

FREE PRACTICAL GUIDE

INTERNAL AUDIT RESOURCE LIBRARY

CONTINUOUS MONITORING

How to Design Continuous Monitoring Tests

A practical guide to converting recurring audit tests into repeatable data-driven monitoring

This guide is designed for internal auditors who need a concise, practical way to apply design continuous monitoring tests in real engagements. It focuses on decisions, evidence and common failure points rather than theory.

THE OUTCOME YOU WANT

A practical guide to converting recurring audit tests into repeatable data-driven monitoring.

The six-step approach

- 1 Choose risks with frequent transactions and stable data.
- 2 Define the exact exception logic and required fields.
- 3 Set thresholds that balance sensitivity and false positives.
- 4 Assign ownership for investigation and closure.
- 5 Pilot the test and tune logic using real exceptions.
- 6 Track trends, repeat offenders and unresolved items over time.

Steps 1-3: Build the foundation

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1

Choose risks with frequent transactions and stable data.

Define the decision, risk or process question before collecting evidence. Write down what a good outcome would look like.

2

Define the exact exception logic and required fields.

Use actual transactions, system evidence, data and accountable owners to confirm how the process operates in practice.

3

Set thresholds that balance sensitivity and false positives.

Record assumptions, exceptions and boundaries early so later testing remains focused and reproducible.

AUDITOR PROMPT

Ask: "What evidence would convince another experienced auditor that this conclusion is reasonable?" If the answer is unclear, strengthen the planned work before moving on.

Steps 4-6: Turn work into assurance

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4

Assign ownership for investigation and closure.

Match the depth of work to the severity of the risk. High-risk conclusions need stronger evidence and clearer documentation.

5

Pilot the test and tune logic using real exceptions.

Challenge exceptions for frequency, impact, root cause and management awareness before deciding what they mean.

6

Track trends, repeat offenders and unresolved items over time.

Finish with an explicit conclusion and next action: no issue, improvement opportunity, finding, escalation or follow-up.

QUALITY CHECK

Before you finalize, ask whether the work directly answers the original audit question, whether evidence is sufficient, and whether a reader can understand the reasoning without being in the audit team.

USE CASE

Travel expenses.

TEST

Hotel nights above market-adjusted limit without documented exception approval.

FREQUENCY

Monthly.

OWNER

Finance/HR review with Internal Audit trend oversight.

MEASURE

Exception rate, repeat employees, repeat approvers and unresolved items.

What makes the example useful?

- It starts from a specific risk or audit question.
- It connects evidence and testing to a conclusion.
- It avoids treating process description as proof of control effectiveness.
- It leaves a clear path for management action or follow-up.

Quick reference - use this on your next audit

How to Design Continuous Monitoring Tests

Five practical reminders

- A test is only useful if someone owns the exceptions it creates.
- Start with a few high-value tests rather than dozens of noisy alerts.
- Retain logic, data sources and thresholds so changes are controlled.

Mini self-check

- ☐ Have I linked the work to a clear audit objective or business risk?
- ☐ Is the evidence strong enough for the importance of the conclusion?
- ☐ Have I distinguished facts, explanations and assumptions?
- ☐ Have I considered root cause and recurrence, not only the immediate exception?
- ☐ Can management understand what decision or action is required?

RESOURCE NOTE

This is a practical learning resource, not formal professional guidance. Adapt the approach to your organization, applicable standards, regulation and audit methodology.