Bridging the gap between Internal Audit and IT functions

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Building a better
working world

Agenda

► **Definitions**

► **Relation between Internal Audit and IT**

► **Symptoms of a disconnected function**

► **Dangers to an organization**

► **Creating a working environment that promotes a team spirit between Internal Audit and IT**

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Introduction

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Definitions

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Internal Audit

Definition

► Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

Source: Institute of Internal Auditors

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Internal Audit

► It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

► Internal Auditors' roles include monitoring, assessing, and analyzing organizational risk and controls; and reviewing and confirming information and compliance with policies, procedures, and laws. Working in partnership with management, internal auditors provide the board, the audit committee, and executive management assurance that risks are mitigated and that the organization's corporate governance is strong and effective. And, when there is room for improvement, internal auditors make recommendations for enhancing processes, policies, and procedures.

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Classifications

► **Financial Audits**

Financial audits address issues of accounting and reporting of financial transactions. Its purpose is to assess the accuracy, validity and reliability of department or organization financial records and reports.

► **Operational Audits**

Operational audit reviews functions within an organization for efficiency and effectiveness from a cost-benefit standpoint.

► **Integrated Audits**

Combines financial and operational audit steps

► **Administrative Audits**

Oriented to assess issues related to the efficiency of operational productivity within an organisation

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Classifications

► **Compliance Audits**
Compliance audits are review of financial and operational controls to determine how well the organisation adheres to established laws, regulations, policies, and procedures of the organisation, government, and other regulatory agencies. Contractual agreements into which the organisation has entered also may be subject to review.

► **Information Systems Audits**
This type of audit addresses the control environment of computer information systems and how they are used. This is a technical review that may include evaluating system input, processing and output controls, data and physical security, contingency planning and disaster recovery, system administration, etc.

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Classifications

- **Specialized Audits**

  Specialized IS reviews performed by 3rd parties e.g. SAS 70-type audit

- **Investigative/Forensic Audits**
  These audits are performed to investigate incidents of possible fraud or misappropriation of assets.

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Information Technology(IT)

"The study, design, development, application, implementation, support or management of computer-based information systems".

Source: Information Technology Association of America

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IT as a strategic resource

Forces driving the strategic importance of IT

- ► *Increased competition*

- ► *Globalization of operations*

- ► *Organizational changes*

- ► *Technology revolution*

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Relation between Internal Audit and IT

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Internal Audit and IT

► To enhance independence Internal Audit should have unrestricted access to all records, personnel, and equipment in carrying out the objectives of an audit.

► **Including** computer-based information systems

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Dissimilarities between IA and IT

► The IT people maybe look down on internal audit and say, 'You guys don't know what you're doing.' The internal audit people are more interested in assessing the overall business processes, and so many of them may view this IT stuff as a 'necessary evil'

Internal Audit	IT
Measurer of value	Creator of value
Value driven	Value Chain driven
On Board	Generally, not on Board

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IT's role in Controls

Preventive	Detective	Corrective
Firewalls	Vulnerability scans	Incident response teams
Intrusion prevention systems	Intrusion detection systems	Business continuity management
Access Controls	Penetration tests	Patch Management systems
Device configuration	Logs	
Encryption		

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Relation between IA and IT

TCP/IP, WCF,
HTTP, SNMP, .Net,
ISO 17799, COBIT

EBITDA, ROTA,
IAS 39, IFRS,
debtors days,
GAAP

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Symptoms of a disconnected function

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Symptoms of a disconnected function

▶ Bureaucracy

▶ Delays in receiving information from IT

▶ Allocation of minimal IT resources to Internal Audit

▶ Non involvement of Internal Audit in IT projects

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Symptoms of a disconnected function

► Auditors assigned limited access rights

► Audit work dependent on IT

► Defensive approach to addressing of IT weaknesses identified by Internal Audit

► Resistance to audit

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Dangers to an organization

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Dangers to an organization

► Information security

► Effect on Audit Independence

► Risk management

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Dangers to an organization

► Inadequate/slow implementation of internal audit recommendations

► Source of inefficiency and potential conflict

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A working environment that promotes a team spirit between Internal Audit and IT

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Creating a working environment that promotes a team spirit between Internal Audit and IT

► Tone from the top

► IT Involvement in Audit Plan

► Attitude and perception

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Creating a working environment that promotes a team spirit between Internal Audit and IT

► Internal auditor's level of technical IT-related knowledge

  ► Leveraging technology

  ► 'Poaching' staff from IT function

  ► Second selected staff to the IT department for a year or longer before returning them

► Enhance communication

  ► Physical location

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Dos and Don'ts

Dos

► Focus on "process improvement"

► Act as "partner"

► Engage in "continuous assessment"

Don'ts

► Focus on "compliance"

► Act as a "policeman"

► Engage in "periodic assessment"

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Questions

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