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The Ever-transforming Audit Universe



Huzeifa I. Unwala

Senior Partner, JHS & Associates

huzeifa.unwala@jhsassociates.in



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Audit Galaxies & Planets

To define the internal auditor's scope and boundaries, preparation of the audit universe is the first step in executing an effective internal audit programme. This satisfies the internal auditor's strategy and management's governing intent that the entire universe of IA activities is current, comprehensive, and complete.

Historically, internal auditors have designed the scope and remit of IA activities based on auditable units such as financial statements, business divisions, processes, functions, office/geographical units, subsidiaries, SBUs, business plans/budgets,

products/solutions, technology, assets or group of assets, etc. as part of the internal auditor's universe.

Audit universe is the possible list of all the items that may fall within the purview of internal auditing, akin to a master list.

Management and Internal Audit teams performed annual risk assessments on this master list of items and selected the most significant ones as part of the scope of internal auditing. It is usually a high-level organisation that identifies processes, resources, and risks, allowing for a risk-based selection of the audit areas (refer to Figure 1).

Figure 1: Relationship of Risk Assessment & Audit Universe



Risk Assessment influences the Internal Audit Universe by focusing the auditor's attention on key business areas that could significantly impact the achievement of business objectives of the organisation. Through annual risk assessment (arguably the best planning tool), internal auditors introduce new auditable units that may assist Boards in protecting value impairment. Further, the audit frequency may also be decided based on the movement of risk and likely impact.

The Supernova Effect, propelled by Covid 19 & Digital Transformation

A supernova happens when there is a change in the core or center of a star. The health and economic fall-out of the Covid 19 pandemic and the wave of digitalising businesses have grossly impacted the core of business functioning and, consequently, the auditor's universe.

Reluctant businesses are forced to re-think their traditional ways of doing business as most employees are electing to work in hybrid models/work from anywhere. While organisations embrace new apps to reduce their costs and make client deliveries more efficient, such as

mobile and remote work products, cloud computing, blockchain, robotic process automation, and machine learning algorithms, they are increasingly exposed to new risks such as fall in breach of user services, inadequate process functionality mapping in source codes, device misconfigurations, third party failures, information security holes, data theft, loss of data integrity, compromise of customer PII and inadequate cyber insurance.

New-age business models and newly incubated companies are being built on data acquisition, aggregation, and distribution models with boundary-less operations. In such business models, the principal risk

factors that have emerged around technology development, deployment, and usage.

New Shining stars in the Audit Universe

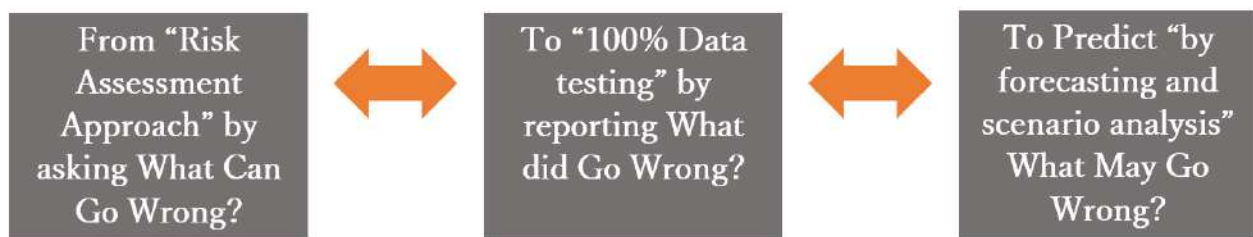
Digitalisation is blurring the traditional lines of protection, viz., 1st, 2nd, and 3rd Lines of Defence. Now, internal controls are in the nature of event-specific routines residing in anonymous transaction clicks, OTPs, facial recognition, finger swipes, post-confirmation messages, etc.; the concept of internal controls are being subsumed into the larger concept of "trust criteria" where the handshake of the parties is consummated

based on a pre-agreed trust criterion.

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- Data governance standards (that include identity management, know your data protocols, right to data access, retention, change management, data segregation and isolation, encryption, etc.),
- Configurable computing resources (e.g., networks,
- User behaviour patterns, exception monitoring and suspicious activity tracking procedures.
- Cyber Security Breaches or Human errors leading to business disruption: Internal Audit needs to continuously reassess the audit plan to cover enhanced cybersecurity areas covering concerns

Figure 2 - THE JOURNEY OF => WHAT CAN? => WHAT IS? => WHAT NEXT?



The new age Audit Universe that is technology measured shall include:

- Internal controls around ethical conduct in Technology development, deployment, and use.
- Internal controls that reside in Platforms (customer facing and order fulfilment applications), breach of use of services promises, data exchange treatise, contract jurisdiction, customer-generated content checks and vendor service level agreements.

servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management efforts or service provider interaction, data and cloud security frameworks, configuration management, redundancy and failover, incident management and business continuity, transaction defined risk limits, real-time control insights, third party audits and attestations, etc.

of personal data protection, privacy breaches, cyber resilience, critical information infrastructure viz: Privilege Access Management, Data Loss Prevention, Security Incident Monitoring and reporting, Social Engineering, etc. Review of SOC reports and impact of their disclosures on internal auditor's scope of work.

