
Integrating process and technology on audits

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As Cindy Hickenbottom, an auditing officer with Mid-State Bank & Trust in Arroyo Grande, Calif., likes to point out, "There is no 'I' in 'team'."

But with careful planning, there can be an "IT" and "P" in "team" - by integrating both process and information technology components into one coordinated project.

There are plenty of reasons to do just that. "By integrating the process and IT at the same time, you have people from both sides involved. You can do a more risk-based assessment. You get a thorough picture of all the risks," says Paul Lopez, a Protiviti Associate Director.

Combining both elements into one review results in better recommendations for clients, adds Jeff Sanchez, a Protiviti Director. "There may be cases where you can identify issues, but not the root cause if you don't have an integrated team. You might try to fix a system when the root cause is process related."

Integrated reviews may seem like common sense, but they haven't always been standard practice. "I think people have just gotten stuck in silos: 'I'm a technology person; you're a process person. And you have your team, and I have mine, and we each do our own thing.' It could be as simple as that," says Tom McClune, a Protiviti Managing Director.

But with so many clients using Enterprise Resource Planning (ERP) to drive specific processes, not looking at both components means "you're missing the boat," McClune adds.

A balanced relationship

From the outset, integrated reviews should be a marriage of two equals. "You can't have IT do their work, then perform process work, and then at the end expect it all to come together somehow," Lopez says.

"Every time we have a project in the planning phase, we bring together people from a technology background and a process background to talk and understand what the objective is, what our goals are, and what the related risks are in order to determine to what degree there are process and technology components," says Sanchez, whose own background is in technology. "As we build the risk matrix, we've got people with different skills identifying risks and how to test for them."

Both sides need to be equally represented from the start, agrees Lopez. "When you meet with the client or auditee, you need to bring in someone from each team, or someone who's conversant in both areas, to understand the business process, the technology that supports it, and the client's specific needs and concerns."

From there, detailed planning continues to be key. On a recent project Lopez and his team were asked to review a business unit that had fallen into disarray. In a discussion with the client, Lopez, along with a technology expert, walked through the unit's key business processes, evaluated the significance and assessed the likelihood of the risks. Based on that exploration, Lopez and his technology partner prepared a scope document that recommended areas for review, along with a project cost estimate. The integrated approach produced a complete scope document that ultimately results in a thorough review of all aspects of the business unit - the day to day processes as well as the process-enabling technologies.

Executing the integrated audit

After planning comes the execution phase. The first step in an integrated audit: assign an overall project lead to set the timelines, coordinate the process and technology pieces, and oversee the project's execution. The lead will also serve as a clearinghouse for questions and information. "If we know something, we want to share that knowledge with all team members, rather than going back to the client repeatedly and asking the same questions over and over," Lopez says. The lead can be either a technology or a process auditor.

The lead also establishes the project's communication protocols - how team members will update each other and the project lead, and how often. The lead is responsible for making the client see the project team as a seamless and unified group. "The project lead presents the timeline and project phases to the client," Lopez says. Everything is spelled out: the number of processes to be reviewed, when information requests will be made, deadlines for that information, fieldwork dates, closing meeting and discussion of issues and draft and final reports."

During fieldwork the team lead lets the client know when particular portions of the fieldwork are complete. Each team member clears findings and results with the process owner during the fieldwork as a form of validation, while the project lead makes higher-level reports to the client. Again, the point is seamless execution and conveying that this is an integrated risk-based audit and not simply an IT or process project.

Watching for pitfalls

Though the integrated audit may appear seamless to auditees, the audit teams face any number of challenges.

A big mistake, says Lopez, is failing to identify the scope upfront. Doing so as the project progresses can mean paring back and ignoring risks, or overextending and going over budget. Another stumbling block involves communication breakdowns. The time to discover holes in the audit is not toward the project's end. "Then you either have to say, 'We didn't look at these key areas,' which is not good, or you have to go back and scramble to get it done," Lopez says.

Bad hand-offs of deliverables between teams also cause problems. For example, incomplete testing, or reports with poorly supported findings will waste time as the project lead goes back to follow up on the details in order to wrap up the final deliverables. Furthermore, if the team lead is a process auditor, he or she may not have the specific expertise to follow up on a dangling technology issue - and vice versa.

It is also important to establish consistent documentation and writing standards for the teams so the deliverables can be melded together seamlessly into a final report without significant reformatting and re-writing.

And, frankly, an integrated audit may not be more efficient from the client's standpoint; it can keep the client busier and use more resources. "It can put more strain on them," Lopez says. But the trade-off may well be worth the results of a more thorough, risk-based result.

Findings

An integrated audit has the advantage of discovering technology or process risks that may go unnoticed in a one-sided audit. "When we bring technology expertise directly into a process audit, frequently what we uncover is unauthorized access to applications," says Tammy Valvo, Protiviti Director.

She recalls a review last year of a bank client whose data should have been restricted to those in one particular department and to executive management. "We found, when looking at the user codes, that the security levels hadn't been designed properly, so pretty much everybody in the bank had access to the data," Valvo says.

Such information may not have surfaced in a nonintegrated review, she says. "A lot of times process auditors don't think to ask for lists of authorized users for a particular application. If you integrate the technology review, this aspect automatically becomes part of your work program."

"Similarly, when process experts are integrated into technology audits we identify opportunities to enhance efficiency and can help get to root causes. For example, in a traditional technology review you may identify that users are using the incorrect system function to record fixed asset adjustments. The process auditor would then trace that issue back to the root cause reasons the incorrect function is being used and the balance sheet impact of this error. A pure diagnostic review of the technology may not get to the root cause of the issue - which is a process-related root cause." Valvo asserts that, "the advantage in the integrated audit is that the corrective actions reduce the likelihood the event will recur because they address the whole issue instead of the symptoms. In audit testing we're really finding symptoms of a larger problem."

Mid-State Bank & Trust's Hickenbottom, a veteran of several integrated audits, observes that these integrated reviews help overcome the problems associated with IT and process segregation. "You have a more complete understanding of how things work, which can improve your processes or point out weaknesses in the technology controls, for example."

"Overall, it's a good way to add value," Valvo concludes.

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