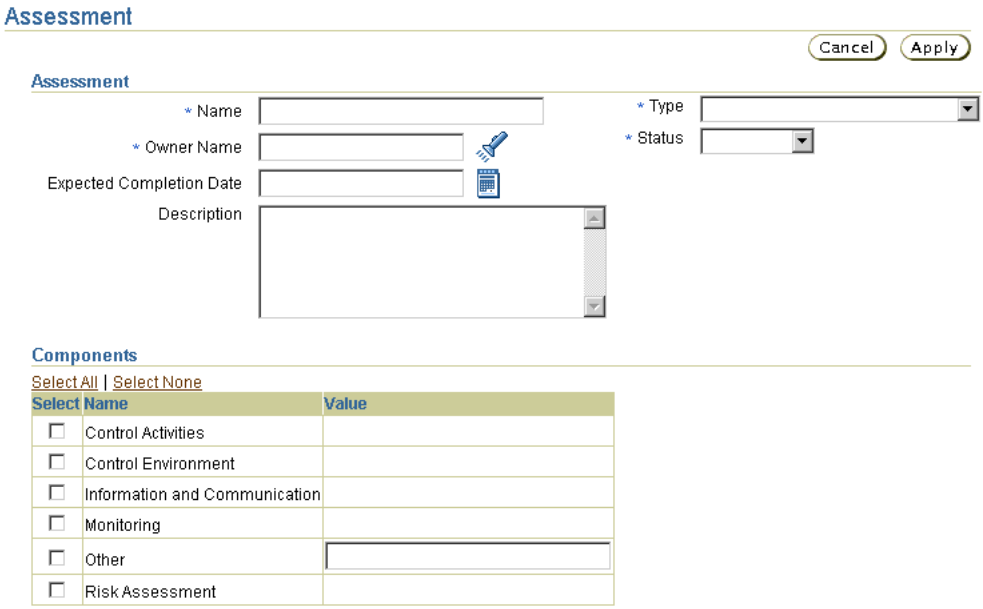
1. Enter the essential attributes of the Assessment
2. Optionally associate the Assessment to a survey created using Oracle Scripting
3. Record the context in which the Assessment is conducted
4. Record an audit opinion/evaluation of the Assessment

1. Enter the essential attributes of the Assessment

Navigation Path

Topic	Navigation Path	Oracle Internal Controls Manager Window
Create an Assessment	Click the Assessment tab Click the Create button	Assessment

As the first step, create the Assessments by setting up attributes like its Owner Name and Expected Completion Date.



The following table provides further information on select fields in the Assessment page.

Field	Details	Seeded Values	Lookup Type	Accessibility Level
Type	User defined Assessment classification	Compliance Assessment Control Environment Assessment Comprehensive Self Assessment Risk Assessment Security Assessment	AMW_ ASSESSMENT_ TYPE	User
Status	The status of the Assessment	Archived Completed Not Started In Process	AMW_ ASSESSMENT_ STATUS	System

Components

Your assessment regarding internal control structure and compliance is made with respect to certain "Components" that affect the organization's audit environment. When you create an Assessment, Oracle Internal Controls Manager allows you to specify these Components.

The seeded components shown below are from the COSO framework in the USA. You can also add your own values to the list.

The Control Environment This is the control conscience of an organization, the "tone at the top." When making an assessment on the control environment, consider factors such as:

- The presence of a code of ethics as well as mandatory training on this code
- Documented policies and procedures
- Aggressiveness of profit plans and budget data

Risk Assessment An evaluation of internal and external factors that impact an organization's performance. Consider the presence of formal program offices for the following:

- Business risk management
- Process risk management
- Internal audit risk assessment

Control Activities The policies and procedures to help ensure that actions identified to manage risk are executed and timely. These policies generally fall into the six categories listed below:

- Segregation of duties
- Proper procedures for approvals and delegation of authority
- Adequate processes/systems to maintain records and an audit trail, independent checks on performance
- Physical control over assets and records
- Account reconciliations
- Information technology controls

Information and Communication The process which ensures that relevant information is identified and communicated in a timely manner. When making an assessment on this component, consider the following:

- Messages from senior management regarding control
- Formal operating plans
- Employee job descriptions, policies covering employee behavior such as conflicts of interest
- Training on formal codes of conduct

Monitoring Activities The process to determine whether the internal control is adequately designed, effectively executed, and adaptive. This assessment will depend to a large extent on whether an internal audit function is established within the organization to monitor the efficiency and effectiveness of other control related policies and procedures.

To minimize risk, it is essential that the internal audit staff be independent of both operating and accounting departments. They should also report directly to an audit committee.

Note: The check boxes displayed in the Components section come from the lookup AMW_ASSESSMENT_COMPONENTS. The lookup values can be changed as needed to provide additional Assessment components.

---

2. Associate the Assessment with a survey created using Oracle Scripting (Optional)

Navigation Path

Topic	Navigation Path	Oracle Internal Controls Manager Window
Associate an Assessment with a Survey	Click the Assessment tab Select the particular Assessment to be associated with a Survey Click on the Survey link and then select the Associate button to link a Survey. If there is no Survey associated to this Assessment yet, the button is labeled "Associate", otherwise the button is labeled "Update".	Associate Survey

You can initiate a survey campaign to incorporate employee and stakeholder feedback on internal controls. The Associate Survey page shows the following fields:

The Survey The survey campaign, at the highest level of the survey hierarchy, is where parameters affecting the entire survey campaign are administered. These parameters include the specific script to be used as the survey questionnaire, the survey status (open and cancelled), and survey resources. A survey campaign contains one or more cycles (described below).

The Survey Cycle Allows you to differentiate different time frames for running the survey. Survey Cycle attributes include a minimum response percentage and status (open, active, or cancelled). The ability to define multiple cycles in a survey campaign aids in comparative data analysis for surveys to be conducted over a span of time. Each cycle contains one or more deployments (described below).

The Survey Deployment A deployment belongs to a particular cycle and is the lowest member of the survey hierarchy. Essentially, deployments are the construct within the survey campaign that contains key business rules (the "who," "when," and "how long") for that portion of the survey campaign. A deployment must be made active before respondents can participate in a survey campaign.

Note: You can only link the Assessment in Oracle Internal Controls Manager to the survey name, cycle, and deployment.

Use the Oracle Scripting application to view the results of the survey. For more information, refer to the *Oracle Scripting Implementation Guide*.

To associate a survey with the Assessment, the status of the Assessment must be "Not Started" or "In Process." You cannot associate a survey if the Assessment status is "Completed" or "Archived."

Also, if the Assessment is "In Process" and has an "Active" survey associated with it, then you cannot update the survey parameters in the Associate Survey page.

Note: An "Active" survey is one which is deployed to participants and is in the process of being updated.

3. Record the context in which the Assessment is conducted

Topic	Navigation Path	Oracle Internal Controls Manager Window
Record a Survey Context	Click the Assessment tab Select the Assessment for which you need to record a Context Click on the Context link and then select the Add button	Add Context

Your assessment is made with reference to a particular organizational context. You can specify a context in terms of:

- The organization itself
- Controls in the organization
- Business processes in the organization

Once you choose a context, the list of values shows all values for that context. To record a context for the Assessment, the status of the Assessment must be "Not Started" or "In Process." You cannot record a context if the Assessment status is "Completed" or "Archived."

Note: The values for context are from the lookup AMW_ASSESSMENT_CONTEXT. These values cannot be modified.

4. Record an Overall Opinion / Evaluation of the Assessment

Navigation Path

Topic	Navigation Path	Oracle Internal Controls Manager Window
Record a Survey Context	Click the Assessment tab Select the Assessment for which you enter an opinion and evaluation. Click on the Evaluation link and then select the Update Opinion and/or Evaluate button	Add Context

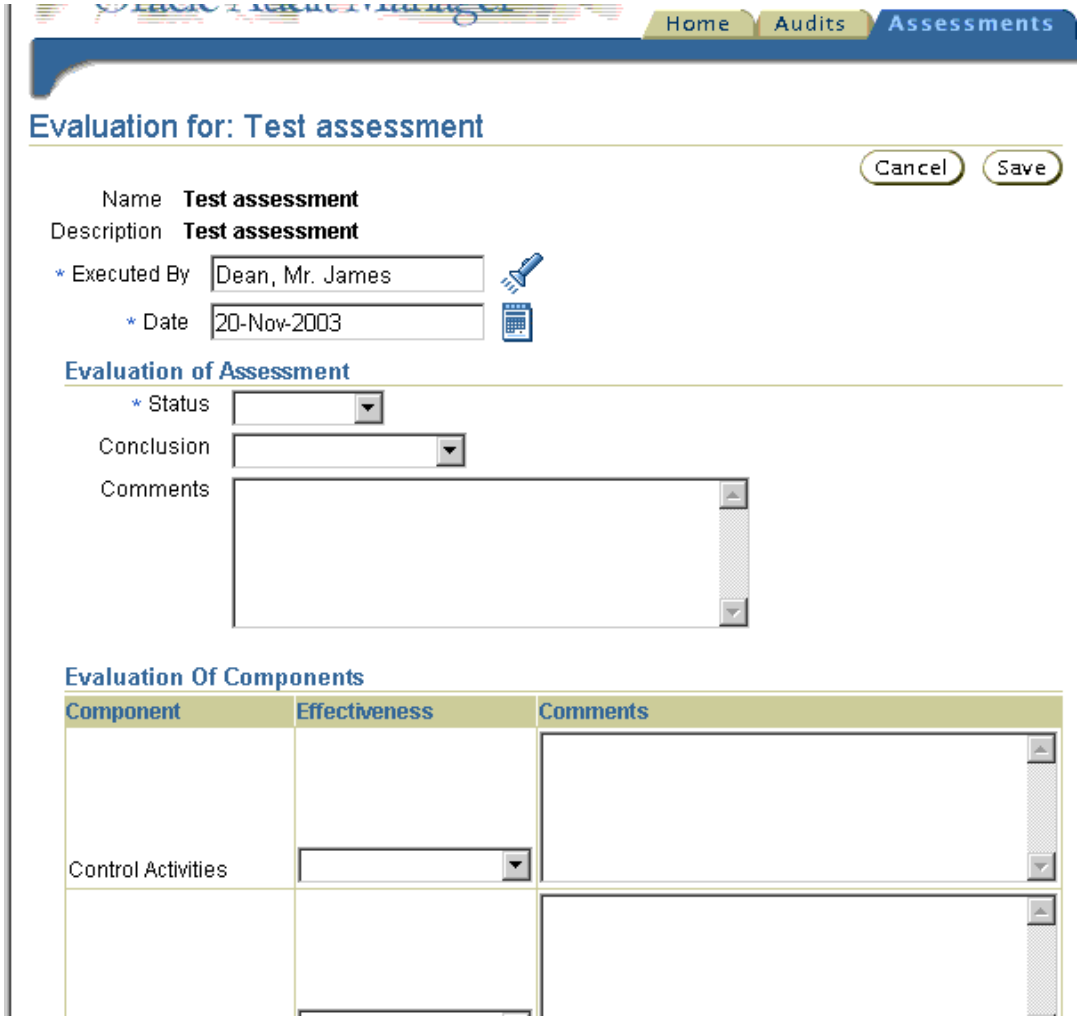
The Evaluations page has two sections as follows:

a. Overall Opinion of the Assessment

Click the Update Opinions button to enter your Opinion of the Assessment and Components as well as your Comments. Note that only the Assessment owner (specified when the Assessment is created) can update the Overall Opinion section.

b. Evaluations

Click the Evaluate button to enter your Evaluation of the Assessment as well as the Components with respect to which the Assessment was made. You can also enter your comments.



The Lookup Type used for both the overall effectiveness of the Assessment as well as for the evaluation of components is AMW_EVALUATION_CONCLUSION. It has an accessibility level of User.

Restrictions

The amount of subsequent procedural work performed in an audit (testing of controls as well as other tests like tests of details of balances) depends to a large extent on an auditor's assessment of the organization's internal control structure and compliance with established controls and regulations.

If the up front assessment shows that the organization's internal control structure and overall compliance are highly effective, then auditors will tend to rely on this assessment and minimize the amount of audit field work.

The opinion and evaluation of the Assessment is therefore critical and sensitive data. In order to provide an appropriate level of security in the entering and update of Assessment Evaluations, Oracle Internal Controls Manager distinguishes between the following personnel:

- A User entering the assessment results (Entered By)
- An Evaluator who actually performs the assessment (Executed By)

The following restrictions apply to these two roles:

1. For any given Assessment, there can be no more than one evaluation per Evaluator.
2. A User with access to Assessment Evaluations can create multiple evaluations. As noted in point 1 above, each evaluation must have a different Evaluator.
3. Only the owner of an Assessment (specified when the Assessment is created) can enter and update the "overall opinion" section of the Assessment.
4. An existing evaluation can only be updated by the User who created (Entered) it and the Evaluator. To be updated, the Status of the evaluation must be "In Process."
5. An evaluation can only by created (the "Evaluate" button is enabled) when the Assessment Status is "Completed" or "In Process". You cannot enter an evaluation if the Assessment status is "Not Started" or "Archived."

Note: Once the assessment of the organization's internal control structure and compliance with established controls is complete, you can then begin audit procedures to test controls and details of balances as well as perform other substantive tests.

5

Audit Procedures in Internal Controls Manager

Auditors need to acquire an understanding of the internal control structure to assess control risk. This assessment is made in relation to control assertions and objectives in the organization's control environment.

> **Note:** For more information, refer to Control Assertions and Objectives on page 3-11.

Whether control policies, systems, and measures are believed to be effectively designed or not, auditors will assess the risk to be at a level that reflects their evaluation of an organization's internal controls. In all cases, once a control risk assessment is made, audit procedures must be designed to test the controls.

Audit procedures provide detailed steps to be performed during audit fieldwork. They are designed to achieve specific audit objectives by validating the effectiveness of controls, in terms of their design as well as their operation. Audit procedures in Oracle Internal Controls Manager can therefore be identified as verifying design effectiveness, operating effectiveness, or both.

Audit procedures to test the effectiveness of controls involve activities like the following:

- ❏ Inquiries of client personnel
- ❏ Examination of documents and records
- ❏ Accounting for the integrity of transactions. For example, this can take the form of checking the numerical sequence of invoices.
- ❏ Observation of the application of policies and procedures

In Oracle Internal Controls Manager, you can associate audit procedures with the controls that the procedures are supposed to verify. You can also verify the details of all the past results for each audit procedure.

Benefits of Setting up Audit Activities in Projects

By creating your audit activities as formal tasks in audit projects set up in Oracle Projects, you can reap benefits that include:

- ❏ Formalizing audit procedures as standards across organizations. Organizations can make the best use of their collective knowledge and create audit procedures that take into account best practices throughout the enterprise.
- ❏ Access to accurate information on audit procedures, quickly and cheaply.
- ❏ Eliminating duplication of effort. Information regarding audit work is entered into the system just once and becomes instantly available to everyone across the enterprise. In addition, multiple audit procedures can be kept in sync throughout the organization to deliver successfully with the least effort.
- ❏ Access to a collaborative system that enables teams working on audit procedures in different parts of the world to share information on a real-time basis.

Oracle Project Applications – a component of Oracle's E-Business Suite – provides these benefits by enabling you to streamline your business projects. As a result, you can run your audit procedures in a more efficient and effective way.

Submit Audit Findings

Oracle Projects integrates tightly with Oracle Workflow. By making the project status of an audit project synonymous with the audit opinion, Oracle Workflow can be used to submit audit findings and notify people. Also, if a project status or task is changed, a workflow can be initiated and reviewers and approvers of the project will be notified by e-mail.

Within Oracle Applications you can create a hierarchy of projects and subprojects. You can therefore create a project through which the summary of all subprojects will be communicated. Again using the tight integration between Oracle Projects and Workflow you can use the project status and project roles as a way of notifying all interested parties of the audit findings.

Setting up Audit Procedures in Oracle Internal Controls Manager

Audit procedures provide detailed steps to be performed during audit fieldwork. There are three steps that must be performed to set up audit procedures in Oracle Internal Controls Manager:

1. Create audit procedures in Oracle Internal Controls Manager.
2. Associate audit procedures with controls.
3. Enter results for an audit procedure in Oracle Internal Controls Manager.

> **Note:** Instead of creating audit procedures manually and then associating them with process controls, Oracle Internal Controls Manager provides a powerful import mechanism for audit procedure objects.
>
> Using this import functionality you can import audit procedures and associate them with controls in a single step. For more information, refer to the section Importing Audit Procedures into Oracle Internal Controls Manager on page 5-9.

1. Create Audit Procedures in Oracle Internal Controls Manager

Note: Audit procedure details are not maintained in Oracle Internal Controls Manager. As stated earlier, they can be stored in Oracle Projects or any other system.

Navigation Path

Topic	Navigation Path	Oracle Internal Controls Manager Window
Create Audit Procedures	Click the Risk Library tab Click the Audit Procedures sub tab Click the Create icon	Audit Procedures

You can view all audit procedures in the main Audit Procedures window by navigating to the Risk Library > Audit Procedures sub-tab. In the Create Audit Procedure window you can choose to End Date the procedure.

If you save the procedure for later editing, the procedure is created with a status of "Draft." When the procedure is finalized, click on Update in the main Audit Procedures page and then submit the procedure for approval. If you need to update an approved procedure, drill into the procedure details and then select Revise.

Note that risk library objects can only be utilized in Oracle Internal Controls Manager after they are approved. Audit procedure can are approved/reapproved based on your setup of workflow rules and the approval hierarchy in the Oracle Approvals Management application. When the approval is complete, the procedure approval status changes to Approved.

Note: The use of Oracle Approvals Management for approving risk library objects is optional. For more details, refer to Manage the Process Risk Library on page 6-2.

Audit Procedure Steps: When seeding audit procedures in Oracle Internal Controls Manager, you can also create its steps by entering the details of tasks that make up the procedure.

Topic	Navigation Path	Oracle Internal Controls Manager Window
Create Audit Procedure Steps	Using a superuser or equivalent responsibility, click the Risk Library tab and then the Audit Procedures tab. Drill into an existing audit procedure and then click the Steps hyperlink Click the Add button to create audit procedure steps	

Enter a sequence number for a chronological listing of the step. You can optionally enter a sample size for the data to be worked on in a particular step.

2. Associate Audit Procedures with Controls

Navigation Path

Topic	Navigation Path	Oracle Internal Controls Manager Window
Associate Audit Procedures with Controls	Click the Risk Library tab Click the Audit Procedures sub-tab Select an approved Audit Procedure to link to a Control	Audit Procedure Details

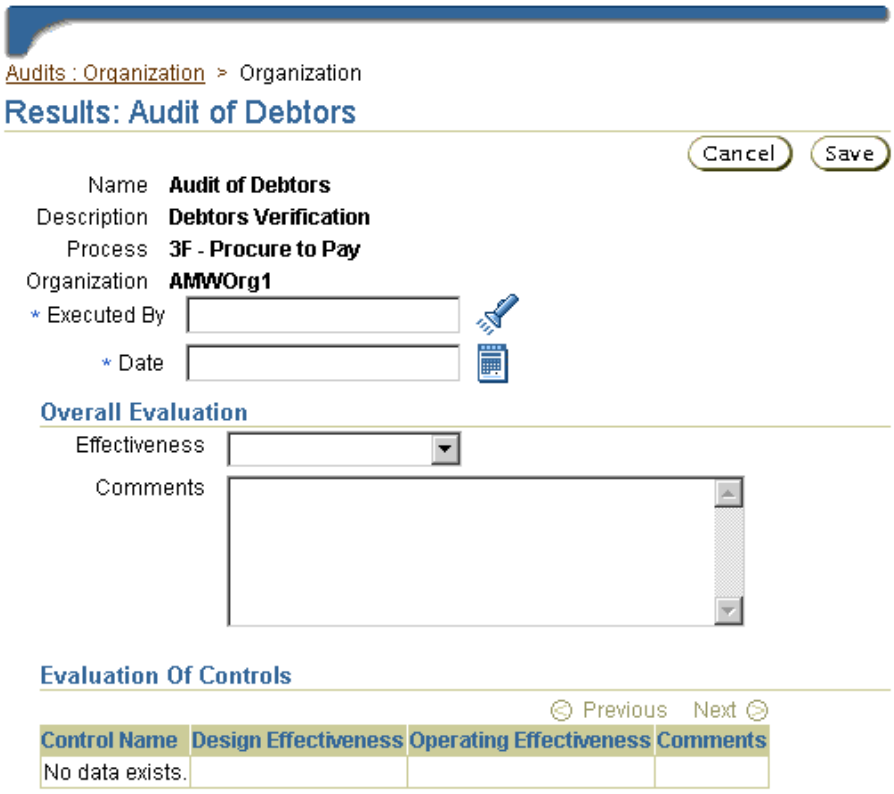
Audit procedures are written to verify the effectiveness of the organization's internal controls. Once audit procedures are created, the next step is to associate them with controls that you have set up in the system.

From the Audit Procedure Details page, click Controls to show all controls that this procedure is related with. If there are no associated controls, click on Associate and search for the control to link with the audit procedure.

When you associate a control with an audit procedure in Oracle Internal Controls Manager, you can identify if it is intended to verify design effectiveness, operating effectiveness or both.

See Also: For more information on control fields like Control Type, Automation Type, and Control Location, see Control Attributes on page 3-7.

3. Enter Results for an Audit Procedure in Internal Controls Manager



Topic	Navigation Path	Internal Controls Manager Window
Enter results and opinions for an audit procedure in Oracle Internal Controls Manager	Click on the Audits tab Select the organization in which you are conducting the audit procedures Select the process for which controls have been tested to mitigate process risk Click on the Audit Procedures hyperlink and then drill into the Audit Procedure Details to view the controls that the audit procedure is verifying Finally, select Enter Results to enter results for the controls that have been tested	Audit Procedure Results

It is important to note that a business process that is executed in a particular environment will incur a unique risk. The same process running in a different environment can result in a different level of risk. Audit results and opinions are therefore entered for controls mitigating process risk within specific organizations.

Organizations Search window

When you enter results for an audit procedure conducted to test controls for a process in an organization, you can look for the organization in which those processes were conducted by:

- Organization Name
- Organization Location
- Subsidiary. Subsidiaries in Oracle Internal Controls Manager map to "companies." The list of values for this field shows the values of the Accounting Flexfield Company segment. Once you select a subsidiary in the Search window, the resulting page shows the organizations linked to this subsidiary.
- Line of business. The list of values for this field shows the values from the Line of Business value set that have been associated with existing Auditable Units. Once you select a Line of Business in the Search window, the resulting page shows all organizations linked to this Line of Business.

Results Attributes

The following table describes selected fields in the Results page.

Field	Description	Seeded Values	Lookup Type	Accessibility Level
Effectiveness	Overall audit effectiveness	Fail Pass Somewhat Effective	AMW_PASS_FAIL	User
Design Effectiveness	Pertaining to the specific internal control	Fail Pass Somewhat Effective	AMW_PASS_FAIL	User
Operating Effectiveness	Pertaining to the specific internal control	Fail Pass Somewhat Effective	AMW_PASS_FAIL	User

Importing Audit Procedures into Oracle Internal Controls Manager

As with processes and other risk library objects, companies build up libraries of audit procedures that apply to their organizations based on the nature of their businesses. With the import functionality in Oracle Internal Controls Manager, audit professionals can import audit procedures from a file thereby leveraging the presence of existing repositories.

Oracle Internal Controls Manager uses Oracle Web ADI for the import of audit procedures and procedure-control associations. Use the Setup tab in Oracle Internal Controls Manager to import audit procedures.

Topic	Navigation Path	Oracle Internal Controls Manager Window
Import Audit Procedures	Using a super user (or equivalent) responsibility, click the Setup tab and then the Import subtab	Import Details

To Import Audit Procedures

Use the "Import Audit Procedures" hyperlink to import procedures and associate them with controls in the application.

Prerequisite: You cannot create control objects during this import. All controls must be created before you can link them with audit procedures in the spreadsheet.

Note that it is not mandatory to associate controls with audit procedures during the import.

During the import audit procedures are created if they do not exist and updated if they are already in the system. Attributes of the audit procedures are the major part of the spreadsheet and objects are updated with these attributes. Validation of the import data is done within the spreadsheet itself through lists of values for all lookup based columns.

The following table lists the fields in the import spreadsheet:

Field Name	Mandatory	Validation
Audit Procedure Name	Yes	None
Description	No	None
Approval Status	No	Draft, Approved
End Date	No	(MM-DD-YYYY)
Revise	No	(Y/N)
Control Name	No	Valid names for controls already stored in the application
Step Number	Yes	None
Step Name	Yes	None
Step Description	No	None
Sample Size	No	None

Web ADI uploads the data from the spreadsheet into an interface table. A concurrent program then uploads the data from the interface table to the base tables. Any errors that occur during the import process are flagged as errors with appropriate error messages.

6

Risk Library Change Control

Regulations in many countries impose a burden on management for establishing and maintaining an adequate internal control structure in an enterprise. Annual reports must often contain an assessment of the effectiveness of the internal control structure and procedures for financial reporting. In addition, external auditors are often required to express an opinion on management's assertion of the adequacy of internal controls.

There are two important tasks that must be undertaken to establish the adequacy of an enterprise's internal control structure:

1. Identify and certify the business processes of the enterprise.
2. Manage the process risk library. These are the risks, controls, and audit procedures related to the firm's business processes.

> **Note:** For detailed information on defining business processes in Oracle Internal Controls Manager, refer to Setting up Processes in Oracle Internal Controls Manager on page 2-2. It is assumed that your processes are approved before they are imported into Oracle Internal Controls Manager.

Manage the Process Risk Library

An important benefit of Oracle Internal Controls Manager is its ability to leverage the presence of libraries of reusable risk library objects that can be associated with the business process within an organization. However a key success factor in the use of these libraries is the accuracy of their data.

To maintain the integrity of information within the risk library, creation or modification of library items in Oracle Internal Controls Manager is controlled by an approval process. Therefore, when any library object is created or modified, the object or change is not visible in the rest of the application until it is approved. All requests for the creation or modification of risk library objects are submitted for approval to approvers defined in Oracle Approvals Management.

> **Note:** The use of Oracle Approvals Management is optional. If you choose not to use this application, the profile option AMW: Disable Workflow Approval must be set to "Yes." In this case, the risk library objects are automatically approved.

The Oracle Approvals Management application provides the following features:

- The ability to route approvals based on a hierarchy. Hierarchies are defined using Approval Rules set up in Oracle Approvals Manager. You can define a different approval hierarchy for different types of items in the risk library.

  Each type of item which goes through an approval process is defined as a "Transaction Type" in the Approval Manager. Transaction types are defined for risks, controls, and audit procedures.

- The ability to review and monitor the approval process (for example, through notifications or workflow process diagrams using the Workflow Monitor).

Oracle Approvals Management provides a generic workflow approval system as a default. If no specific approval rules are defined for an object, then a "Default Approver" will be notified.

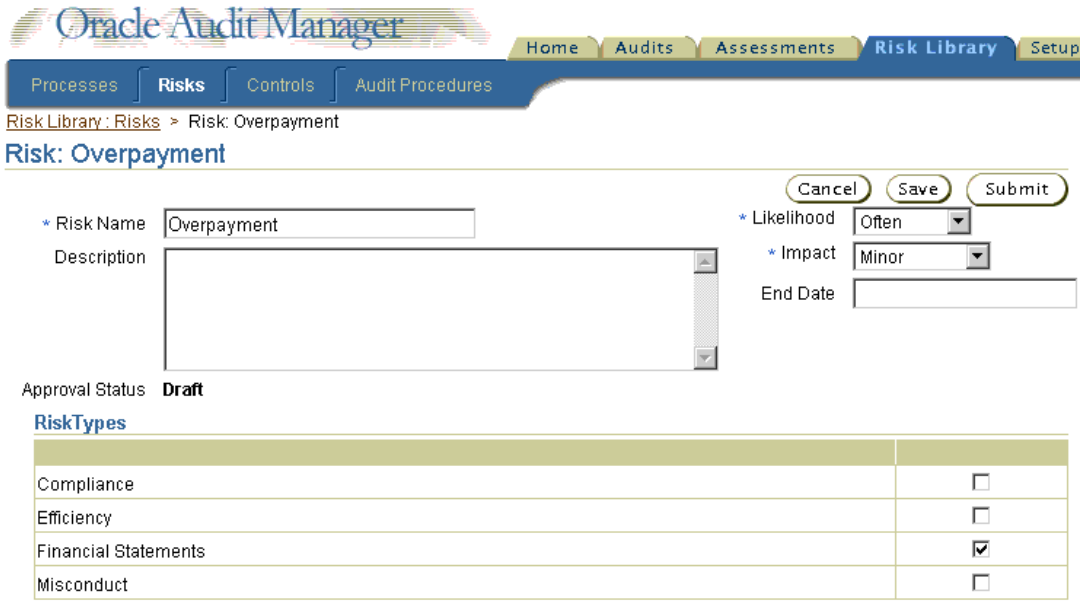
Note: For more information on setting up approval rules, refer to the *Oracle Approvals Management Implementation Guide.*

To use Oracle Approvals Management, you must set the following:

- The profile option AMW: Disable Workflow Approval must be set to "No."
- A Workflow Background Process having the Item Type AMW: Generic Approvals must be active.

Certifying New Objects in the Risk Library

When any of these risk library objects are created, the item's Approval Status is set to "Draft." For an object to become available and be used to create Process-Risk-Control-Audit Procedure relationships, it must be approved. Drill down into the object's details page and click Submit to initiate a workflow process and notify approvers based on rules defined in the Oracle Approvals Management module.



When all approvals are complete, the Approval Status changes to "Approved." In case the record is rejected, the status changes to "Rejected." Note that you can save a record in "Draft" Approval Status and update it at any time prior to submission.

The following table lists the details of Approval Statuses for risk library objects in Oracle Internal Controls Manager:

Library Object	Seeded Values	Lookup Type	Accessibility Level
Risks	Approved Draft Pending Approval Rejected	AMW_RISK_APPROVAL_ STATUS	System
Controls	Approved Draft Pending Approval Rejected	AMW_CONTROL_APPROVAL_ STATUS	System
Audit Procedures	Approved Draft Pending Approval Rejected	AMW_PRCDR_APPRV_ STATUS	System

Note: For information on creating new risk library objects, refer to the following sections:

- Setting up Risks in Oracle Internal Controls Manager on page 3-2.
- Setting up Controls in Oracle Internal Controls Manager on page 3-6.
- Setting up Audit Procedures in Oracle Internal Controls Manager on page 5-3.

Revising Objects in the Risk Library

After a library item is approved, you cannot modify the current approved version of that item. Instead Oracle Internal Controls Manager allows you to create a new version and submit it for approval. Note that this submission triggers another workflow approval process.

Create a new revision of a Risk, Control, or Audit Procedure by navigating to the details section of the object from the home page or search results page and clicking Revise. This revision is then submitted for approval. Once the new version of the item is approved, the newly created object becomes the latest approved copy and the old "Approved" object is available under the "History" section in the item's detail page.

If a revision already exists and is awaiting "Approval," then you can modify the details of that revision as long as the changes are not submitted for approval. Any changes will be saved under the current revision. A new revisions will also be generated if the old record had a "Rejected" status.

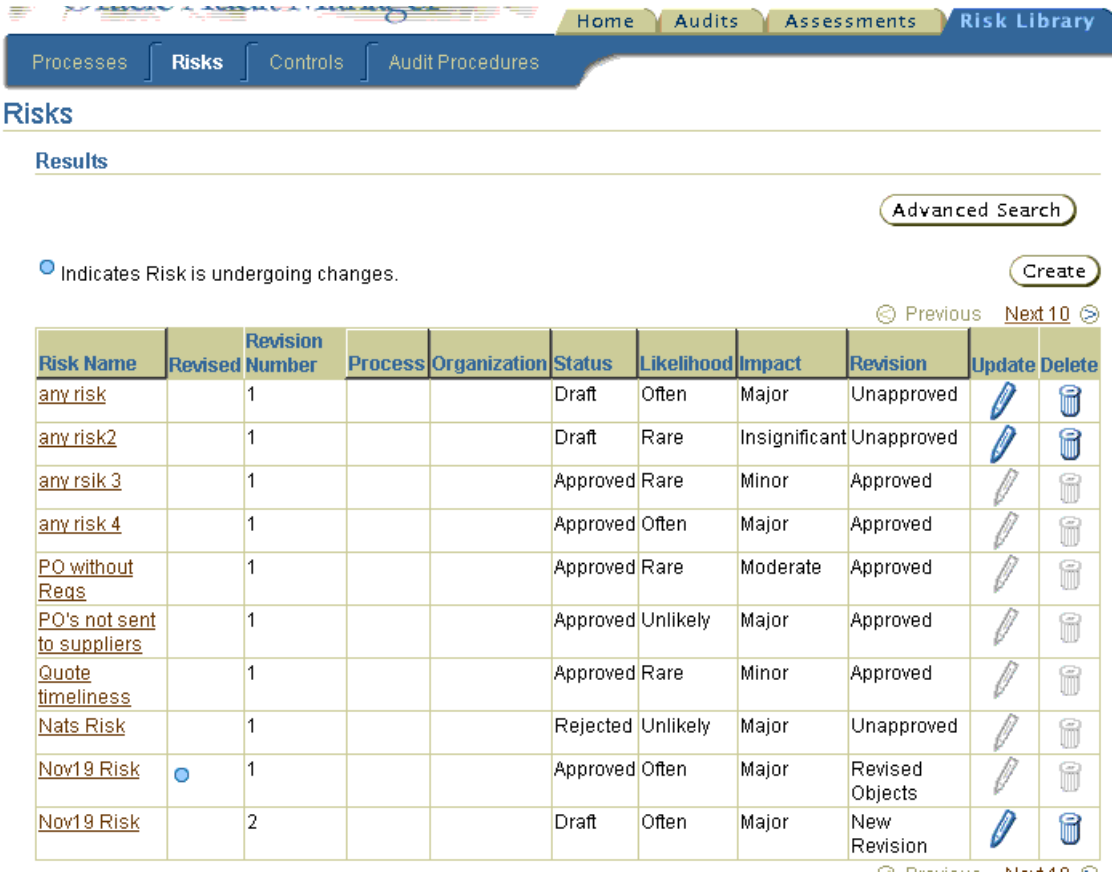
The following table lists the details of Revision statuses for risk library objects in Oracle Internal Controls Manager:

Library Object	Seeded Values	Lookup Type	Accessibility Level
Risks, Controls, Audit Procedures	Inactive Revised Objects Unapproved New Revision Approved	AMW_REVISION_VIEW_CHOICE	System

Approval and Revision Status Values

The (Approval) Status and Revision states of a risk library object provide important information regarding its authority and certification. For a risk library object to be used in Oracle Internal Controls Manager, it must be "Approved."

Without a certification facility, library objects that were unapproved could be used in audits leading to inaccurate opinions.



Risk Name	Revised	Revision Number	Process	Organization	Status	Likelihood	Impact	Revision	Update	Delete
any risk		1			Draft	Often	Major	Unapproved		
any risk2		1			Draft	Rare	Insignificant	Unapproved		
any rsik 3		1			Approved	Rare	Minor	Approved		
any risk 4		1			Approved	Often	Major	Approved		
PO without Reqs		1			Approved	Rare	Moderate	Approved		
PO's not sent to suppliers		1			Approved	Unlikely	Major	Approved		
Quote timeliness		1			Approved	Rare	Minor	Approved		
Nats Risk		1			Rejected	Unlikely	Major	Unapproved		
Nov19 Risk		1			Approved	Often	Major	Revised Objects		
Nov19 Risk		2			Draft	Often	Major	New Revision		

Initial Creation of a Risk Library Object

When you create an object, its Approval Status is "Draft" and the Revision Status is "Unapproved." When you submit the object for approval, the Approval Status becomes "Pending Approval" (Revision Status remains "Unapproved") and then "Approved" or "Rejected." The Revision Status changes to "Approved" only upon approval of the object.

Revision of a Risk Library Object

If you choose to Revise an Approved object, a new version is created with an Approval Status of "Draft" and a Revision Status of "New Revision." The Revision Status of the existing approved object becomes "Revised Object."

This revised version object can then be submitted for approval. Once approved both Approval Status and Revision status become "Approved." The Revision Status of the old Approved object becomes Inactive.

The following tables summarize the Approval and Revision Statuses of risk library objects.

Initial Creation of a Risk Library Object

Action/State of the Risk Library Object	Approval Status	Revision Status
Create a Risk Library object	Draft	Unapproved
Submit for approval	Pending Approval	Unapproved
On approval of the object	Approved	Approved
On rejection of the object	Rejected	Unapproved

Revision of a Risk Library Object

Action/State of the Risk Library Object	Revision	Approval Status	Revision Status
Revise an approved object	Original Version	Approved	Revised Object
Revise an approved object	New Version	Draft	New Revision
Submit for approval	Original Version	Approved	Revised Object
Submit for approval	New Version	Pending Approval	New Revision
On approval of the revised object	Original Version	Approved	Inactive

Action/State of the Risk Library Object	Revision	Approval Status	Revision Status
On approval of the revised object	New Version	Approved	Approved
On rejection of the revised object	Original Version	Approved	Inactive
On rejection of the revised object	New Version	Rejected	New Revision

Change History

Once the new version of the risk library object is approved, a copy of the old "Approved" object is stored and maintained for a historical record.

Every change that an item in the library has gone through is maintained as a part of the Risk, Control, or Audit Procedure history. You can view the history section from the details page of any risk library object in the Oracle Internal Controls Manager application.

7

Audit Projects

Both internal and external auditors conduct risk-based audits to test the effectiveness of the mitigating controls over business processes. The results of the audit form a basis upon which auditors can attest that internal controls are functioning as intended. These risk-based audits are usually managed as projects.

The audit project represents a compilation of audit assignments for the business entity and becomes the central repository of information on the audit. It can also contain information on the audit's time frame, staffing, etc. to help you manage your resources and budgets as well as the information on your audit results.

This chapter contains detailed information on setting up and executing your audit projects.

Integration with Oracle Projects

By creating your audit project as a project in Oracle Projects, you leverage the many features of the Oracle Projects suite of applications. Oracle Project Applications – a component of Oracle's E-Business Suite – provides these benefits by enabling you to streamline your business projects. As a result, you can run your audit projects in a more efficient and effective way.

The following project modules can be used with Oracle Internal Controls Manager in executing an audit project:

Oracle Project Management Oracle Project Management provides audit managers the ability to manage audit projects through the project life-cycle from planning, through execution, to completion. As it is a fully integrated module within the Oracle Projects family, audit managers can look to a single source of enterprise project information for all their needs.

The application provides features like audit workplan, resource assignments, financial forecasts, document management, project accounting, communications to stakeholders, and collaborative execution of project work internal and external to the organization.

Oracle Project Resource Management Once the audit project is created, it must be sourced. Before assigning work, managers need to review the audit department's workload and capacity. Oracle Project Resource Management can by used by audit managers to locate and deploy qualified resources to staff their projects across the enterprise.

The application enables you to get a snapshot of resources and their availability – available resources, over-committed resources, etc. -- through a portal. Workflow technology notifies the audit manager of events requiring action, such as candidate nominations and assignment approvals.

Oracle Project Costing Oracle Project Costing provides a complete and integrated cost management solution for all your audit projects. You can effectively manage these projects even if they cross currency and organizational boundaries. Oracle Project Costing provides internal audit managers with access to timely, detailed cost information to monitor audit procedures while financial managers can track the total cost of running the projects.

In the Project Costing module, audit projects can be broken up into underlying tasks (a work breakdown structure). You can then create a budget, based on an estimate of the resources required to complete the tasks. As employees work on the tasks in an audit project, they create expenditures to reflect the project costs they incur. As

costs are incurred, you can compare them with your budget to track the audit project's progress.

Oracle Project Costing acts as a central repository of project transactions, processes project costs and creates corresponding accounting entries for your Corporate Finance Department, based upon accounting rules.

Oracle Project Intelligence Oracle Project Intelligence can serve as a comprehensive analysis and reporting solution for all audits that are set up as projects. Oracle Project Intelligence provides essential project-based operational and financial metrics directly to audit managers and other stakeholders.

Through role-based portals, audit managers have access to information regarding the state of their projects relative to various performance measures. This real-time view allows the stakeholders of the audit project to stay informed, develop insight, and take action.

Audit projects can be monitored for progress against milestones using Oracle's Project Intelligence projects. Large portfolios of projects can be monitored for degree of completion by phase or towards a particular milestone.

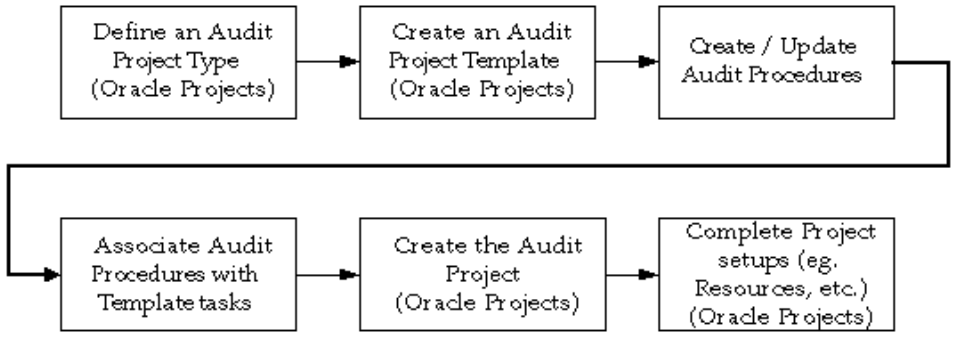
Note: While executing an audit project, you can attach documents to transactions if required. Applications within the E-Business suite support attaching documents to transactions for audit or any other purpose. You can choose to store the document in a document management system like Oracle Files.

Perform the followings tasks to create and implement your audit projects:

- ❑ Set up the audit project
- ❑ Scope the audit project
- ❑ Execute the audit project

Setting up an Audit Project

The following diagram shows a high level view of the steps that must be undertaken to set up an audit project.



Note: Several of these setup steps are performed in Oracle Projects. Refer to the appropriate Oracle Projects documentation for more details.

1. Your first task is to create an "Audit" Project Type in Oracle Projects. This project type must then be seeded in the AMW: Audit Project Type profile option in Oracle Internal Controls Manager.

See Also: For more information on seeding profile options in the Oracle e-Business Suite, refer to the *Oracle System Administration User's Guide*.

2. In Oracle Projects, create audit project templates using this Audit Project Type. Note that all projects in Oracle Projects are created from templates (or copied from other projects that in turn originated from templates). However, only projects created from templates using the Audit Project Type will appear in Oracle Internal Controls Manager.

   The audit of a process can have multiple audit project templates based on the audit approach undertaken. When a specific audit project needs to be undertaken, either as a scheduled activity or as the result of a trigger event (such as a large accounts receivable write off), the project can be created from the appropriate template for the process or business flow being audited. As an example, if the process being audited is order to cash, the order to cash audit project template can be used to create the audit project. In addition, different industries and time periods will require the use of different project templates.

   Project templates also contain other standard deliverables needed for the project. For example, the template will typically have standard auditing tasks for auditing a process as a part of the work breakdown structure of the project. Most audit tasks used to evaluate the risks and controls of the business process will originate in the project template.

3. Create/revise your audit procedures as part of the set up of the risk controls library in Oracle Internal Controls Manager.

See Also: For more information on creating audit procedures and audit procedure steps, refer to Setting up Audit Procedures in Oracle Internal Controls Manager on page 5-3.

4. Link audit procedures in the risk controls library with the tasks in an audit project template. Once associated, the audit procedures will be displayed with related tasks in all projects created from the audit project template.

   There are two methods to link audit procedures with project template tasks.

   METHOD 1

   The following steps detail creating an enduring link between the template task and the audit procedure. Once realized, all projects created from this template will have tasks that are linked to audit procedures.

   To create this link, drilldown to the audit procedure details in the risk library and associate the audit procedure with an audit project task.

Topic	Navigation Path	Oracle Internal Controls Manager Window
Associate audit procedures with project tasks	Using the Internal Auditor (or equivalent) responsibility, click the Risk Library tab and then the Audit Procedures tab Search for the relevant audit procedure and drilldown into the audit procedure details Click the Audit Project Tasks hyperlink and then the Add button	Audit Procedure Details

In the following Associate Project Task Template window select a Project Task Template. Once you select a project template, project tasks from that template will be available to associate with the audit procedure. Select a task to link with the audit procedure.

As a result of this association, all audit projects created from this project template will automatically have project tasks linked to the relevant audit procedures in the Internal Controls Manager module.

METHOD 2

Using this method, you can create a link between the template task and the audit procedure for a particular project. The association is not set at the template level and consequently not valid for any other project.

Topic	Navigation Path	Oracle Internal Controls Manager Window
Audit Tasks Details	Using the Internal Auditor (or equivalent) responsibility, click the Audits tab and then the Projects subtab Click the Audit Details icon for the appropriate project and then the Audit Tasks hyperlink	Project Details window

Click the Add Audit Procedure icon to link an audit procedure to the appropriate template task in this particular project.

In the following window, you may choose to create the association between the audit procedure and the template task as a permanent one. To do this click the "Add this Audit Procedure to the corresponding Task in the Project Template" checkbox. The association is then set at the template level and going forward, all projects created from this template will automatically possess a link between this audit procedure and the relevant project template task.

Note the following with respect to the association of audit procedures with audit project template tasks:

- An audit procedure can be associated with and executed from multiple tasks
- Audit procedures can be attached to a task at any level of the work breakdown structure. In most cases, this association will take place at the lowest level in the task hierarchy i.e. the work breakdown structure's leaf

nodes.

5. Create the audit project from the appropriate audit project template. In lieu of creating the project from a template, you may copy it from an existing audit project (one that has an Audit Project Type).

   It is important to note that when the audit project is created, project tasks in Oracle Internal Controls Manager (also called Audit Tasks) will initially not display the associated audit procedures. The actual association of the audit procedures to the tasks will take place when the "Build Audit Tasks" function is executed.

   See Also: For more details, refer to the Build Audit Tasks function on page 7-11.

6. Finally, complete your project set up. This will include, but not limited to, establishing the following parameters in the project:

   - Resources and key members
   - Costing information and distribution rules
   - Organizations
   - Project status

     Though the project status is not relevant to Oracle Internal Controls Manager, critical functionality within Oracle Projects modules is dependent on the status of a project.

     See Also: For more information, refer to the appropriate Oracle Projects documentation.

Scoping the Audit Project

After creating the audit project, your next task is to define its scope. In Oracle Internal Controls Manager, the scope determines which entities and processes are included in the project and therefore provides boundaries to the execution of the audit. Once the scope is determined, an auditor can finalize the audit procedures that comprise the audit project.

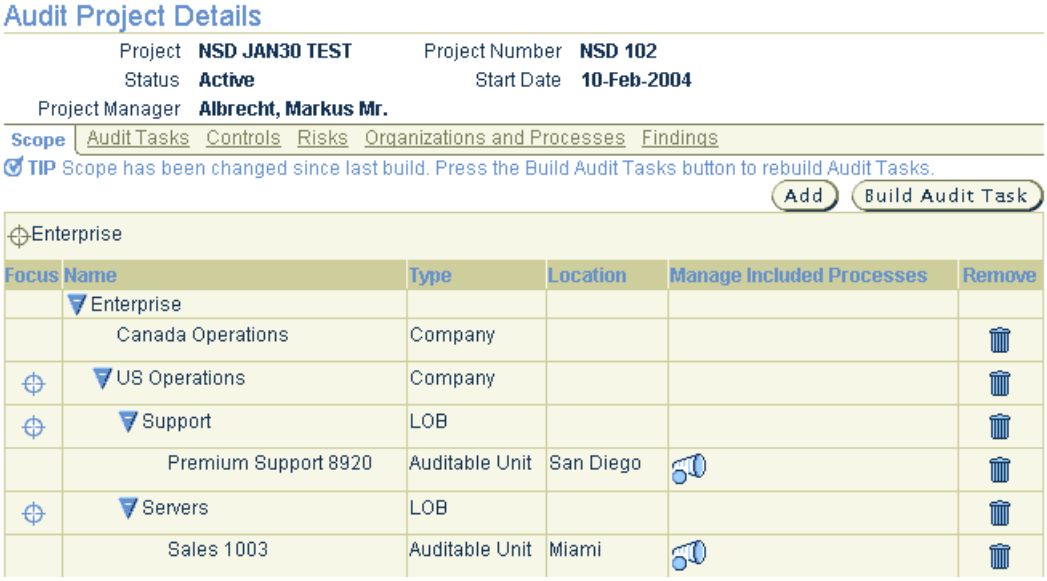
Perform the following tasks to define the scope of the audit project in Oracle Internal Controls Manager:

- ❏ Select the companies within scope
- ❏ Select lines of businesses within these companies
- ❏ Select processes from auditable units belonging to the selected companies and lines of businesses

> **Note:** Companies and lines of businesses are linked to auditable units in the HR organizations window. For more information, refer to Organizations in Oracle Internal Controls Manager on page 2-5.

To define the scope of an audit project in Oracle ICM

Topic	Navigation Path	Oracle Internal Controls Manager Window
Audit Project Scope	Using the Internal Auditor (or equivalent) responsibility, click the Audits tab and then the Projects sub tab Click the Audit Details icon of the project whose scope is being created Click the Add button to activate the scope wizard	Audits Project Details window



Use the wizard to define the audit project scope as follows:

1. Select the companies you wish to add to the project scope.

2. Select the lines of businesses within the companies chosen in the previous step.

   All lines of businesses within the selected companies can be activated. When selecting lines of businesses, you may choose to include parents only or parent and children lines of businesses. Oracle Internal Controls Manager provides a checkbox to include auditable units within the companies selected that have no line of business assignments.

3. Include relevant processes

   Oracle Internal Controls Manager uses the combination of company and line of business to provide a subset of auditable units from which processes can be selected. All first level parent processes belonging to auditable units within the selected combination of subsidiaries and lines of businesses will be displayed.

Note: You may later choose to exclude particular child processes under a parent process. To do this, click the Manage Included Processes icon associated with a particular auditable unit in the scope details window.

4. Once you have selected the parent processes to be included, click the submit button in the wizard to create the audit project scope.

The scope details window now displays the entities (companies, lines of businesses, and auditable units) and processes in the audit project scope. Auditable units (and processes) within the companies selected but not associated with a line of business are displayed under the dummy node "Auditable Units with No Line of Business Assignments."

Build Audit Tasks function

Clicking the Build Audit Tasks button in the scope details window accomplishes the following:

- Brings in all controls, risks, and audit procedures associated with the processes in the audit project scope. These associations originate in the risk control library in Oracle Internal Controls Manager.
- Creates the actual links between audit project tasks and audit procedures. Note that the definition of this link is made while setting up the audit project. Though audit procedures have been associated with tasks in the audit project template, a project created from such a template will not display the associated audit procedures until you execute this function.

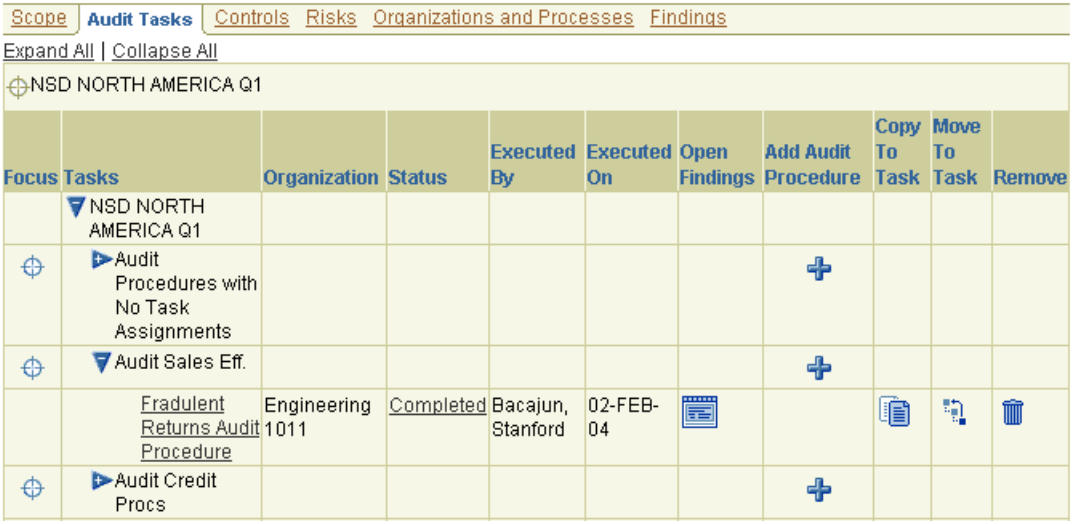
Hence even with a template definition for the audit project, you still need a scoping exercise to determine the overall content of the audit project.

Audit Task Details

Topic	Navigation Path	Oracle Internal Controls Manager Window
Audit Tasks Details	Using the Internal Auditor (or equivalent) responsibility, click the Audits tab and then the Projects sub tab Click the Audit Details icon of the appropriate project and then the Audit Tasks hyperlink	Project Details window

Most audit procedures in the audit project scope come from the project template. These are typically the ones you want to reuse and they appear linked to their associated tasks in the Audit Tasks Details window.

However, there may be audit procedures related to processes in entities that have been included in an expanded scope, but not yet associated with project tasks. These procedures appear under the dummy node "Audit Procedures with no Task Assignments."



You can perform the following operations in this window:

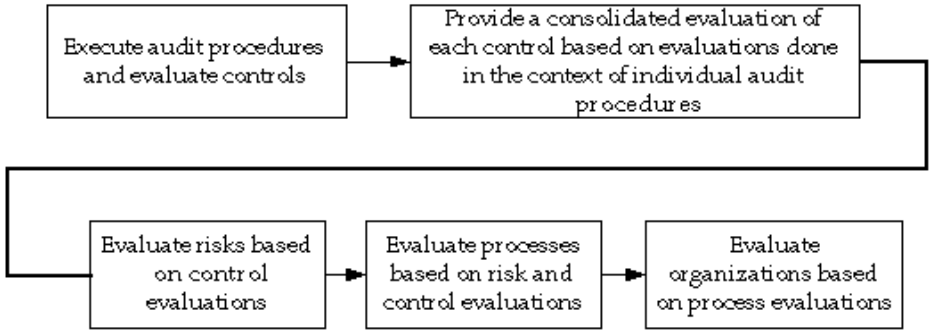
- Update the status of the audit procedure

> **See Also:** For more info, see the following section Executing the Audit Project on page 7-13.

- Add audit procedures to tasks
- Copy existing audit procedures to other tasks
- Move audit procedures between tasks

Note that if you delete a task, its associated audit procedures are transferred to the "Audit Procedures with no Task Assignments" node. Use the "Move to Task" icon to associate these procedures with alternate tasks.

Executing the Audit Project



Step 1: Execute audit procedures and record results

Navigation Path

Topic	Navigation Path	Oracle Internal Controls Manager Window
Record audit results	Using the Internal Auditor (or equivalent) responsibility, click the Audits tab and then the Projects subtab Dilldown into the appropriate project and click the Audit Tasks hyperlink Drilldown into a task and then click the Non Started icon.	Project Details window

Results are posted as follows:

- Click the Update Status icon associated with each step to enter/update a work description and status for that step in the audit procedure. You can also create Findings that are associated with individual steps.
- Audit procedures executed in the project test the effectiveness of particular controls. Select the Control Evaluations link and then the Update icon associated with a control to enter these control evaluations. The evaluation of the controls that the audit procedure is associated with is made regarding:
  - Design Effectiveness
  - Operating Effectiveness

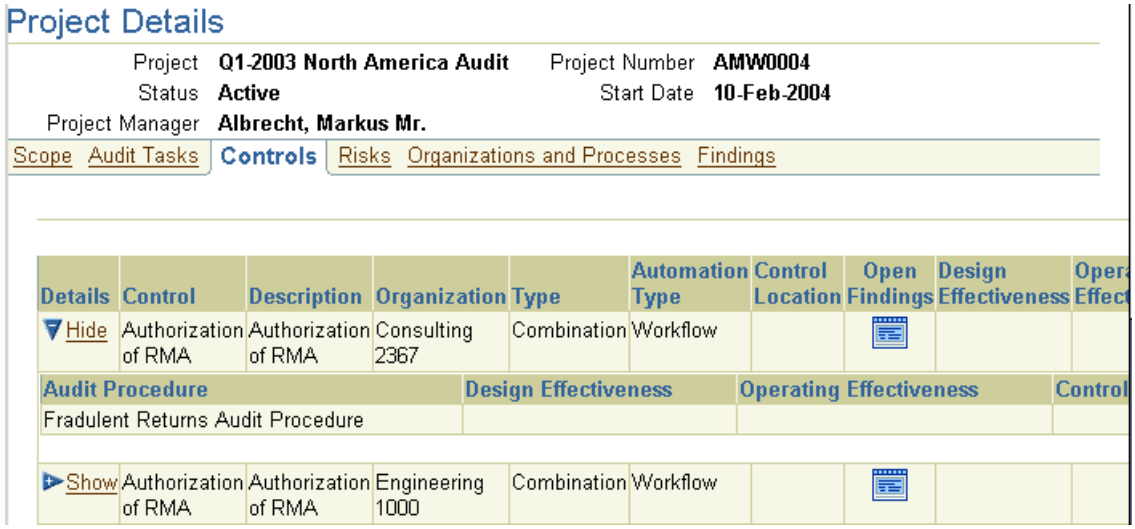
  Finally enter an overall conclusion for the particular control based on the audit procedure undertaken.

The following table provides further information on select fields in the Evaluate Control window.

Field	Seeded Values	Source	Accessibility Level
(Audit Opinion) Conclusion	Effective Deficient Significantly Deficient Materially Weak	Oracle Internal Controls Manager Opinions Framework for the Organization - Audit Procedure - Control objects: * Audit Opinion * Design Effectiveness * Operating Effectiveness	Refer to the section: Opinions Framework in Oracle Internal Controls Manager

Step 2: Provide a consolidated evaluation of the control

Topic	Navigation Path	Oracle Internal Controls Manager Window
Evaluate Controls	Using the Internal Auditor (or equivalent) responsibility, click the Audits tab and then the Projects subtab Dilldown into the appropriate project and select the Controls hyperlink	Project Details window



All controls associated with risks and processes in the audit project scope are listed in this window. There will typically be multiple audit procedures associated with a particular control. Clicking the Show Details icon displays the results of all the individual audit procedures associated with and undertaken to evaluate that control.

Click the Evaluate icon to record your consolidated evaluation of the control based on the individual audit procedures undertaken (as described in Step 1).

- In the following Evaluate Control window, click the Control Risks hyperlink to view all the risks associated with the control being evaluated. This view can assist in your final audit opinion of the control.
- Click the Control Evaluation hyperlink to enter a consolidated evaluation of the control. This evaluation is also made regarding:
  - Design Effectiveness
  - Operating Effectiveness

Oracle Internal Controls Manager requires you to enter an overall audit opinion with respect to the particular control based on the audit procedures undertaken. The following table provides further information on select fields in the Evaluate Control window.

Field	Seeded Values	Source	Accessibility Level
(Audit Opinion) Conclusion	Effective Deficient Significantly Deficient Materially Weak	Oracle Internal Controls Manager Opinions Framework for the Organization - Control objects: * Audit Opinion * Design Effectiveness * Operating Effectiveness	Refer to the section: Opinions Framework in Oracle Internal Controls Manager

Note: It is important to remember that this evaluation is a summary evaluation of the control and consolidates the individual control evaluations made while entering the results of audit procedures in Step 1.

For more information on evaluating controls, refer to Controls on page 3-5.

Step 3: Evaluate risks based on evaluations of the controls mitigating those risks

Topic	Navigation Path	Oracle Internal Controls Manager Window
Evaluate Risks	Using the Internal Auditor (or equivalent) responsibility, click the Audits tab and then the Projects subtab Dilldown into the appropriate project and select the Risks hyperlink	Project Details window

All risks associated with processes in the audit project scope are listed in this window. There can be multiple controls that this risk is mitigating. associated with a particular control. Clicking the Show Details icon displays the details of all the individual controls associated with and undertaken to mitigate the risk.

Click the Evaluate icon to record your evaluation of the risk based on your evaluations of the controls mitigating the risks (as described in Step 2).

- ❏ In the following Evaluate Risk window, click the Risk Processes hyperlink to view all the processes that are exposed to the risk being evaluated. This view can assist in your final audit opinion of the risk.
- ❏ Click the Risk Evaluation hyperlink to enter an overall audit opinion with respect to the particular risk. The following table provides further information on select fields in the Evaluate Risk window.

Field	Seeded Values	Source	Accessibility Level
(Audit Opinion) Conclusion	Mitigated Somewhat Mitigated Somewhat Exposed Fully Exposed	Oracle Internal Controls Manager Opinions Framework for the Organization - Process - Risk object	Refer to the section: Opinions Framework in Oracle Internal Controls Manager

Step 4: Evaluate processes based on risk and control evaluations

Topic	Navigation Path	Oracle Internal Controls Manager Window
Evaluate Processes	Using the Internal Auditor (or equivalent) responsibility, click the Audits tab and then the Projects subtab Dilldown into the appropriate project and select the Organizations and Processes hyperlink	Project Details window

All processes and entities (companies, lines of business, and auditable units) in the audit project scope are listed in this window. Click the Evaluate icon for the relevant process to record your evaluation of the process based on your evaluations of the following:

- ❏ The risks that the process is exposed to (as described in Step 3)
- ❏ The controls mitigating those process risks (as described in Step 2)

In the Evaluate Process window enter an overall audit opinion for the process. The following table provides further information on select fields in the Evaluate Processes window.

Field	Seeded Values	Source	Accessibility Level
(Audit Opinion) Conclusion	Effective Deficient Significantly Deficient Materially Weak	Oracle Internal Controls Manager Opinions Framework for the Organization - Process objects:	Refer to the section: Opinions Framework in Oracle Internal Controls Manager

Step 5: Evaluate organizations based on process evaluations

Finally, in the same Project Details window (as navigated to in Step 4 above), click the Evaluate icon for the appropriate Auditable Unit.

The evaluation of the organization is based on the evaluation of the processes being executed in that organization. In accordance with COSO standards, this evaluation is made with respect to the following dimensions:

- ❏ Control Environment
- ❏ Risk Assessment

- ❑ Control Activities
- ❑ Information and Communication
- ❑ Monitoring

Based on the above evaluation, you can enter an Overall Audit Opinion for the organization. The following table provides further information on select fields in the Evaluate Organizations window.

Field	Seeded Values	Source	Accessibility Level
(Audit Opinion) Conclusion	Effective Deficient Significantly Deficient Materially Weak	Oracle Internal Controls Manager Opinions Framework for the Organization objects: * Audit Opinion * Control Environment * Risk Assessment * Control Activities * Information and Communication * Monitoring	Refer to the section: Opinions Framework in Oracle Internal Controls Manager

Opinions Framework in Oracle Internal Controls Manager

The Opinions Framework allows you to create user defined values for evaluations and certifications that can be selected when entering an opinion in the application. However, a user defined value must correspond to an Oracle defined code that is available for the relevant object and opinion.

To view or change the details of your opinions or certification titles, follow the navigation path Setup > Opinions.

8

Segregation of Duty Constraints

In order to meet financial objectives, management must ensure that an internal control system is in place that supports the business processes of the organization. In addition, legislation like Sarbanes-Oxley laws in the US require external auditors to render an opinion on the reliability of a firm's internal controls system.

A fundamental principle of a sound internal control system is that there are no users who have access to a group of tasks that are incompatible with each other. At any given time therefore, an individual's job in an enterprise should encompass the rights and responsibilities that come from access to only one task from a set of incompatible tasks.

The segregation of duties control addresses the specific risk that a user may have access to a certain combination of tasks that provide the opportunity for misconduct. Consider the following examples:

- If a user can set up a supplier in an accounts payable system and also authorize an invoice for payment, a risk exists that they can pay themselves with company funds.
- To prevent unauthorized write offs, an individual responsible for inventory accuracy should not be certifying cycle count adjustments.
- Fraud can be perpetrated if systems development staff are involved with live operations.

Segregating duties does not eliminate the risk of collusion between members of staff in different areas, but it does serve as a deterrent. In addition, insulating work in an organization also functions as a safeguard against the possibility of unintentional damage through error. Incompatible tasks are therefore divided among different members of the organization to reduce the scope for error and fraud.

Using Oracle Internal Controls Manager, you now have the ability to identify any combination of tasks in an enterprise as incompatible and report on those occurrences where a single user has access to them.

Functions in Oracle Applications

Segregation of Duties in Oracle Internal Controls Manager is based on functions in the Oracle E-Business Suite. Functions are a security feature in Oracle Applications that are used to control access to application features. Each function typically corresponds to an application feature like a page, button, tab, or menu.

Functions translate into duties/tasks in the modules and are therefore equivalent to the actions that users can perform. Only if a particular function is included in a user's responsibility will that individual be able to access the feature and execute the task.

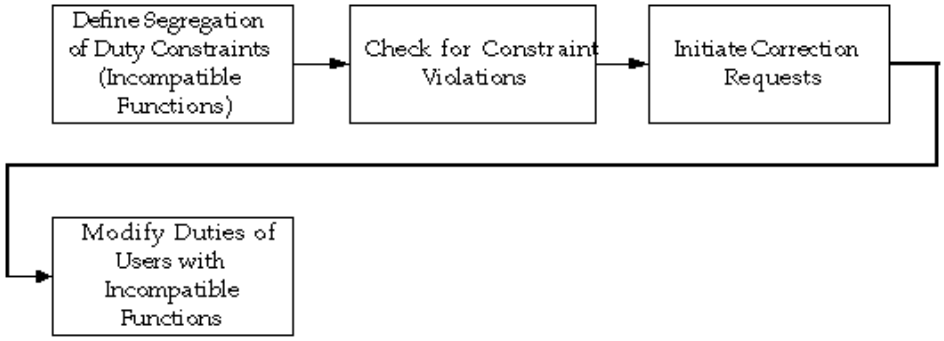
Although Oracle E-Business Suite applications come pre-seeded with a large number of relevant functions, you can also create your own functions and select them in Oracle Internal Controls Manager.

Implementing Segregation of Duties Constraints

Oracle Internal Controls Manager facilitates the segregation of duties control by enabling the proactive monitoring and reporting of incompatible tasks.

You now have the ability to identify any specific combination of incompatible tasks in an organization as a constraint. The application can then report occurrences where an individual possesses access to two or more of these incompatible tasks and thereby violates the constraint. When a constraint is found, you can initiate a correction request for management to take action by modifying the duties of those users with incompatible tasks.

The following diagram displays the steps to implement segregation duties constraints in Oracle Internal Controls Manager.



The steps to create segregation of duties constraints and rectify violations are listed below:

1. Define Segregation of Duty Constraints
2. Check for Constraint Violations
3. Initiate Correction Requests
4. Modify Duties of Users with Incompatible functions.

1. Define Segregation of Duty Constraints

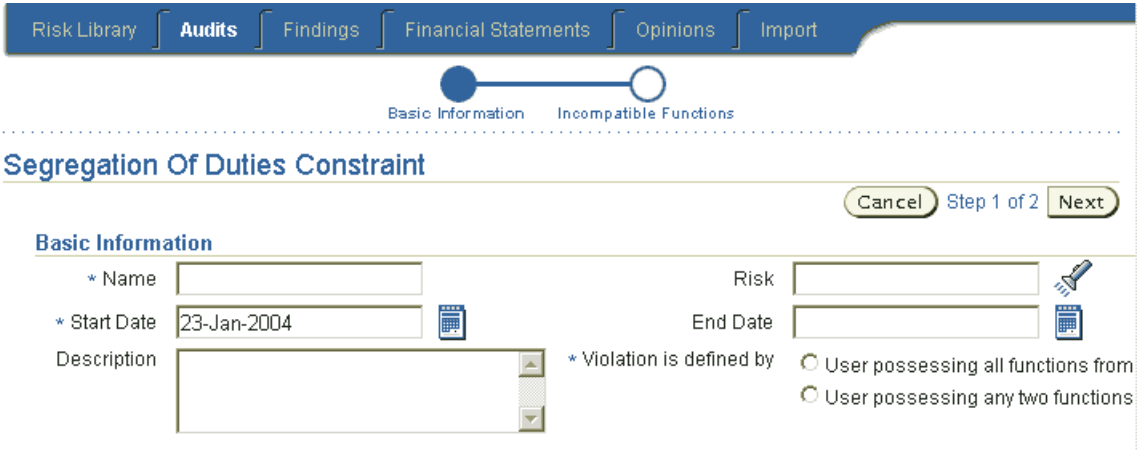
Constraints are created by making two or more functions incompatible with each other. Your first task is therefore to define a seeded registry of constraints i.e. incompatible job functions. As an example, the ability of a single user to enter, approve, and pay supplier invoices is a set of incompatible job functions.

Note: Incompatible functions can span application modules - for example supplier maintenance in Oracle Purchasing and invoice entry in Oracle Payables are typically considered to be incompatible functions.

Navigation Path

Topic	Navigation Path	Oracle Internal Controls Manager Window
Create segregation of duty Constraints	Using the Internal Auditor (or equivalent) responsibility, click the Setup tab and then the Audits subtab Select Maintain Constraints and then click the Create button	Segregation of Duty Constraints

a. Enter the basic attributes of the constraint.



The following table provides further information on select fields in the Segregation of Duties Constraint page.

Field	Details
Risk	The risk that arises when this constraint is violated. The list of values shows all risks that have been seeded in the risk controls library.
"Violation is defined by" radio button	A violation will exist in any one of the following cases: ■ "User possesses all functions from the set of incompatible functions" ■ "User possesses any two functions from the set of incompatible functions." The set of incompatible functions is defined in the subsequent window - Step b. below

b. Select two or more incompatible functions

All existing functions in the registered applications of the Oracle E-Business Suite are available. You may restrict the list of functions that are displayed or search for a particular function by entering a filter. In any case, the list is restricted to 200 entries.

2. Check for Segregation of Duties Constraint Violations

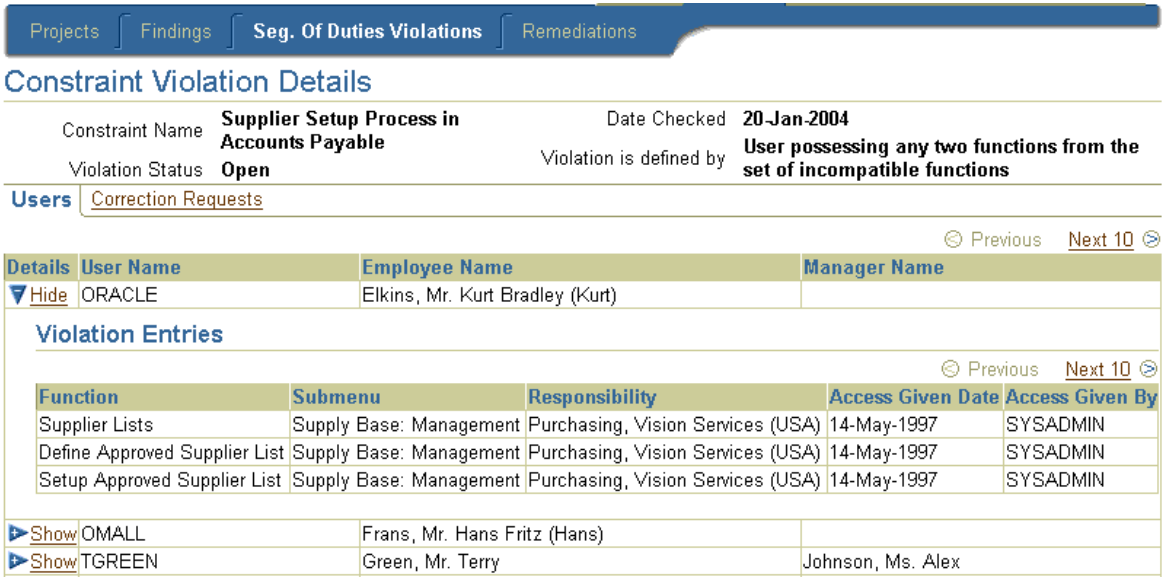
Topic	Navigation Path	Oracle Internal Controls Manager Window
Launch check for segregation of duties constraint violations	Using the Internal Auditor (or equivalent) responsibility, click the Audits tab and then the Segregation of Duties violations subtab Click the "Check for Violations" button	Segregation of Duties Constraint Violations window

This check launches a concurrent process "Check Violation for Constraints" that checks for incompatible functions belonging to the same user.

Note the following options when running this process:

- ❏ You may run the concurrent program to check for "All" or for one to four specific constraints.
- ❏ You may set the program to repeat automatically on a predefined schedule. A recurring schedule enables the proactive monitoring and reporting of incompatible functions among users of your applications.
- ❏ You may send a notification to one or more individuals. The notification informs the user that the process was submitted along with the status of the submission.

When the concurrent process completes, Oracle Internal Controls Manager provides a detailed roster of constraint violations in the Audits > Segregation of Duties Violations window. You may drill down into a particular violation to find the details of each user violating that constraint along with a list of incompatible job functions held by that user.



3. Initiate Correction Requests (and subsequently modify user duties)

Once a segregation of duties violation is discovered, you can initiate steps to correct the violation and therefore mitigate the risk from users having access to incompatible tasks in the organization.

The initiation takes the form of a formal correction request that can be assigned to a particular user and then tracked in the application. You can also record issues that require follow up action.

❑ **Step 1: Create the Request**

Topic	Navigation Path	Window
Create a correction request	Using the Internal Auditor (or equivalent) responsibility, click the Audits tab and then the Segregation of Duties Violations subtab. The window shows a detailed listing of violations. Click the Correction Requests icon for a particular constraint violation and then the Create button OR Drilldown into a violation, click the Correction Requests hyperlink and then the Create button	Segregation of Duties Constraint Violations Constraint Violation Details

The following table provides further information on select fields used in the Create Correction Requests window.

Field	Details	Seeded Values	Lookup Type	Accessibility Level
Number / Name	User defined number and name to identify and track the request to correct the constraint violation	NA	NA	NA
Priority	User defined priority rating	Standard Urgent		
Source Type	The Source of the correction request. For segregation of duties constraint violations, the source will typically be "Internal."	Customer Internal Supplier	NA	NA
Reason				User

Note: You can also attach documents to the correction request for further clarification.

Correction Request Report: Instead of choosing to create a correction request (using the Create button), you can click the "Create Report" button to create an ad hoc report for details on the correction request. Note that before you can view the report, Oracle Internal Controls Manager requires you to choose "Report Criteria" and a "Results Format" for the production of the report.

The criteria and results are based on fields like Request Number, Assigned To, Created By, Requested By, Creation Date, Need By Date, etc. Results are displayed in four sections:

- People
- Attachments
- Approval
- Action Log

❑ Step 2: Track the Request

Topic	Navigation Path	Oracle Internal Controls Manager Window
Track the correction request	Using the Internal Auditor (or equivalent) responsibility, click the Audits tab and then the Segregation of Duties Violations subtab. The window shows a detailed listing of violations. Click the Correction Requests subtab and then drilldown into the relevant request (by clicking on the request number).	Segregation of Duties Constraint Violations Correction Requests Summary

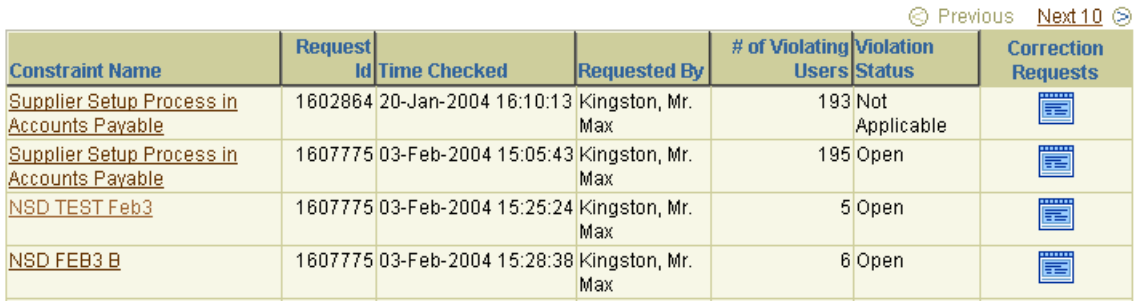
The Correction Requests Summary window acts as a bulletin board where you can view details of the request as well as initiate a discussion thread. There are two possible actions that you can take:

1. Post Comments
2. Request Comments from specific users

Oracle Internal Controls Manager maintains an exhaustive history of the correction request in this window.

Segregation of Duties Constraint Violations window

Topic	Navigation Path	Oracle Internal Controls Manager Window
Primary view of Segregation of Duties constraint violations	Using the Internal Auditor (or equivalent) responsibility, click the Audits tab Click the Segregation of Duties violations subtab	Segregation of Duties Constraint Violations



Constraint Name	Request Id	Time Checked	Requested By	# of Violating Users	Violation Status	Correction Requests
Supplier Setup Process in Accounts Payable	1602864	20-Jan-2004 16:10:13	Kingston, Mr. Max	193	Not Applicable	
Supplier Setup Process in Accounts Payable	1607775	03-Feb-2004 15:05:43	Kingston, Mr. Max	195	Open	
NSD TEST Feb3	1607775	03-Feb-2004 15:25:24	Kingston, Mr. Max	5	Open	
NSD FEB3 B	1607775	03-Feb-2004 15:28:38	Kingston, Mr. Max	6	Open	

Note that a history with respect to running the "Check Violation for Constraints" process is maintained in this window. Hence if corrective action is being taken, a particular constraint should show a reduction in the "# of violating users" over time.

Violation Status The following table provides details on this column.

Status	Details
Closed	If the number of violating users is zero
Not Applicable	If changes were made to the constraint since the last run of the Check Violations for Constraints program
Open	If the number of violating users is greater than zero

9

Process Variations and Exceptions

It is advantageous for companies to standardize their business processes across organizations and geographic regions. Benefits include common process methodologies, economies of scale and learning, etc. In a dynamic environment however, processes are subject to change that can be unique to an organization. In addition, for enterprises that span multiple locations, there can be a variety of environments in which the processes are executed. These dissimilar settings often result in a need to modify processes in particular organizations.

Oracle Internal Controls Manager therefore provides the ability to incorporate variations and exceptions in standard business processes as well as associated risks and controls. This chapter furnishes all the information you need to know to implement modifications to the processes and other objects in your risk controls library.

Introduction

Risks, controls and audit procedures are created and executed in the domain of business processes. A primary task in setting up Oracle Internal Controls Manager is therefore to create processes that accurately reflect the business flows of the enterprise. These processes must then be mapped to the firm's organizational structure.

> **See Also:** For detailed information on setting up processes in Oracle Internal Controls Manager, refer to Setting up Processes in Oracle Internal Controls Manager on page 2-2.

As noted earlier, it is advantageous for an enterprise to work with standardized business processes. By virtue of its own unique environment however, an organizational unit within the enterprise may be running a derivative of the standard process. To handle such a process alteration, Oracle Internal Controls Manager allows you to create process variations and process exceptions. The application distinguishes between the two as follows:

- Process variations are modifications of standard processes created in the risk controls library of the application. The process alteration is realized in the context of the design of the process. Justification for the variation is made with regard to changes in its design as compared to the standard process.
- Process exceptions on the other hand are modifications of both standard and non standard processes in particular organizations. The process alteration as well as justification is realized in the context of a particular organization only. Creating process exceptions is an extremely useful feature when processes and their corresponding risks and controls differ between organizations in an enterprise.

In both cases, the process alteration must be subject to reviews and approvals. The internal audit department must also evaluate the change to ascertain whether it introduces an additional process risk. Additional risk can be mitigated by supplemental or changed controls and audit procedures. Process alterations take the following forms:

- Additional, removed, or replaced processes in a business process hierarchy
- Additional, removed, or replaced risks and controls associated with a process variation / exception
- Changes in the attributes of relevant risk library objects

Process Variation Management

The steps to create process variations are listed below:

1. Create the non standard process in the risk library
2. Define the non standard process as the variation of a standard process. You also need to specify reasons/justification for the alteration of the standard process.

As an example, consider a standard procurement process for chemicals and its non standard variation. In the example, the standard materials procurement process has two sub-processes:

- Standard analysis and approvals
- Standard bid

A variation of the above process is used in the case of procurement of hazardous materials. Accordingly the non standard process "NStd Chem Mat Proc" is created as a non standard process. It has three sub processes:

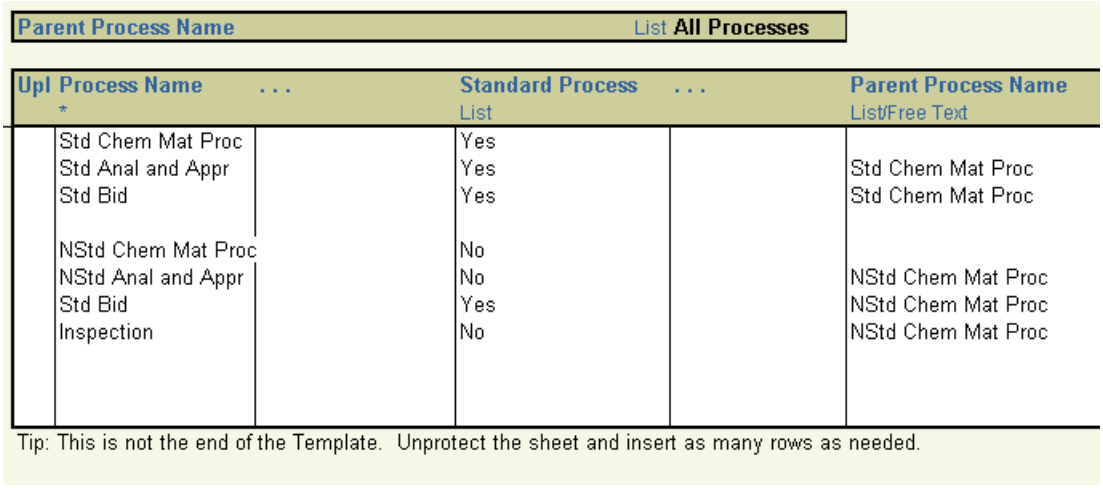
- Non standard analysis and approvals
- Standard bid (the same as the standard sub-process used in the case of a standard materials procurement)
- Inspection

1. Create the non standard process in the risk library

Author or import the non standard process into the application's risk library. Once created in the risk library, a process/process hierarchy can by attached to any organization in the enterprise.

See Also: For detailed information on authoring and importing processes in the risk library, refer to Setting up Processes in Oracle Internal Controls Manager on page 2-2.

The diagram below shows the spreadsheet to import the processes given in the above example:



Parent Process Name — List All Processes

Upl	Process Name *	. . .	Standard Process List	. . .	Parent Process Name List/Free Text
	Std Chem Mat Proc		Yes		
	Std Anal and Appr		Yes		Std Chem Mat Proc
	Std Bid		Yes		Std Chem Mat Proc
	NStd Chem Mat Proc		No		
	NStd Anal and Appr		No		NStd Chem Mat Proc
	Std Bid		Yes		NStd Chem Mat Proc
	Inspection		No		NStd Chem Mat Proc

Tip: This is not the end of the Template. Unprotect the sheet and insert as many rows as needed.

The spreadsheet shows a subset of the process attributes tabulated in the process import spreadsheet. To mark a process as non standard, Oracle Internal Controls Manager uses a simple Yes/No option.

See Also: For more details on all fields in the spreadsheet, refer to the section Process Attributes on page 2-28.

2. Define the non standard process as the variation of a standard process

Topic	Navigation Path	Oracle Internal Controls Manager Window
Define a process variations	Click the Risk Library tab and then the Processes subtab. Drilldown into the non standard process and click the Update button	Update Process Attributes

In the Update Process Attributes page, enter the name of the standard process (Standard Process field) in the Variation region of the page. The non standard process is now set up as a variant of this standard process. It is important to note that only processes that have been set up as standard processes will appear in the LOV for the Standard Process field.

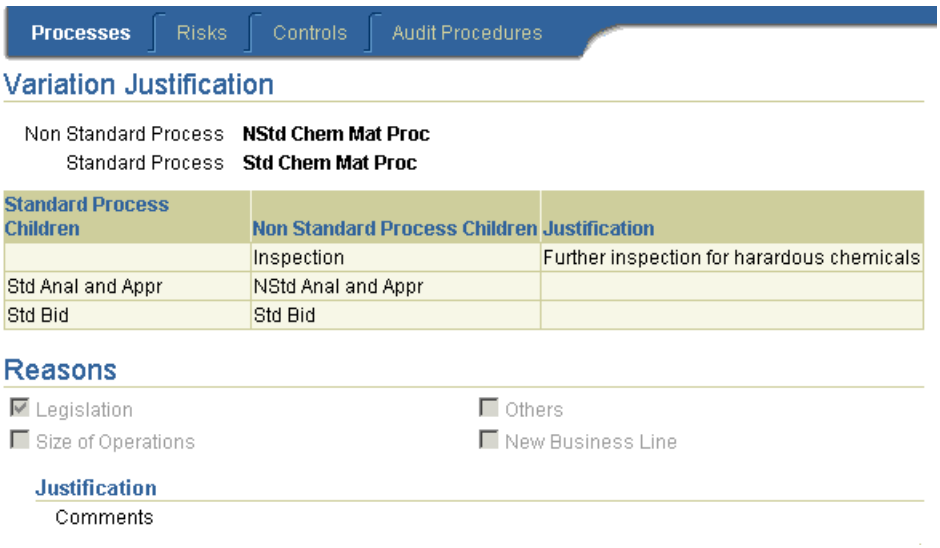
In our example, "NStd Chem Mat Proc" as well as "NStd Anal and Appr" are setup as variations of the standard processes "Std Chem Mat Proc" and "Std Anal and Appr." Finally enter the reasons and justification for the variation.

Comparing standard and variant process

Topic	Navigation Path	Oracle Internal Controls Manager Window
Comparing standard and non standard processes	Click the Risk Library tab and then the Processes subtab Drilldown into the non standard process	Process Details

In the process details window of the non standard process, click the Variation Exception button to compare the standard process with its variation.

Note that you can have an unlimited number of non standard processes that are variants of a standard process. However, at any given time you can only compare the current non standard process with the standard process it is associated with.



Note: Risks, controls, and audit procedures are associated with non standard (variant) processes in the normal manner. For more information, refer to Setting up Risks in Oracle Internal Controls Manager on page 3-2, Setting up Controls in Oracle Internal Controls Manager on page 3-6, and Setting up Audit Procedures in Oracle Internal Controls Manager on page 5-3.

Process Exception Management

Though processes may be formally standardized across an enterprise, they may still differ in their execution in different organizations. This holds true even for processes that are designed as non-standard processes i.e. the non-standard process can be implemented in different ways in different organizations. The changes can exist to account for legislation, changes in the environment of the process, etc.

Rather than creating multiple variations of a process/process hierarchy to account for these differences, Oracle Internal Controls Manager allows you to make changes to processes in individual organizations of the enterprise. The changes are unique to an organization and not reflected in others. You can therefore associate a standard process to multiple organizations and then customize each one independently. This will result in differences between processes in the risk library and the organizations they are assigned to.

You can add, replace, and remove the following risk library objects as exceptions in individual organizations:

- ❏ Processes
- ❏ Risks
- ❏ Controls

> **Note:** Adding, replacing and removing audit procedures in organizations are not registered as exceptions.

In order to create the exception, changes in these risk library objects will typically require justification. Oracle Internal Controls Manager then initiates a notification to authorized personnel to approve the exceptions. Requests for the creation of exceptions are submitted for approval to approvers defined in Oracle Approvals Management.

> **Note:** The use of Oracle Approvals Management is optional.
>
> For more information on setting up approval rules, refer to Manage the Process Risk Library on page 6-2 and the *Oracle Approvals Management Implementation Guide.*

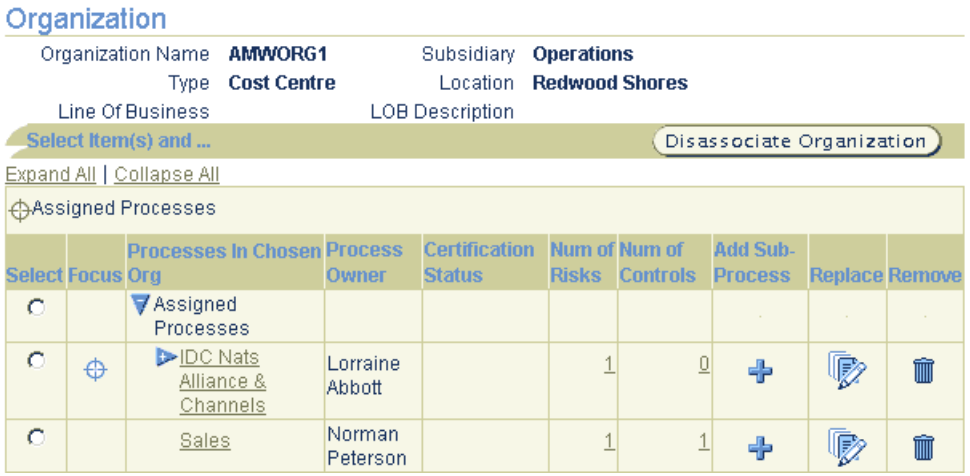
It is also important to note that in order to add a risk library object to an organization, either as an addition or a replacement, the object must exist in the risk library of Oracle Internal Controls Manager.

Add, replace, and remove sub-processes as exceptions

Topic	Navigation Path	Oracle Internal Controls Manager Window
Process Exceptions	Login using a Business Process Owner responsibility Click Organizations and then drilldown into the relevant organization to view the process hierarchy in that organization	Organization / Process details

The initial view of the processes in this organization is from the Oracle Internal Controls Manager risk library.

> **See Also:** For more information, refer to Organizations in Oracle Internal Controls Manager on page 2-5.



You may click on the risks/controls hyperlinks to drill down to a detailed view of these objects associated with the process. If you drill down to the details pages, note the following points regarding the numbers:

- ❑ The number of risks associated with a parent process corresponds to the total of the risks attached to the child processes.
- ❑ The number of controls associated with a parent process does not necessarily correspond to the total of the children as the application displays only distinct controls in the details page.

Select the Add Sub-Process, Replace, or Remove icon for the relevant process to create the exception in this organization. As noted earlier, these changes are not reflected in any other organization.

Adding, replacing, and removing processes to/from a process hierarchy in an organization is always considered an exception and Oracle Internal Controls Manager requires you to select the reason for creating the exception.

The following table provides further information on the Reason field in the justification window:

Field	Details	Seeded Values	Lookup Type	Accessibility Level
Reasons	Justification for the exception	Legislation New Business Line Size of Operations Others	AMW_ EXCEPTION_ REASONS	User

Note the following points with respect to creating process exceptions in an organization:

- ❑ The list of values for processes that you can add or replace in an organization is a subset of all processes in the process risk library. This is because the application precludes you from adding sub-processes in the hierarchy that will create circular relationships.
- ❑ In the organization, removing a sub-process from a particular node in the process hierarchy is equivalent to deleting that process from the organization i.e. the sub-process is detached from that particular node as well as all others in the organization. Hence removal of a parent process from any node of the process hierarchy in the organization removes the parent and all its sub-processes from all nodes in the hierarchy.

- ❏ Changes to process attributes within an organization, for example the process owner, are reflected in ALL occurrences of that process within the organization.
- ❏ If you choose to remove an exception, you get the message "Proceeding with the transaction will undo an exception created by a past transaction"

Certification Status. The certification status is the most recent process certification status if entered by the business process owner.

Note: When you link processes from the risk library to an organization with an existing hierarchy of processes, the latter is not overridden.

Instead, the new processes and sub-processes are added to the existing process hierarchy in the organization. If the same process already exists in the process hierarchy, the application adds any risk library objects to those that already exist.

Add, replace, and remove risks as exceptions

Topic	Navigation Path	Oracle Internal Controls Manager Window
Risk Exceptions	Login using a Business Process Owner (or Internal Auditor) or equivalent responsibility Click the Organizations tab (or the Planning tab and then the Organizations subtab) and then drilldown into the relevant organization to view the process hierarchy in that organization Select the process in which you want to make the risk exception and then click the Risks hyperlink	Organization / Process details Process/Risk Details

Note that you can choose to view risks associated with:

- ❏ The selected process or
- ❏ The selected process and all its child processes

Create exceptions by adding, replacing, or removing risks that the process is exposed to. To add a risk, click the Associate button and enter the name and attributes of the risk to associated with the process.

> **See Also:** For more information on risk attributes, refer to Risk Attributes on page 3-4.

Profile Option Setting: Adding, replacing, and removing risks to/from a process hierarchy in an organization is considered an exception depending on the profile option AMW: Exception Checkbox Values. Accordingly, the display of the Exception checkbox is based on the value of this setting.

AMW: Exception Checkbox Values	Exception Checkbox behavior	Result
Read-only checked	The Exception Checkbox is checked and you cannot change its value	Is always an exception
Read-only unchecked	The Exception Checkbox is unchecked and you cannot change its value	Is never an exception
Read-write checked	Default value is checked, but you can update its value	Based on user choice
Read-write unchecked	Default value is unchecked, but you can update its value	Based on user choice

Add, replace, and remove controls as exceptions

The following tables display the navigation paths to create control exceptions in an organization:

Add a control

Topic	Navigation Path	Oracle Internal Controls Manager Window
Add Control Exception	Login using a Business Process Owner (or Internal Auditor) responsibility	Organization / Process details
	Click the Organizations tab (or the Planning tab and then the Organizations subtab) and then drilldown into the relevant organization to view the process hierarchy in that organization	
	Select the process in which you want to make the control exception.	
	To associate controls to the risks to which this process is exposed, click the Controls link and then the Associate button.	Process/Controls Details

Note that you can choose to view controls associated with:

- ❏ The selected process or
- ❏ The selected process and all its child processes

As a control mitigates a particular risk and you accessed this page from the process details page, you must specify both the risk and control that you want to add.

Replace or Remove a control

Topic	Navigation Path	Oracle Internal Controls Manager Window
Remove/Replace Control Exceptions	Login using a Business Process Owner (or Internal Auditor) responsibility Click the Organizations tab (or the Planning tab and then the Organizations subtab) and then drilldown into the relevant organization to view the process hierarchy in that organization. Select the process in which you want to make the control exception.	Organization / Process details
(To remove / replace a control, you first need to navigate to the risk that the control is associated with)	Click the Risks hyperlink, drilldown into a particular risk and in the Risks detail page select the Controls hyperlink. You can now replace or delete the controls associated to this risk by clicking the appropriate icon.	Process/Controls Details

A control exception is therefore associated from the organization's process details page and removed from the risk details page. They are identified by Oracle Internal Controls Manager as related transactions.

Adding, replacing, and removing controls to/from the risks in a process hierarchy in an organization is considered an exception depending on the profile option AMW: Exception Checkbox Values.

> **See Also:** For more information on the profile option settings, refer to Profile Option Setting on page 9-11.

Viewing Exceptions

Oracle Internal Controls Manager provides a comprehensive view of all exceptions in a particular organization. In the Organizations details window (Organization tab or Planning tab > Organizations subtab), click the Exceptions icon.

You may search for exceptions using the following parameters:

- Object type: Risk, Control, Audit Procedure
- Transaction: Add, Delete, Replace

10

Process Certification

Corporate management systems typically imply the existence of processes that are employed to implement the objectives of management. For these management systems to be effective, it is critical that the business processes supporting them are regarded as reliable. In addition, the implications of complying with legislation like Sarbanes Oxley laws in the USA, provides further impetus to the implementation of credible processes.

A process can be considered credible if it meets the minimum requirements of an acceptable standard. The issuance of certification attests to the process and system being in compliance with the standard.

This chapter provides all the information you need to know to certify your business processes using Oracle Internal Controls Manager.

Overview of Process Certification

The COSO body defines the internal control system itself as a "process." It is imperative that the process based nature of internal controls be recognized and incorporated into audits of the control system. Companies therefore need to establish an ongoing monitoring of business processes while evaluating and improving their effectiveness.

One way of accomplishing this objective is through the periodic certification of processes. Certification requires process owners to provide assurance that their organization's processes are in compliance with the standard(s) utilized as the basis of its management system. It includes a series of rigorous audits and other activities to provide assurance that the organization's management system is adequate and effective.

Successful completion of an audit and any related follow-up activities which may be required results in the process being "certified." The certification attests to the process meeting the requirements of the applicable standard.

External auditors seek objective evidence of such a system being established and effectively implemented prior to issuance of financial statements. Certified business processes also provide comfort to CFOs, CEOs, and audit committees as they attest to the adequacy of internal controls and the accuracy of financial results.

Ongoing requirement

As a certification is considered valid for a particular time frame, processes must still be audited on a periodic basis to ensure that they continue to remain effective. This requirement leading to continual re-certification lends credibility to the entire corporate management and control system. Depending on the requirements, re-certification is typically conducted at intervals of three months to one year.

Completion of the Audit Project as a Prerequisite

As noted in an earlier chapter, the audit project represent a compilation of audit assignments for the entity and is typically associated with a particular high level activity such as the audit of a process. In this form, the audit project gathers evidence indicating whether the process is fully functional and meets the requirements of applicable standard(s).

Major nonconformities can be identified during the audit and in such cases a certification cannot be issued until these are effectively addressed and remedied. At a minimum, these "findings" must be taken into account prior to certification. Post audit "issues" that arise during the actual certification must also be recorded. The

Auditor may make a recommendation for Certification upon closure of all identified nonconformities i.e. Findings and Issues.

> **See Also:** For more information, refer to Findings in Oracle Internal Controls Manager on page 12-1.

Implementing Process Certification in Oracle Internal Controls Manager

Oracle Internal Controls Manager is pre-seeded with two responsibilities that are used to implement process certifications, the Global Operations Controller and the Business Process Owner.

The application distinguishes between the two as follows:

- The Global Operations Controller creates process certification requests. These requests are sent out in the form of notifications to process owners to do what is necessary to certify their business processes. This responsibility is analogous to a process super user and has the ability to view and update the certification status of all processes in the enterprise.
- The individual logged in as a Business Process Owner can view only processes where the individual is the designated owner. The process owner can then certify those processes as being compliant with acceptable standards based on the results of an independent audit evaluation of the process. Certification takes the form of "Certified" or "Certified with Issues."

As noted above, process certification in Oracle Internal Controls Manager uses the output from audit projects that have investigated the process. The following audit project results should be taken into account by business process owners:

a. Unmitigated risks

b. Ineffective controls

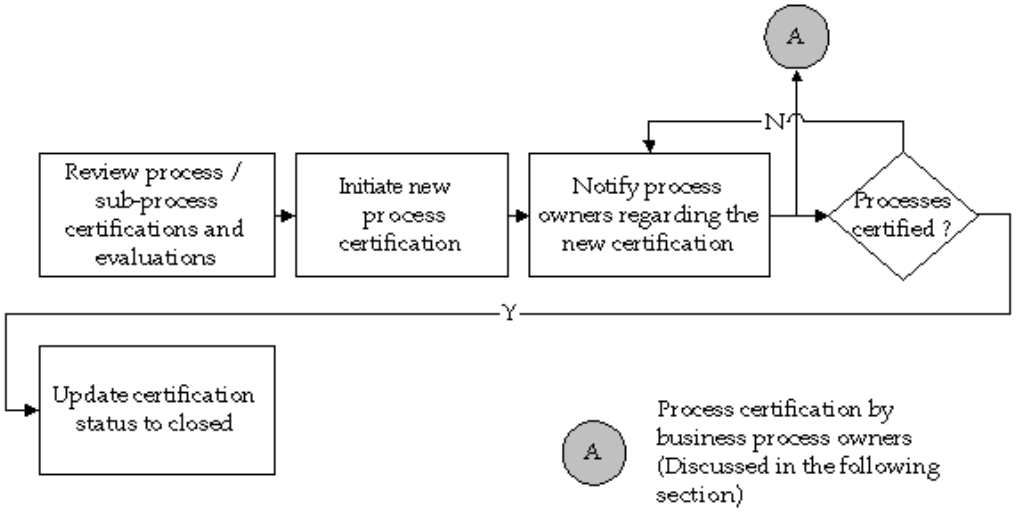
c. Open findings

Process certification in Oracle Internal Controls Manager "flows" into a signing officer's view on line items in financial statements. The signing officer can drilldown into the process that supports a particular financial line item. The audit evaluation along with a certification provides two independent views of the process.

See Also: For more information, refer to Financial Statement Certification on page 11-1.

Process Certification: Global Operations Controller

The following diagram shows a high level view of the tasks performed by a Global Operations Controller towards certifying the firm's business processes:



1. View Certifications and their current evaluations

The Global Operations Controller responsibility provides a high level view of the certification effort in all processes and in all organizations in the enterprise. Before initiating any new reviews, review the current status of process compliance as shown below.

Topic	Navigation Path	Oracle Internal Controls Manager Window
Global Operations Controller view of process certification	Using the Global Operations Controller responsibility, click the Business Process tab and then the Certifications subtab	Certifications

Note: To ensure that numbers in the certifications windows described below reflect the latest exceptions, evaluations and certifications data, the concurrent program Populate Summary for Process Certification must be scheduled to run periodically.

The program summarizes process data and audit evaluation results and then updates the relevant tables in the application.

This window lists all certifications that have been initiated in the enterprise. A certification is a container, analogous to a project, and represents a compilation of processes undergoing certification. You can drill into a certification (by clicking on the certification hyperlink) to view the processes under it.

By default, process certifications have as their scope the union of all processes across all organizations within the enterprise. However, an individual other than the Global Operations Controller, will be able to view only those processes that list them as the designated process owner. The "Organizations Pending Certification" column reflects the number of organizations in the enterprise that have at least one process being executed in them that is uncertified.

For example, assume Process P1 and Process P2 are being executed in Organizations A and B and Process P3 is being executed in Organization C. Further, assume that P1 and P2 are certified in Organization A while P2 is uncertified in Organization B. P3 in Org C is also uncertified.

Organization	Processes in the Org	Certified
A	P1, P2	P1, P2
B	P1, P2	P1
C	P3	None

For the scenario described above, the Organizations Pending Certification column displays "2/3" as both Organizations B and C have at least one process in them that is uncertified.

Click on a certifications hyperlink to view the following:

General tab

The General tab view is restricted to those logging in with global operations controllers responsibility and provides a summary view of process exceptions, audit evaluation results, and certifications across all organizations in the enterprise. The window displays three sections as follows:

- **Changes to Processes in Scope (since the beginning of the certification period)**
  Displays a summary view of process exceptions that have been created in the enterprise since the beginning of the certification period.

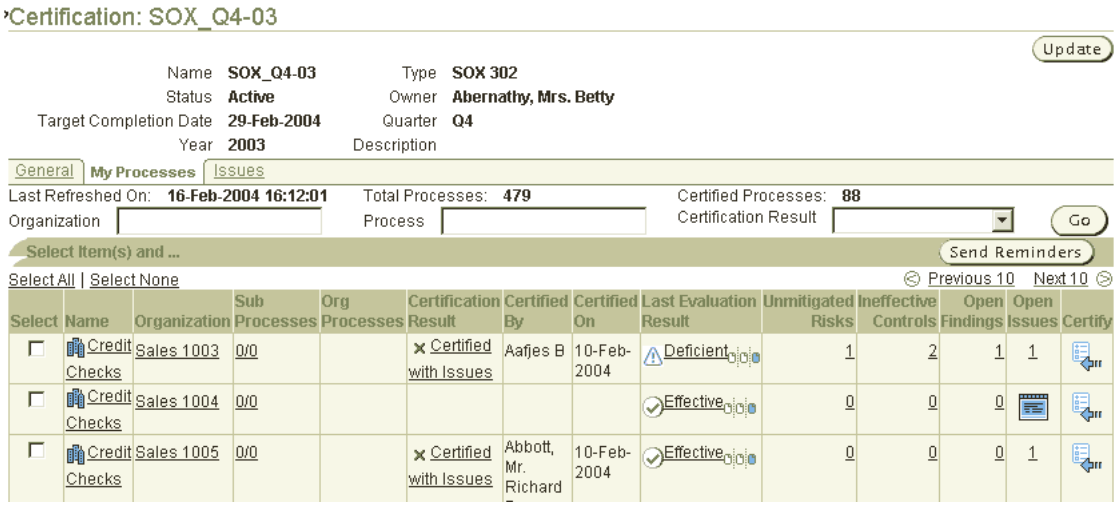
- **Process Certification**
  Lists the number of processes that are uncertified or certified with issues in the enterprise. The list includes both corporate and organization processes.

  See Also: For more details, see Corporate Processes vs. Organization (Local) Processes on page 10-13.

- **Audit Evaluation**
  Displays the number of processes with "Ineffective Controls" and "Unmitigated Risks." These numbers are from the audit project evaluations of processes in Oracle Internal Controls Manager.

My Processes tab

This window provides a comprehensive view of all processes along with their associated evaluations and certifications in the enterprise. As noted earlier, the Global Operations Controller views all processes in all organizations while others view only the processes they own.


Certification: SOX_Q4-03

Update

Name SOX_Q4-03 Type SOX 302
Status Active Owner Abernathy, Mrs. Betty
Target Completion Date 29-Feb-2004 Quarter Q4
Year 2003 Description

General | My Processes | Issues

Last Refreshed On: 16-Feb-2004 16:12:01 Total Processes: 479 Certified Processes: 88
Organization Process Certification Result Go

Select Item(s) and ... Send Reminders

Select All | Select None Previous 10 Next 10

Select	Name	Organization	Sub Processes	Org Processes	Certification Result	Certified By	Certified On	Last Evaluation Result	Unmitigated Risks	Ineffective Controls	Open Findings	Open Issues	Certify
☐	Credit Checks	Sales 1003	0/0		Certified with Issues	Aafjes B	10-Feb-2004	Deficient	1	2	1	1	
☐	Credit Checks	Sales 1004	0/0					Effective	0	0	0		
☐	Credit Checks	Sales 1005	0/0		Certified with Issues	Abbott, Mr. Richard	10-Feb-2004	Effective	0	0	0	1	

The following sections provide detailed information on the columns in this window:

Sub-processes: The ratio of the number of sub-processes certified to the total number of sub-processes under this parent. You can click on the hyperlink to drill down to the evaluation and certification details of the sub-processes.

Org processes: Valid only for corporate processes. The ratio of the number of organizations where the process (or a variant) has been certified to the total number of organizations executing this process (or a variant).

See Also: For more information on the icons associated with these columns, see Note on Threshold values on page 10-9.

Certification Result: Tied to the "opinions framework" in Oracle Internal Controls Manager. The application is pre-seeded with the following values:

- Certified
- Certified with Issues

> **See Also:** For more information on seeding certification values, refer to the Opinions Framework in Oracle Internal Controls Manager on page 7-19. The relevant object in this case is the Organization Process object that is a "certification" (not the object that is an "evaluation").

Note that "Certified with Issues" counts as a certified entry in computing the fraction in the Sub-Processes column while processes with no certification result count as "Not Certified."

Audit Evaluations: The three columns

- Last Evaluation Result
- Unmitigated Risks
- Ineffective Controls

are from the most recent evaluation of this process as conducted through an audit project. This evaluation in typically done by the firm's internal audit staff and provides authoritative support to the certification made by the process owner. Clicking on the Last Evaluation result icon, takes you to the Process Evaluation History window where you can view the history and results of all audit projects that have encompassed this process.

Unmitigated Risks and Ineffective Controls numbers are from the most recent evaluation of the process. Unmitigated Risks corresponds to the total of all risks associated with this process that were evaluated as having a risk tied to an opinion other than the "Mitigated" opinion. Ineffective Controls corresponds to the total of all controls associated with this processes that were evaluated as having a control other than one tied to the "Effective" opinion.

You may click on either of these to drill down to the details of the risk or control.

> **See Also:** For more information on the mitigated and effective opinions, refer to Opinions Framework in Oracle Internal Controls Manager on page 7-19.

Open Findings: The "Findings" that are associated with this process. All Findings logged during the audit projects that encompass this process will be displayed.

> **See Also:** For more information, refer to Findings in Oracle Internal Controls Manager on page 12-1.

Open Issues: The "Issues" that are associated with this process. Issues are similar to Findings and are made in the context of certifying processes. They are logged during process certification by the process owner. Based on their nature and scope, processes with outstanding issues can be certified as "Certified with Issues."

The global operations controller can override any certification by clicking the "certify" icon and entering a certification result.

Note on Threshold values

The fractional values in columns like Sub-processes and Org Processes are accompanied by an icon. This icon is based on the limits listed below:

Threshold Value	Image
0 - 10	Checkmark icon (green)
11 - 30	Warning icon 1
31 - 80	Warning icon 2
81 - 100	Critical indicator icon (red)

As an example, assume the fraction in the Sub-Processes column is "99/100" i.e. this is the ratio of the number of sub-processes certified to the total number of sub-processes under this parent. This translates into a 1/100 uncertified value equivalent to 1% and falls under the limits of "0 - 10." The icon next to the fraction is therefore a green checkmark.

2. Create a Process Certification

Topic	Navigation Path	Oracle Internal Controls Manager Window
Global Operations Controller view of process certification	Using the Global Operations Controller responsibility, click the Business Process tab In the Certifications subtab window, click the Create button	Certifications

The following table provides further information on select fields in the Create Certification window.

Field	Details	Seeded Values	Lookup Type	Accessibility Level
Auto Reminder (in Days)	To send an automatic notification once every entered number of days to all process owners who have processes that are not yet certified. The notification lists the uncertified processes in both the application welcome window as well as e-mail (if the latter is configured to receive notifications)	NA	NA	NA
Certification Owner	The individual responsible for this certification. Certification owners typically have global operations controller access to follow through with organizations pending certification.	NA	NA	NA
Type	Process certification geared towards 302 or 404 compliance.	SOX 302 SOX 404	NA	System
Certification Period	The LOV lists the accounting periods from Oracle General Ledger. The calendar that these periods are taken from is based on the profile option AMW: Calendar - Q. Periods for certification purposes in Oracle Internal Controls Manager are based on the calendar entered for this profile setting.	According to the Oracle General Ledger calendar.	NA	NA

All certifications are created in "Draft" status. Before process owners can be notified or processes certified, the status of the certification must be changed to "Active." To do this click the Update button in the Certification Details window (Business Processes tab > Certifications subtab).

The following table lists the details of status values in the Update Certification Status window.

Status	Details
Draft	All certifications are created in Draft status
Active	In order to certify processes and send notifications, certifications must be in Active status. Also, the concurrent programs that summarize and update certification data, only work on processes within "Active" certifications.
Completed	Certification is assumed complete. The concurrent program will not work on processes within "Completed" certifications.
Rejected	Process certification terminated by the user.
Archived	Certificate is ready for archiving.

3. Send Notifications to Business Process Owners

As a global operations controller, there are two ways you can initiate notifications to certify/re-certify processes in Oracle Internal Controls Manager:

a. Run the concurrent program Process Certifications Reminder. This program sends notifications to all process owners in all organizations regarding processes they own that are not yet certified in the current certification period. The notification is sent based on the setting of the Auto Reminder field that is entered when the certification is created.

b. In the My Processes view, you can choose to send individual reminders to process owners. Select individual processes and then click the Send Reminders button to send a notification to those process owners.

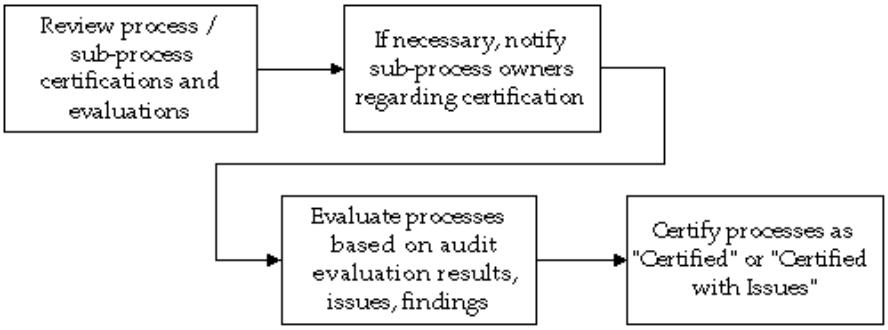
Note that the result "Certified with Issues" is considered a certification by the application and process owners with processes labelled as such will not receive further notifications.

4. Update Certification Status

Once certification by process owners is complete, global operations controllers can update the status of a certification to "Completed." If a certificate is listed as "Competed" it's processes are excluded from further notifications.

Process Certification: Business Process Owner

The following diagram shows a high level view of the tasks performed by a process owner towards certifying the firm's business processes:



These tasks are listed below.

1. Review process/sub-process certifications and evaluations.
2. If necessary, notify sub-process owners regarding certification. You may only notify the owners of sub-processes that are under the processes that you own.
3. Evaluate processes based on audit evaluation results, issues, and findings. The results of the most recent audit evaluation can be seen in the My Processes tab of the Certifications window.
4. Once your assessment is done, click the Certify icon to certify your process. A process owner may certify/override the certification of any and all sub-processes. In lieu of certifying a process, you can log additional issues by clicking the Open Issues icon.

   To certify a process, the status of the encompassing certification must be "Active."

The details of these tasks mirrors those described in the previous section with exceptions as listed below.

See Also: For detailed information on these tasks, refer to the previous section.

- ❏ Drilling into a certification will only display those processes that are designated as owned by the process owner.
- ❏ While process owners can and must certify their processes, they do not have the ability to update the status of the overall certification (the container that represents a compilation of all processes undergoing certification).
- ❏ Business Process Owners cannot view the General tab to obtain a summary view of the audit and certification status across all organizations in the enterprise.

Corporate Processes vs. Organization (Local) Processes

In addition to the processes executed in the organizations (auditable units) of your firm, Oracle Internal Controls Manager also allows you to create "Corporate" processes.

Corporate processes have a global orientation and can be thought of as being executed by a central governing body across all organizations in the enterprise. Corporate processes include both of the following:

- ❏ Consolidation of core processes in various organizations such as order-to-cash under enterprise level managers.
- ❏ Processes executed solely for the benefit of the enterprise and not any specific organization. Oracle Internal Controls Manager does not provide any specific functionality for these types of corporate processes.

As opposed to corporate processes, regular organization (local) processes are processes executed within a specific organization in the enterprise. Local processes include standard processes as well as their variants in the organization.

> **See Also:** For more information on variant processes, refer to Process Variations and Exceptions on page 9-1.

To create a corporate process

Corporate processes are enabled in the application by the creation of an organization representing the enterprise that executes these processes i.e. to create a corporate process, you first need to create a corporate organization.

The corporate organization is an organization (auditable unit) in Oracle Internal Controls Manager that is seeded in the profile option AMW: Global Organization.

> **See Also:** For more information on creating organizations in Oracle Internal Controls Manager, see Organizations in Oracle Internal Controls Manager on page 2-5.

Any process that is attached to a corporate organization is by definition a corporate process. The corporate process has all the attributes of a regular process including a designated owner. Hence, if corporate processes are present and executed by the enterprise, they are automatically included in the scope of process certifications as well. The corporate process will be listed in certification windows along with other processes that belong to the process owner.

> **Note:** You can easily distinguish a corporate process in Oracle Internal Controls Manager certification windows by its globe icon.

Consider the following example to understand the functionality of a corporate process in Oracle Internal Controls Manager.

Assume a corporate process "Order-to-cash" is created in a corporate organization in the enterprise. As noted earlier this process is considered to be a consolidation of the order-to-cash processes in the various organizations of the enterprise.

By drilling into this process in the My Processes tab of the Certification window, Oracle Internal Controls Manager displays a listing of all the local processes (having the same name as the corporate process) in all organizations. It is important to note that the list includes all standard "Order-to-cash" processes as well as their variants.

You can therefore obtain a comprehensive view of this process across the enterprise and use that input in the certification of the central process.

11

Financial Statement Certification

Both internal and external audits can be oriented towards different goals resulting in different types of audits. The financial audit is conducted to determine whether a firm's financial statements are in compliance with specified criteria. Typically these criteria are generally accepted accounting principles although it is also possible to execute financial audits using a cash or other basis.

Whatever the criteria that are used, the central purpose of a financial audit is the certification of financial statements. This chapter provides detailed information on using Oracle Internal Controls Manager in certifying financial statements.

Note: The certification of financial statements makes extensive use of results from the certification of business processes. For more information, refer to Process Certification on page 10-1.

Overview

To certify a financial statement, the impact on the statement from the different business processes that affect the statement needs to be understood.

Financial statements are comprised of financial items. Each financial item is an account or consolidation of accounts and an integral part of the processes that affect it. It is therefore imperative that the processes behind financial items be recognized and incorporated into the financial audit.

The overall objective of the financial audit is to evaluate whether the account balances of financial items are accurately presented in accordance with generally accepted standards or any other criteria. To this end financial audits include both test of details of balances as well as audits of the processes that bear on those balances.

As an integral part of a financial audit therefore, companies need to establish an ongoing monitoring of the business processes behind financial items. Successful completion of an audit of these processes and any related follow-up activities which may be required, results in the financial item being "certified." The certification attests to the processes behind the financial item meeting the requirements of the applicable standard.

The adequacy of internal controls within business processes affecting financial statements is brought about from two different inputs:

- For each financial item, the results from internal audit evaluations of the processes affecting that item are presented in a consolidated fashion to financial "signing" officers.
- Also brought into context are the results of the relevant process certifications by the process owners.

These inputs present adequate perspective for the signing officer to evaluate the processes behind the numbers and hence decide whether adequate controls are in place.

Ongoing requirement

As a certification is considered valid for a particular time frame, financial items must be audited on a periodic basis to ensure that they are accurate as of the date of the financial statements. Depending on the requirements, recertification is typically conducted at intervals of three months to one year.

Completion of the Audit Project as a Prerequisite

As noted in an earlier chapter, the audit project represents a compilation of audit assignments for the entity. The project is typically associated with a high level activity such as the audit of a process behind a particular financial item. In this form, the audit project gathers evidence indicating whether the process meets the requirements of applicable standard(s) and will result in accurate account balances.

Major nonconformities can be identified during the audit and in such cases a certification cannot be issued until these are effectively addressed and remedied. At a minimum, these "findings" must be assessed prior to certification. Post audit "issues" that arise during the actual certification must also be recorded. The Auditor can make a recommendation for the certification of a financial item upon closure of all identified nonconformities i.e. Findings and Issues.

See Also: For more information, refer to Findings in Oracle Internal Controls Manager on page 12-1.

Setup of Financial Certifications in Internal Controls Manager

There are a number of steps that must be undertaken to enable financial certifications in Oracle Internal Controls Manager.

A. Link Financial Items with Business Processes

As noted earlier, financial items comprise financial accounts and account summaries. Certification of these items is based on the ability of the Oracle Internal Controls Manager application to link financial items with processes that can be audited.

As a prerequisite therefore, all material financial items must be linked in the application with the business processes that affect them. As an example, the Accounts Receivable financial item is affected by a number of order - management processes and sub-processes like sales, credit approval, shipping, etc.

In Oracle Internal Controls Manager, you can link multiple financial items to a process and vice versa.

See Also: For more information, refer the section Linking Key Accounts with Processes on page 2-27.

B. Set Profile Options

Before you can use the application to certify financial items, the following two profile options must be set:

1. AMW: Use Oracle Financial Statement Generator.

   By setting this profile option, you define the source of the financial statements that will be recognized by Oracle Internal Controls Manager. Financial certifications in the application represent financial statements that originate based on this profile setting. Oracle Internal Controls Manager recognizes the following financial statements:

   - **FSG reports**

     Financial Statement Generator (FSG) is a powerful ad hoc reporting tool and is a component of the Oracle General Ledger module. Using the FSG, you can build report "row" and "column" objects and merge them into financial reports. The row objects are typically the relevant financial items of the report. Once FSG reports are built, they can be saved in the system for reuse.

     Note: By default this profile option is set to "Yes" and indicates that the financial items from reports created in Oracle General Ledger using FSG are automatically available to Oracle Internal Controls Manager.

   - Financial statements created using a **Third party reporting tool set**. The financial statements and items are maintained and stored in the third party system.

     If you use a third party reporting tool set, then this profile option must be set to "No." In this case you will need to set the following profile options to map the financial items in the third party tool to Oracle Internal Controls Manager.

     * AMW: View for Financial Item Descriptions in External Apps

     * AMW: View for Financial Item and Account Relation in External Apps

     * AMW: View for Financial Items in External Apps

     * AMW: View for Financial Statements in External Apps

     * AMW: View for Financial Statement Descriptions in External Apps

* AMW: View for Key Account Names in External Apps

* AMW: View for Key Account in External Apps

2. AMW: Natural Account Value Set

   By setting this profile option, you define which financial accounts will be recognized by Oracle Internal Controls Manager. The natural account value set identifies the accounts that can be certified using the application i.e. these accounts will be displayed in the financial certification detail windows.

   Note: The natural account value set is only valid for FSG reports created in the Oracle E-Business Suite. If a third party reporting tool is used, then this profile option is ignored.

C. Concurrent program - Import Natural Accounts

Once the profile options are set, run the concurrent program Import Natural Accounts to bring in the financial items into the Oracle Internal Controls Manager application tables.

Certifying Financial Statements using Internal Controls Manager

Execute the following two steps to certify financial statements using Oracle Internal Controls Manager:

- ❑ Create / Review Financial Certifications in the Enterprise
- ❑ Evaluate and Certify Financial Statements

> **Note:** To ensure that numbers in the financial certifications windows described below reflect the latest exceptions, evaluations, and certifications data, the appropriate concurrent program must be scheduled to run periodically.
>
> These programs summarize process data and audit evaluation results and then update the relevant tables in the application. The names of specific programs are included in relevant sections.

Create / Review Financial Certifications in the Enterprise

Review the current status of your financial statement certifications as shown below.

Topic	Navigation Path	Oracle Internal Controls Manager Window
View Financial Statement Certifications	Using the Signing Officer or equivalent responsibility, click the Business Process tab and then the Certifications subtab	Financial Statement Certifications

This window lists all financial certifications that have been initiated in the enterprise. A financial statement certification is a container, analogous to a project, and represents a particular financial statement undergoing certification. All financial items that belong to this statement can be evaluated and the certification is ultimately a consolidated evaluation of these individual financial items.

> **Note:** By selecting a particular financial statement to be associated with a financial statement certification, the scope of the certification is automatically restricted to the financial items listed under that financial statement.

You can drill into a certification (by clicking on the certification hyperlink) to view

- The financial items that make up the financial statement
- The processes affecting these financial items.

Create a Financial Statement Certification

Signing officers who want to get their financial statements certified can create Financial Statement certifications.

Topic	Navigation Path	Oracle Internal Controls Manager Window
Creating Financial Statement Certifications	Using the Signing Officer or equivalent responsibility, click the Business Process tab and then the Certifications subtab Click the Create button	Financial Statement Certifications

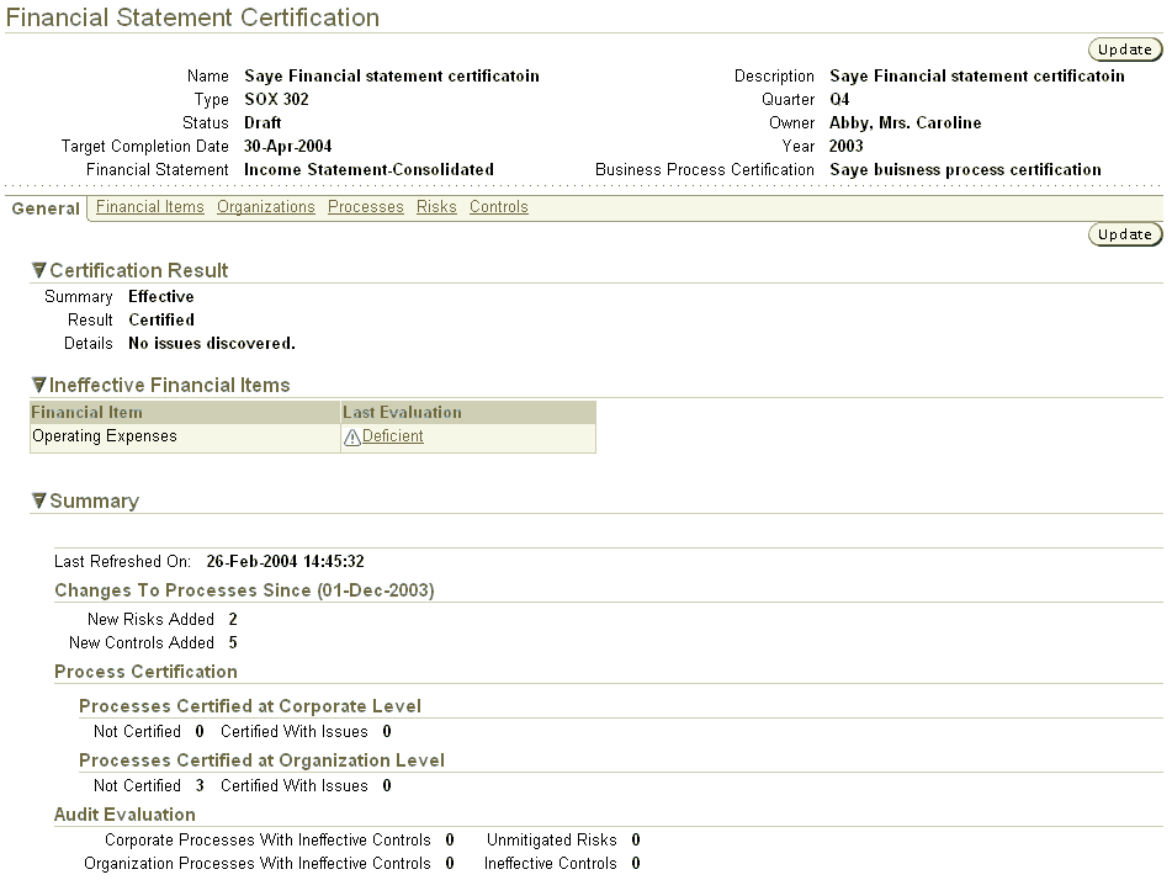
The following table provides further information on select fields in the Create Financial Certification window.

Field	Details	Seeded Values	Lookup Type	Accessibility Level
Type	Financial statement certification geared towards 302 or 404 compliance.	SOX 302 SOX 404	NA	System
Owner	The individual responsible for this certification. The Target Completion Date and Status of the Certification are maintained by the owner.	NA	NA	NA
Financial Statement	Select the financial statement that this certification encompasses. All financial items that belong to this statement are evaluated. A financial statement certification is a consolidated evaluation of these individual financial items.	Originate in FSG or 3rd party reports	NA	NA
Auto Reminder (in Days)	To send an automatic notification once every entered number of days. The notification is sent to all process owners who have processes linked with financial items in this statement that are not yet certified.	NA	NA	NA
Certification Period	The LOV lists the accounting periods from Oracle General Ledger. The calendar that these periods are taken from is based on the profile option AMW: Calendar. Periods for certification purposes in Oracle Internal Controls Manager are based on the calendar entered for this profile setting.	According to the Oracle General Ledger calendar.	NA	NA

Evaluate and Certify Financial Statements

Drill into a particular financial statement certification to evaluate and certify it as follows:

General Tab



The General tab view provides a summary view of process exceptions, audit evaluation results, and certifications across all organizations in the enterprise. To ensure that the numbers in this view are current, schedule the concurrent program

"Populate Dashboard Summary for Financial Statement Certifications" to run appropriately.

The information in the General tab is the same as displayed in a business process certification with the following exception: the General tab in a business process certification has its scope as the union of all processes in the enterprise. The General tab in a financial statement certification includes only those processes that affect the financial items under the financial statement in scope.

Note: For more information, refer to General tab on page 10-6.

Click the Update button to enter or update a certification result.

Financial Item View

This view lists all financial items belonging to the financial statement associated with this certification. The functionality represented in this view is the following: signing officers can evaluate each financial item in the statement, based on the perspective of the business processes impacting the item and their internal control evaluations.

Details from internal audit evaluations present the outstanding problem areas identified in the evaluations of the respective processes. These include unmitigated risks, ineffective controls, processes evaluated to be ineffective and the open findings within the process evaluations. Similarly, the process certification results that are of concern such as those processes certified with issues or processes that are pending certification are highlighted.

Process certification in Oracle Internal Controls Manager therefore "flows" into a signing officer's view on line items in financial statements. The signing officer can drilldown into the process (see section: Processes tab) that supports a particular financial line item. The audit evaluation along with a certification provides two independent views of the process.

All numbers are represented along with icons to represent the impact levels. These images and what they designate can be customized and they filter through all the certification screens in process and financial statement certification.

See Also: For more information on the icons associated with these columns, see Note on Threshold values on page 10-9.

The financial items can be evaluated as 'effective' or 'ineffective' based on whether the processes impacting them have all their controls in place. There may be issues that need to be followed up on.


General | Financial Items | Organizations | Processes | Risks | Controls

Last Refreshed On 26-Feb-2004 14:45:20

Expand All | Collapse All

Operating Expenses

Focus	Financial Items	Process Pending Certification	Processes Certified with Issues	Processes with Ineffective Controls	Organizations with Ineffective Controls	Unmitigated Risks	Ineffective Controls	Last Evaluation	Last Evaluated By	Last Evaluated On	Evaluate
	Operating Expenses	3/3	0/3	0/3	0/1	0/2	0/5	Deficient	Bacajun, Stanford	26-Feb-2004	

The following sections provide detailed information on the columns in this window:

Process Pending Certification: The ratio of the number of processes that have NOT been certified out of the total number of processes in the enterprise that affect this financial item.

> **Note:** A process that is "certified with issues" counts as a certified process in computing this fraction.

You can click on the ratio hyperlink to drill down to the evaluation details of the most recent audit project that includes these processes.

Processes Certified with Issues: The ratio of the number of processes that have been certified with issues out of the total number of processes in the enterprise that affect this financial item. You can click on the ratio hyperlink to drill down to the evaluation details of the most recent audit project that includes these processes.

Organizations with Ineffective Controls: The ratio of the number of organizations evaluated as being "ineffective" out of the total number of organizations that are executing processes which affect this financial item.

Note: For more information on the evaluation of organizations as "ineffective," refer to Step 5: Evaluate organizations based on process evaluations on page 7-18.

Processes with Ineffective Controls: The ratio of the number of processes evaluated as being "ineffective" out of the total number of processes that affect this financial item.

Note: For more information on the evaluation of processes as "ineffective," refer to Step 4: Evaluate processes based on risk and control evaluations on page 7-18.

Audit Evaluations: The next two columns:

- Unmitigated Risks
- Ineffective Controls

are from the most recent evaluation of the processes affecting this financial item as conducted through an audit project. This evaluation in typically done by the firm's internal audit staff and provides authoritative support to the certification made by the signing officer.

Unmitigated Risks corresponds to the ratio of the number of unmitigated risks out of the total number of risks that affect the processes associated with the financial item. An unmitigated risk is a risk tied to an opinion other than the "Mitigated" opinion.

Ineffective Controls corresponds to the ratio of the number of ineffective controls out of the total number of controls that affect the risks and processes associated with the financial item. An ineffective controls is a control tied to an opinion other than one tied to the "Effective" opinion.

You may click on either of these to drill down to the details of the risk or control.

See Also: For more information on the mitigated and effective opinions, refer to the following:

- Step 2: Provide a consolidated evaluation of the control on page 7-15
- Step 3: Evaluate risks based on evaluations of the controls mitigating those risks on page 7-17
- Opinions Framework in Oracle Internal Controls Manager on page 7-19

Conclusion: Tied to the "opinions framework" in Oracle Internal Controls Manager. The application is pre-seeded with the following values:

- Certified
- Certified with Issues

See Also: For more information on seeding certification values, refer to the Opinions Framework in Oracle Internal Controls Manager on page 7-19.

Organizations View

Alternately, a signing officer can perform certification work by surveying the different organizations in scope for the particular statement undergoing certification. This is made possible by the "Organizations" tab in the financial statement certification details page.

This view summarizes the audit evaluations and process certifications from the perspective of all organizations that execute processes that impact the statement. Officers can drill down to the specific processes and their process certification and audit evaluation details to gain an understanding of any processes that have reported problems in their controls. This layout just gives an alternate view of the same information as under the "Financial Items" tab, but categorized by organization. The officers would then, need to go back to the financial items tab to evaluate the items.

Process / Risks / Controls View

Alternately, a signing officer can execute certification work by surveying the different processes, risks, and controls in scope for the particular statement undergoing certification. This is made possible through the "Processes," "Risks" and "Controls" tabs in the financial statement certification details page.

The "Processes" tab summarizes the audit evaluations and process certifications from the perspective of all processes that impact the statement. Officers can drill down to the specific processes and their process certification and audit evaluation details to gain an understanding of any processes that have reported problems in their controls. This layout just gives an alternate view of the same information as under the "Financial Items" tab but categorized by process. The officers would then, need to go back to the financial items tab to evaluate the items.

The "Controls" and "Risks" tabs provide information on all the controls and the risks that impact the statement by being associated with processes that affect the financial items being considered. Again, this is a different view of the same information categorized by organization or process in the other tabs.

12

Findings in Oracle Internal Controls Manager

During the audit process, nonconformities to established standards are often discovered in the organization. These nonconformities are identified as "Findings" and are typically items of material concern that violate sound accounting practice and accountability. A certification cannot be issued until they are effectively addressed and remedied.

This chapter provides all the information you need to set up and create Findings using Oracle Internal Controls Manager.

Note: "Issues" are similar to Findings except that they are initiated during the certification of a process.

Introduction

Findings encapsulate information on non-compliance that arise in different aspects of the internal audit and assurance system. They are uncovered through audit projects as well as by random observations. Identified findings are logged by process owners/auditors into the system and can be assigned to other personnel as well. The ability to record and track Findings is critical for capturing information that can materially affect a certification or an audit opinion.

This data is also indispensable for subsequent process work and audit planning activities. Corrections and improvements must be made if nonconformities or opportunities for improvement are discovered. The audit process may therefore be used to drive improvement throughout the organization and follow-up audits are performed to verify implementation and effectiveness of the corrective action.

The goal is to address the problem raised in order for auditors and process owners to close the finding(s) or downgrade it. Auditor may make a recommendation for certification upon closure of all identified nonconformities. Dependent on requirements of the specific standard that is violated, often the down grading to a minor nonconformity also allows for recommendation of certification.

Setup of Findings

Before Findings can be used in Oracle Internal Controls Manager, they must be set up as described in this section.

Topic	Navigation Path	Oracle Internal Controls Manager Window
Setup of Findings	Using the Internal Auditor (or equivalent) responsibility, click the Setup tab and then the Findings subtab	Findings Management

Findings Types

Findings are typically recorded in relation to organizations, processes, risks, controls, audit procedures, and audit projects and can be recorded regarding any aspect of execution in these areas.

Oracle Internal Controls Manager uses Findings Types to distinguish the different kinds of Findings that you can create. The following types are seeded in the module and you can click on the Finding Types hyperlink to view the list.

Name of Finding Type	Description
ProjAP	Audit Procedure Findings.
ProjCtrl	Control Findings.
ProjOrg	Organization Findings.
ProjProc	Process Findings.
ProjRisk	Risk Findings.
ProjStep	Audit Procedure step.
Project	Project Findings.

When a Finding is created, the application automatically logs it as one of these types based on the context in which it was created.

> **Note:** Finding Types are pre-seeded in Oracle Internal Controls Manager. The types listed above are the only ones does not recognize any other types.

Consider the following examples of Findings in an enterprise:

Organization Findings: The organization structure is not conducive to obtaining information and interviews for audits in an easy manner.

Process Findings: In the procure-to-pay process, there is an unidentified risk in terms of a non-employee being vested with decision power to purchase.

Risk Findings: The risk "theft" is impacting multiple processes because of a lack of physical security.

Control Findings: The Control of a manager authorizing purchases could be flouted in some purchases or there may not be proper auditing checks on the efficacy of this control.

Audit Procedure Findings: The audit procedure may be inadequately staffed.

The Finding Type drives several parameters associated with the Finding. Drill into a Finding Type to set the following information:

- Default Assigned To information
- Approval Routing
- Attribute Groups

Findings Priority

Findings can have an associated priority. Drill into the Findings Priority hyperlink to create/update priority levels for your findings. When you later create a Finding, you can choose to associate it with one of these priorities.

Findings Reasons

Findings can have an associated reason. Drill into the Findings Reason hyperlink to create/update reasons for your findings. When you later create a Finding, you can choose to associate it with one of these reasons.

Approval Routing Templates

In an internal audit context, Findings do not typically require approval. It is however extremely useful to be able to escalate a Finding for follow up based on predefined routings. For example, a Finding that is recorded in the context of an audit procedure could be assigned to a particular person for further investigation, while one recorded for an audit risk could use a completely different approval hierarchy.

Oracle Internal Controls Manager allows you to create approval routing templates based on the Finding Type. The template specifies how the Finding needs to be routed and the workflow process is then entirely automated.

See Also: For more information on creating Approval Routing Templates, refer to the ***Oracle Advanced Product Catalog Implementation Guide***.

Attributes and Value Set

Oracle Internal Controls Manager allows you to create different attributes that can be attached to different Finding Types. This is a powerful feature and allows you to add user defined elements to a Finding based on its Type.

Consider the following examples, all of which relate to creating Findings in a particular context:

- When the Finding is created in a risk context, you may want to add the dimension "Exposure" with pre-defined levels.
- When the Finding is created in the context of an audit procedure, you may want to also set a dimension "Ease of Execution" with pre-defined levels. You may also want to provide the originator with a text box to allow free text regarding this dimension.
- When you create a Finding in the context of a project, you may want to add a dimension "Federal" with values "Yes" or "No."

> **See Also:** For more information on creating Attributes and Value Sets, refer to the ***Oracle Advanced Product Catalog Implementation Guide***.

Once the attribute groups are created, they must be associated with a Finding Type.

Topic	Navigation Path	Oracle Internal Controls Manager Window
Finding Type details	Using the Internal Auditor (or equivalent) responsibility, click the Setup tab and then the Findings subtab. Drill into a Finding Type to add an Attribute Group You also need to use the Create Page hyperlink to complete the set up.	Findings Management

Entering Findings in Oracle Internal Controls Manager

You can enter a Finding in multiple places in the application. In the appropriate window, click the "Open Findings" icon and then the Create button. The default Finding Type is always based on the context in which the Finding is recorded. For example, if the Finding is entered from the Controls detail page of the audit project, the Finding Type is automatically set as "ProjCtrl."

The following table shows the navigation paths to create the different types of Findings:

Finding Type	Created From Window
Audit Procedure Findings	Created from the Audit Tasks details window in an audit project. You need to drill into a project task to access the Findings icon associated with an audit procedure.
Control Findings	Created from the Control details window in an audit project.
Organization Findings	Created from the Organizations and Processes details window in an audit project.
Process Findings	Created from the Organizations and Processes details window in an audit project.
Risk Findings	Created from the Risk details window in an audit project.
Audit Procedure step	Created from the Audit Tasks details window in an audit project. Drill into a project task and then click on the Status to access the Findings icon associated with individual steps of the audit procedure.
Project Findings	Created from the Findings details window within an audit project.

When you create a Finding, several of its parameters are set using the setups described in the previous section. For example, "Priorities" and "Reasons" are entered using values that you seeded during setup. Also, the assignment/routing information in the Create Finding window default from the setup of the Finding Type.

Once you create a Finding, you can drill into it to access the Finding Summary page.

Attributes

You cannot view or enter values for Attribute Groups in the Create Finding window. Entering attributes for a Finding is done in the Finding Summary window. To enter values for the attributes, click the Update button.

Action Log

The Action Log section acts as a bulletin board where you can initiate a discussion thread. You can:

- Post Comments
- Request Comments from specific users

and track these comments in the Action Log. Oracle Internal Controls Manager maintains an exhaustive history of changes and comments in this window.

Viewing / Querying Findings in Oracle Internal Controls Manager

Note that there are two levels of Findings in the application.

When you access the application using the menu path Audit > Project > Access Details and initiate/view a Finding, it is a Finding of a particular type within a specific project.

On the other hand, when you enter the application using the menu path Audit > Finding, you can query any kind of Finding Type across projects. As an example, you can choose to view the Findings for a particular control in the prior three months across all projects.

13

Control Reports

Oracle Internal Controls Manager provides seven predefined risk library reports that enable you to periodically verify the accuracy and integrity of the processes and objects that are present in your risk library. The reports are listed below:

1. Risks with no Controls report
2. Controls without Audit Procedures report
3. Controls with no Risks report
4. Risk Control Matrix report
5. Business Process Summary report
6. Process Organization Summary report
7. Audit Procedures Summary report

All of the reports are written using Oracle Discoverer and available as Discoverer workbooks. The initial seeded workbooks contain default parameters and Discoverer prompts the user during the execution of the report query for the parameters that are needed.

You may change the results and parameters for the workbooks depending on your custom requirements.

Risks with no Controls report

This report provides details on risks that have no mitigating controls. As an example, you may have a risk that revenue will be released from deferred to regular revenue when contingencies still exist on the revenue. The contingency in this case might be that the customer has the right to return a product for which they have been invoiced if the product fails installation and configuration testing.

Discoverer Workbook Name: AMW Control Reports

Folder Name: Risks with no Controls

Seeded Query: The seeded query will retrieve all risks for which no controls have been associated.

Report parameters and search results

The report has the following default parameters:

- Associated Process Name
- Associated Process Description
- Risk Name
- Risk Description

The default columns of the report are shown below:

- Risk Type
- Risk Name
- Risk Description
- Likelihood
- Impact

The query results are shown in a tabular format with data displayed for the above columns.

Controls without Audit Procedures report

It is important to know the controls that have no audit steps assigned to test them. The previous example listed a potentially risky situation where a revenue would be reclassified from deferred revenue to regular revenue when contingencies affecting it still existed.

This risk can be mitigated by a control. An example of such a control would be that journal entries that have credits to a deferred revenue account must be routed through the legal department for review before approval for reclassifying it is granted. The control however will be ineffective if all requests for such review are delegated to administrative staff without professional oversight. It is therefore critical that all controls be periodically tested with appropriate audit procedures.

Discoverer Workbook Name: AMW Control Reports

Folder Name: Controls without Audit Procedures

Seeded Query: This query will retrieve all the Controls for which no associated Audit Procedures exist.

Report parameters and search results

The report has the following default parameters:

- Risk Name
- Risk Description
- Control Name
- Control Description

The default columns of the report are shown below:

- Risk Type
- Risk Name
- Risk Description
- Impact
- Likelihood
- Control Type
- Control Name

- Control Description

The query results are shown in a tabular format with data displayed for the above columns.

Controls with no Risks report

This report lists controls with no risks. For example, you may have a control that the signature of a manager must be on a printed requisition. This control may have been superseded with Workflow approval of the web based requisition. The control is therefore no longer associated with any risk or process.

Discoverer Workbook Name: AMW Control Reports

Folder Name: Controls with no Risks

Seeded Query: This query will retrieve all the Controls for which there are no associated Risks

Report parameters and search results

The report has the following default parameters:

- Control Name
- Control Description

The default columns of the report are shown below:

- Control Type
- Control Name
- Control Description

The query results are shown in a tabular format with data displayed for the above columns.

Risk Control Matrix report

It is extremely useful to view a single report in matrix form with all the following details:

- The business process
- The risks that the business process is exposed to
- The controls that are used to mitigate the risk
- The procedure for testing the effectiveness of the control

As an example, consider the typical sales process in an organization. One of the risks that the sales process is exposed to is that recorded sales are for shipments actually made to nonfictitious customers i.e. sales transactions in the process are invalid. There could be several controls associated with this risk. For example:

- Recording of sales is supported by authorized shipping documents and approved customer orders
- Monthly statements are sent to customers and complaints receive an independent follow up

Procedures to test the effectiveness of the above controls will include the following:

- Examine records of sales invoices for supporting bills of lading and customer orders
- Examining customer correspondence files

This report provides an auditor, internal or external, the ability to view all of the above details in a single page.

Discoverer Workbook Name: AMW Control Reports

Folder Name: Risk Control Matrix

Seeded Query: This seeded query will retrieve the process, the risks the process is exposed to, mitigating controls for the risks, and the audit procedures associated with the controls.

Report parameters and search results

The report has the following default parameters:

- Process Name
- Process Description
- Risk Name
- Risk Description
- Control Name
- Control Description

The default columns of the report are shown below:

- Parent Process
- Process
- Risk Type
- Risk Name
- Risk Description
- Control Name
- Control Description
- Control Type
- Testing Procedure Name
- Test Procedure Description
- Physical Evidence Produced

The query results are shown in a tabular format with data displayed for the above columns.

Business Process Summary report

This report shows the detailed view of a parent process. You can choose to view a specific number of levels in the hierarchy below the parent process. For example, you may wish to report on the Order to Cash process, its child processes, and grandchild processes.

Discoverer Workbook Name: AMW Control Reports

Folder Name: Business Process Summary

Seeded Query: This seeded query will retrieve the summary of a process with the attributes shown below.

Report parameters and search results

The report has the following default parameters:

- Parent Process Name
- (#) Number of Levels

The default columns of the report are shown below:

- Parent Process Name
- Process Name
- Organization assigned to the Process
- Process Owner
- Certification Status
- Approval Status
- Last Audit Status
- Last Audit Date
- Next Audit Date
- Process Activity Type (Subprocess, Task)

The query results are shown in a tabular format with data displayed for the above columns.

Process Organization Summary report

This report provides information on the organization to which a process is associated.

Discoverer Workbook Name: AMW Control Reports

Folder Name: Organization Summary

Seeded Query: This seeded query will retrieve details on the organization associated with a process.

Report parameters and search results

The report has the following default parameters:

- Parent Process Name

The default columns of the report are shown below:

- Process Name
- Organization assigned to the Process
- Process Owner
- Certification Status
- Approval Status
- Last Audit Status
- Last Audit Date
- Next Audit Date

The query results are shown in a tabular format with data displayed for the above columns.

Audit Procedures Summary report

This report provides details on audit procedures associated with a particular process, risk, or control.

Discoverer Workbook Name: AMW Control Reports

Folder Name: Audit Procedure Reports

Seeded Query: This seeded query will retrieve a summary of the audit procedures associated with a process.

Report parameters and search results

The report has the following default parameters:

- Process Name
- Process Description
- Risk Name
- Risk Description
- Control Name
- Control Description

The default columns of the report are shown below:

- Audit Procedure Name
- Audit Procedure Description
- Date Last Executed

The query results are shown in a tabular format with data displayed for the above columns.