



Expanding the art of 'can do'



Current Trends & Challenges for IT Internal Audit Departments

This white paper highlights some leading edge observations on current trends and challenges facing the IT internal audit landscape.

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Internal audit (IA) and particularly information technology (IT) internal audit has gone through a major renaissance over the last decade, with the speed of change much increased over the last 5 years. However, not all IT IA departments have been able to keep up with the expectations and demands placed on them by their stakeholders. Many departments have to their detriment stayed stagnant and are starting to pay the price for this as they find that sweeping change (quite often brought about by new leadership) have seen them in many instances, marginalized and in the worst cases ousted to be replaced by 'new blood' or consulting firms.

An IT IA department's reputation is not only built on the end product (i.e. the audit reports) but also on intangibles such as its internal brand, reputation and, ultimately by the quality of its people. This is a demanding environment for IT IA departments and the practices of yesteryear will not be sufficient to succeed today and going forward. Low-level compliance checking of IT controls (e.g. entitlements, change management etc.), while of value, is no longer adequate. In the leading edge IT IA department of today there has been a shift away from concentrating on the low level operational IT controls. Powerful analytics tools that monitor the operational IT controls are now being put in place allowing departments to move towards providing wider business assurance and more strategic value to the organization.

Leading edge IT audit departments are responding to the need for change by becoming more business-like, developing more efficient and effective audit plans and providing increased specialization. They are becoming less rules-based and prescriptive "issues are either black or white" - there is now a gray areas and more professional dialogue with management. Assurance, derived through both quantitative and qualitative data, is jointly co-produced by both the auditor and the manager. This evolving environment requires IT auditors to be multi-skilled, savvy, specialized, professionally qualified and have a high level of understanding of not just the technology elements but controls and the business that the controls are designed to preserve.

Six key stress points for IT internal audit departments today:

- ⇒ Balancing the objectives
- ⇒ Short-fall in IT audit skills
- ⇒ Demand for IT audit to help ‘make the business better’
- ⇒ Pressure to deliver more with less
- ⇒ Ability to communicate technical issues in business terms
- ⇒ Ensuring an appropriate level of consistency and quality

Balancing the Objectives

‘IT internal audit needs to rebalance the IT Internal audit objectives’

IT IA departments should be looking for opportunities to be more strategically involved in ‘making the business better’, while continuing to ‘keep the business out of trouble’. Today in many organizations IT IA’s involvement in strategic areas is not delivering or perceived to be delivering recognized value to the business.

IT IA needs to be more visible in the review of programs and strategic project being undertaken by the organization. IT IA also needs to be better integrated with the financial/corporate audit groups in the risk assessment phase so that more opportunities for integrated audits can be identified.

Short-fall in IT audit skills

‘Pressure of limited skilled resources’

Many organizations face difficulty in identifying, recruiting and maintaining individuals with good IT audit skills. As a result the individuals with the skills are overstretched. Consequently not much time is spent to train IT auditors who are already on the job. This is a catch twenty-two. The majority of IT audit organizations provide less than 2 weeks of training to each IT auditor per year. A couple of ways to address the skills gap is by introducing the concept of ‘guest auditors’ or co-source arrangements for specialist areas with in house auditors shadowing the experts who are brought in to perform the reviews.

Demand for IT audit to help make the business better

'IT Internal Audit needs to be engaged early with regards to strategic business decisions'

The better the relationship between IT audit and the IT/business areas, the more the IT audit team can integrate and align itself with the IT/business areas. This way the IT audit team is seen as adding 'real value' to the organization and this is beneficial for all involved. If this is the case IT internal audit can be consulted early in the feasibility or planning stages of major strategic decisions such as the outsourcing of activities or the implementation of a major change. In both these scenarios common challenges that may have been identified by IT IA are not always identified early on when they can usually be addressed more quickly and cost effectively.

Pressure to deliver more with less

'IT IA needs to spend less time focused on the low hanging fruits - Use of Continuous Control Monitoring (CCM) and Data Analytics Tools'

To deliver more with less, IT IA departments are beginning to realize the value in Continuous Control Monitoring (CCM) and the use of Data Analytics tools and products. Going forward IT IA departments will need greater assurance that typical low level IT related risks and controls, such as, logical access and change management controls, are being monitored effectively by IT or the business management's own control assurance activities where ever possible. The use of data analytics, monitoring and dashboards could help in this area. These tools may originate from the IT internal audit groups and eventually ownership can be migrated firstly to the corporate/financial auditors and ultimately to the business or IT owners. In this situation IT auditors can rely more on exception reporting, or spot checks and reduce greatly the amount of audit work needed. This will free IT audit resources to focus more on improving the organization's IT assurance plan.

Ability to communicate technical issues in business terms

‘Speak to the business not to the techies’

One of the greatest challenges for IT auditors is the need to articulate highly complex issues in business-orientated language to a wide 'client' group which includes departmental management, senior executives, the Audit Committee and even the Head of Internal Audit. Today many IT audit groups need to re-assess the way they report on issues. A technical statement highlighting a risk and control deficiency may be appropriate for reporting to people in the 'controls' businesses and middle level IT managers but is not often appropriate for a report targeted to, say, the CIO or other executives. Issues should be clear, concise and solutions orientated. They should also identify the real impact to the business of the risk materializing and should be risk ranked accordingly. Many IT audit heads are beginning to realize the value of sending their team members on report writing courses as IT auditors often come from a technical background, and may sometimes possess fairly limited report-writing expertise.

Ensuring an appropriate level of consistency and quality

‘Lack of consistency or quality’

Internal audit, more than any other function, needs to show an appropriate degree of quality assurance and performance reviews. This is highlighted by the fact that in order to preserve its independence internal audit is not “managed” in the same way as most other departments within an organization. This factor can be accentuated for IT internal audit departments which in many organizations may be one level detached from the corporate/financial audit groups. Corporate/financial audit leaders and team members can sometimes have a view of IT audit being a ‘black box’. For this reason it is imperative that IT internal audit puts in place suitable performance measures, metrics and independent quality assurance arrangements to measure the level of its work products. Independent quality assurance in this instance should not be confused with independent work paper and report reviews performed by an audit manager, which the majority of IT internal audit groups have. This is an exercise where a knowledgeable professional independent of the IT internal performs a review of a cross section of the departments work. Leading edged IT internal audit departments are now performing quarterly reviews where a certain population of audits are selected and reviewed by an outsider. Finding and suggestions for improvements that come out of these reviews are swiftly acted upon and in this manner the departments is constantly climbing up the maturity scale for quality.

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