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AUDITING THE DIGITAL ENTERPRISE

RAGHU RV , CISA, CRISC

4/3/2018

AGENDA

- Introduction

- Audits then, now and tomorrow

- The Digital enterprise

- Change is coming

- Reinvention

- A model for the future

- Conclusion

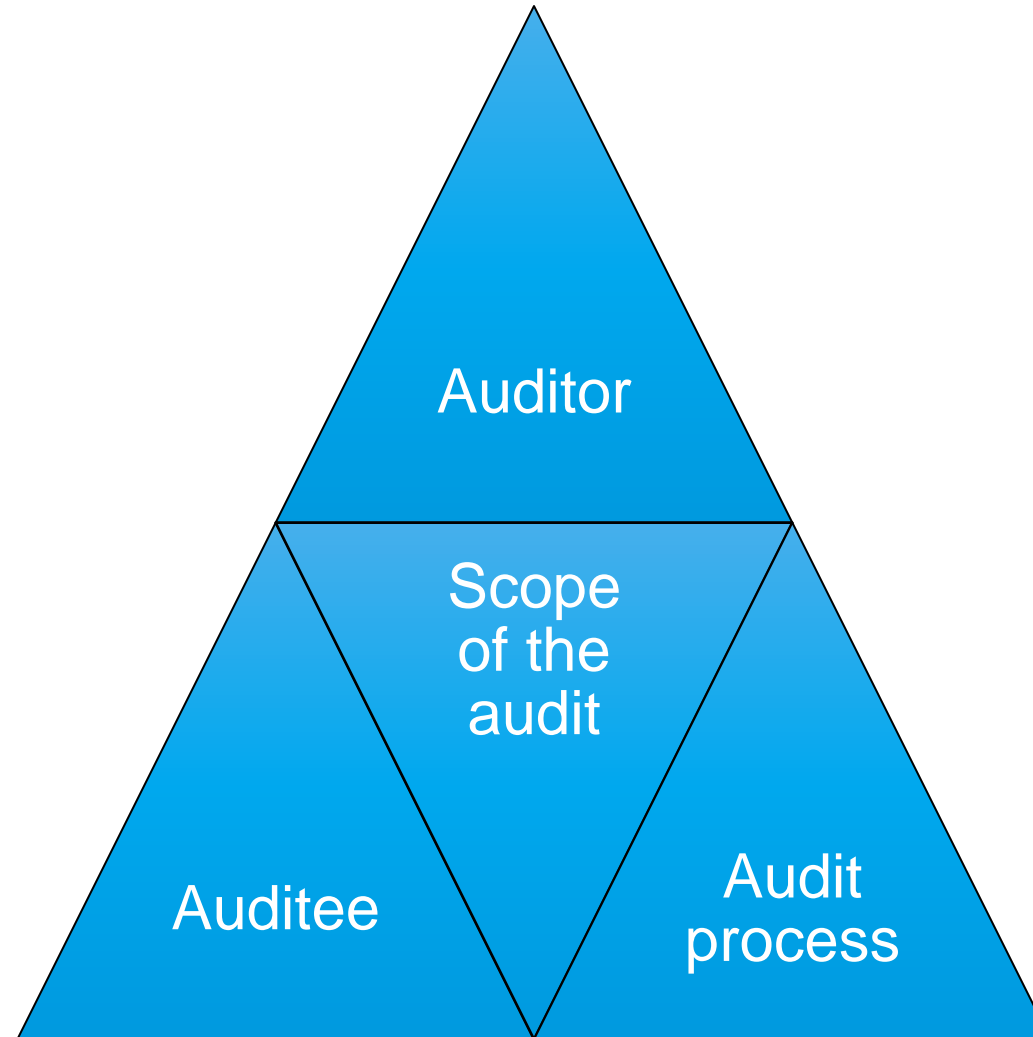4/3/2018

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LEARNING OBJECTIVES

- Appreciate the nuances involved in auditing the digital enterprises

- Understand the areas of emphasis in this new digital age

- Look at alternate approaches to auditing the digital enterprise

- Tweak the audit lifecycle to suit the digital enterprise

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AUDIT THEN

Auditors?
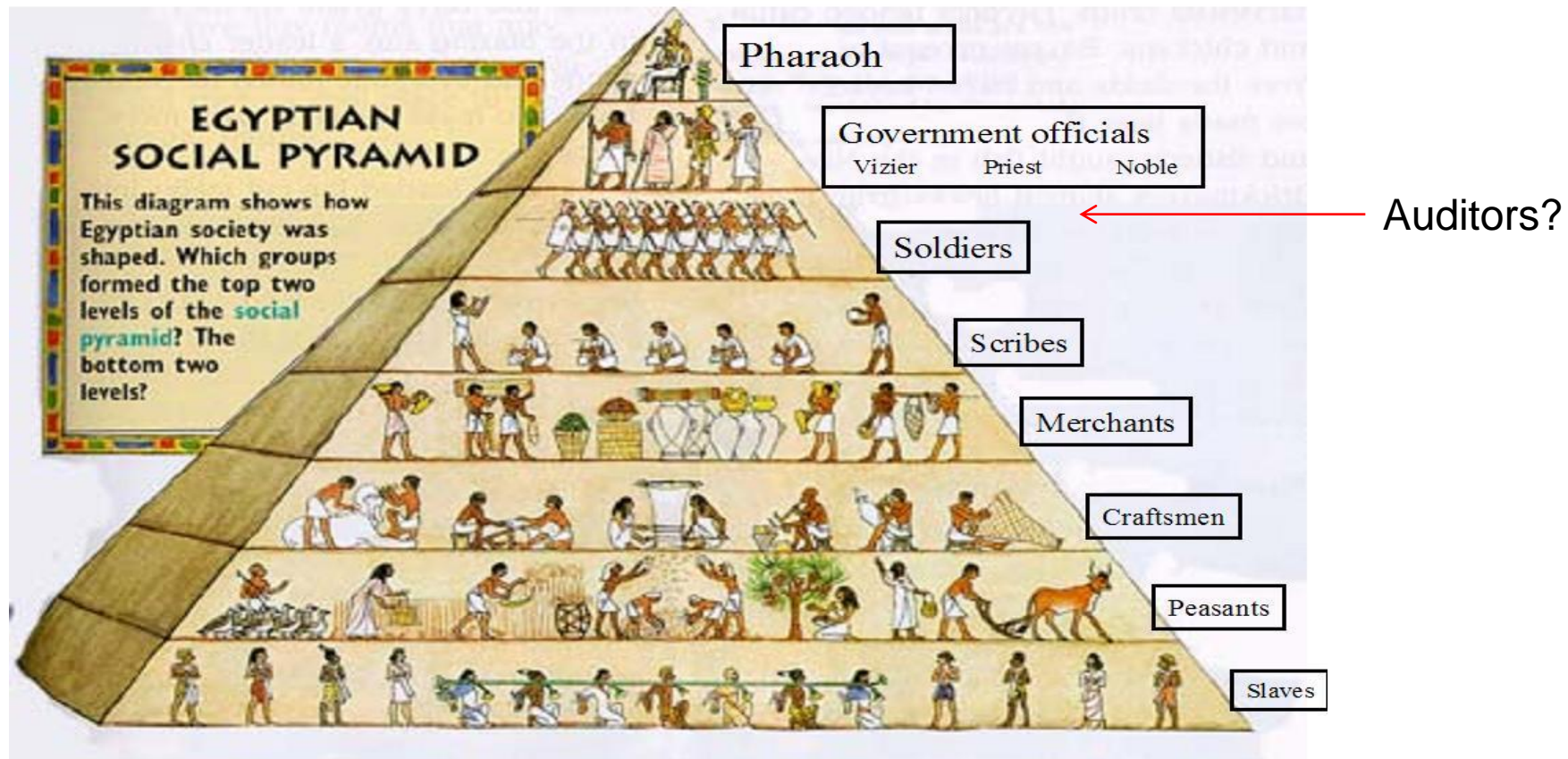
THE AUDIT TRIANGLE

TODAY'S ENTERPRISE

Business and business processes are going digital

Blurring of distinction between business process and technology

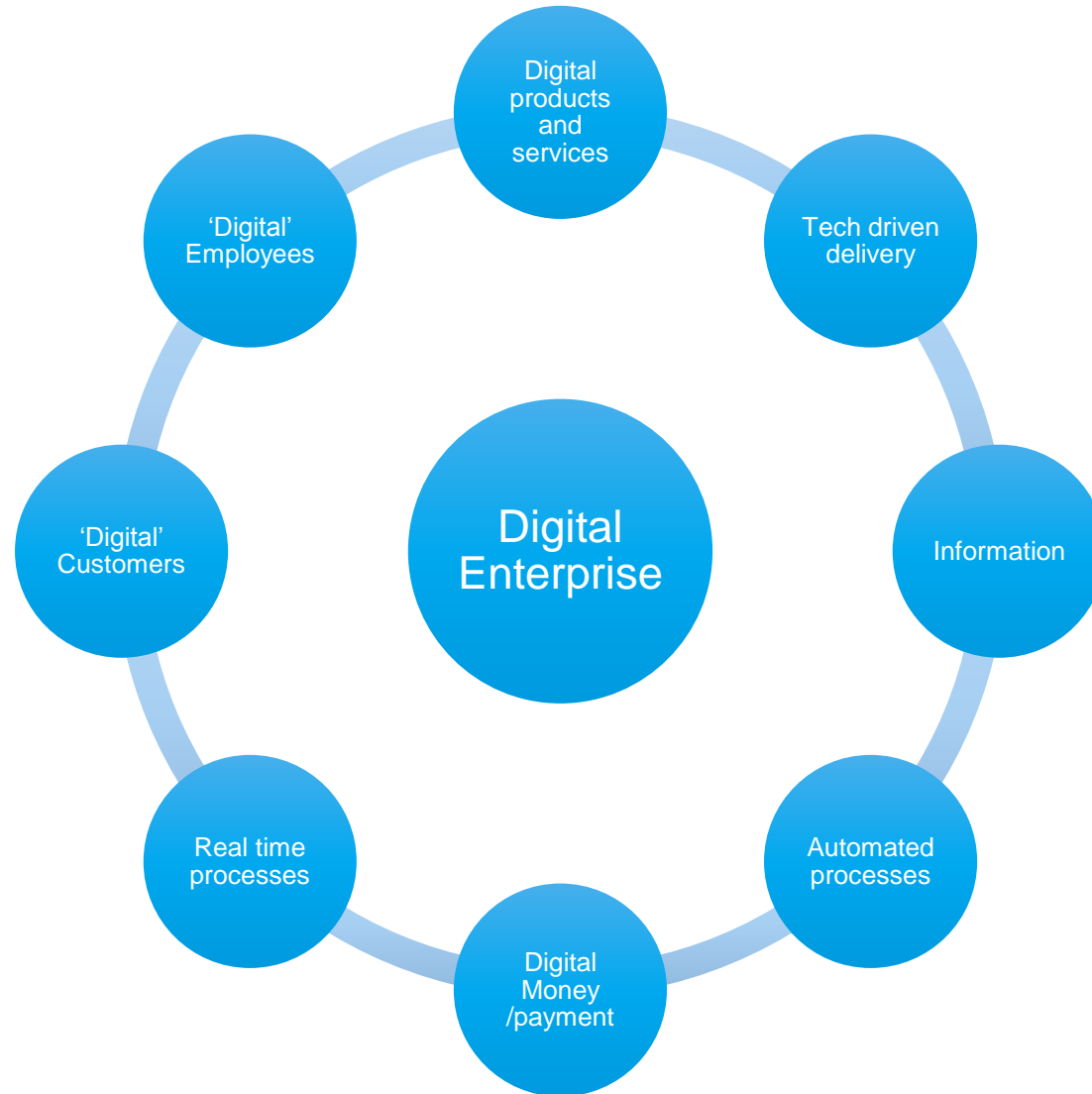Separation of IT and business process difficult

Tech savvy customers demanding digitization

Business is real time

Increased used of robotic process automation, AI, Chatbots, machine learning, IoT etc.

Everything is digital

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THE ENTERPRISE OF TOMORROW

DEFINING THE *DIGITAL ENTERPRISE*

Increasing/high use of technology to deliver outputs

Business processes driven/managed/operated by non-human entities

Customers interact with the business through non-human points of contact..

Customer is not always 'human'

Digital metabolism

Increased used of technology that is near *autonomous or autonomous!*

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We are all looking down the *Digital rabbit hole*

The *Digital enterprise* demands *disruption* in "value" from audits

Ensure Resource optimization

Ensure Risk optimization

Enable Benefit realization

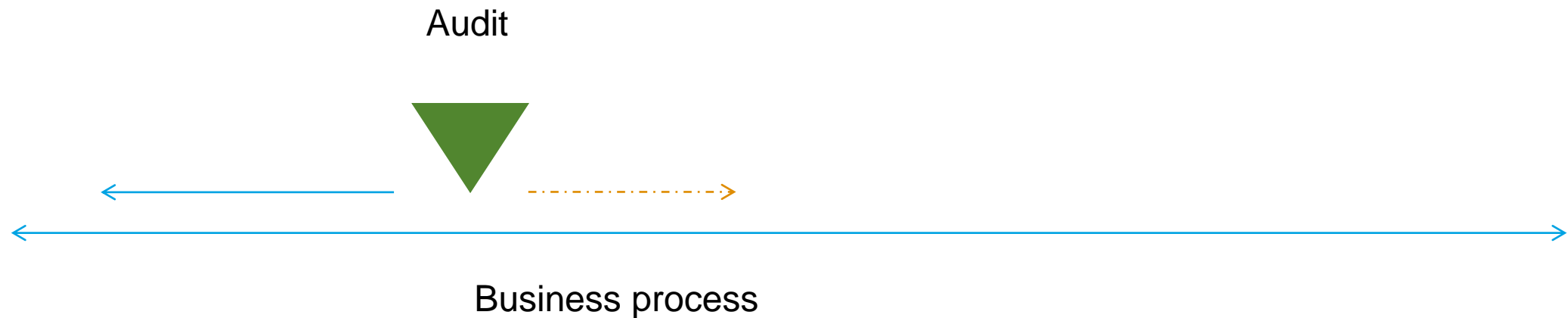Evolve beyond the 'third line of defense'

AUDITS THEN AND NOW..

Traditional audit attributes
- Point in time
- Looking backwards as part of the audit
- Report findings
- Action on findings

Evolving audit attributes
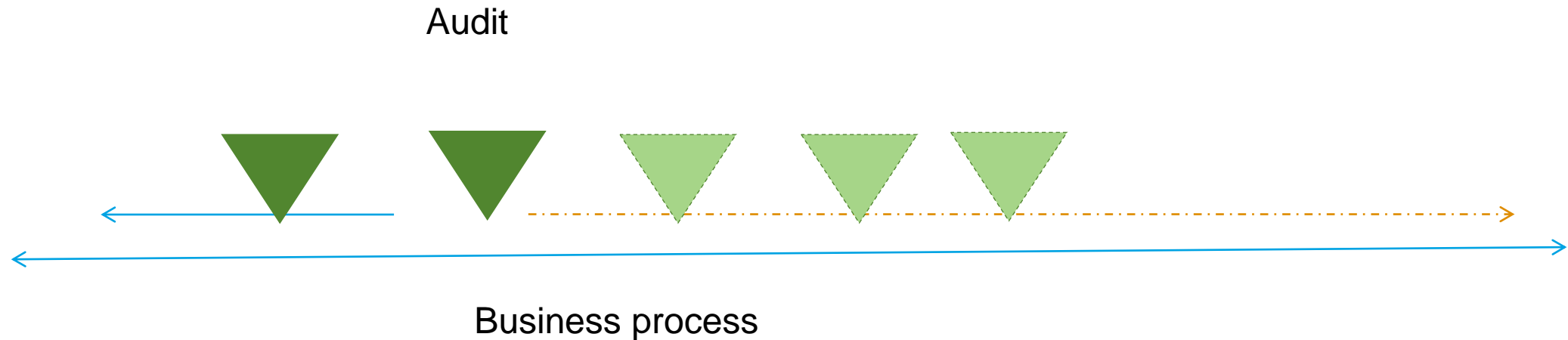- Moving to concurrent status
- Looking 'over the shoulder' and in line with the process
- Report findings
- Action on findings

Audit

Business process

AUDITS IN *DIGITAL ENTERPRISE*

Audit of the future
- Concurrent to business process
- Multi temporal PoV
- Limited lag between reporting and action on findings
- Need for real time or near real time actions

Audit

Business process

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EVOLVING ASPECTS OF AUDITS

- Competency
- Independence

- Traditional scoping may no longer apply

Auditor

Scope of the audit

- Scoping
- Evidence collection & retention
- Usage of tools

- Non-human auditees

Auditee

Audit process

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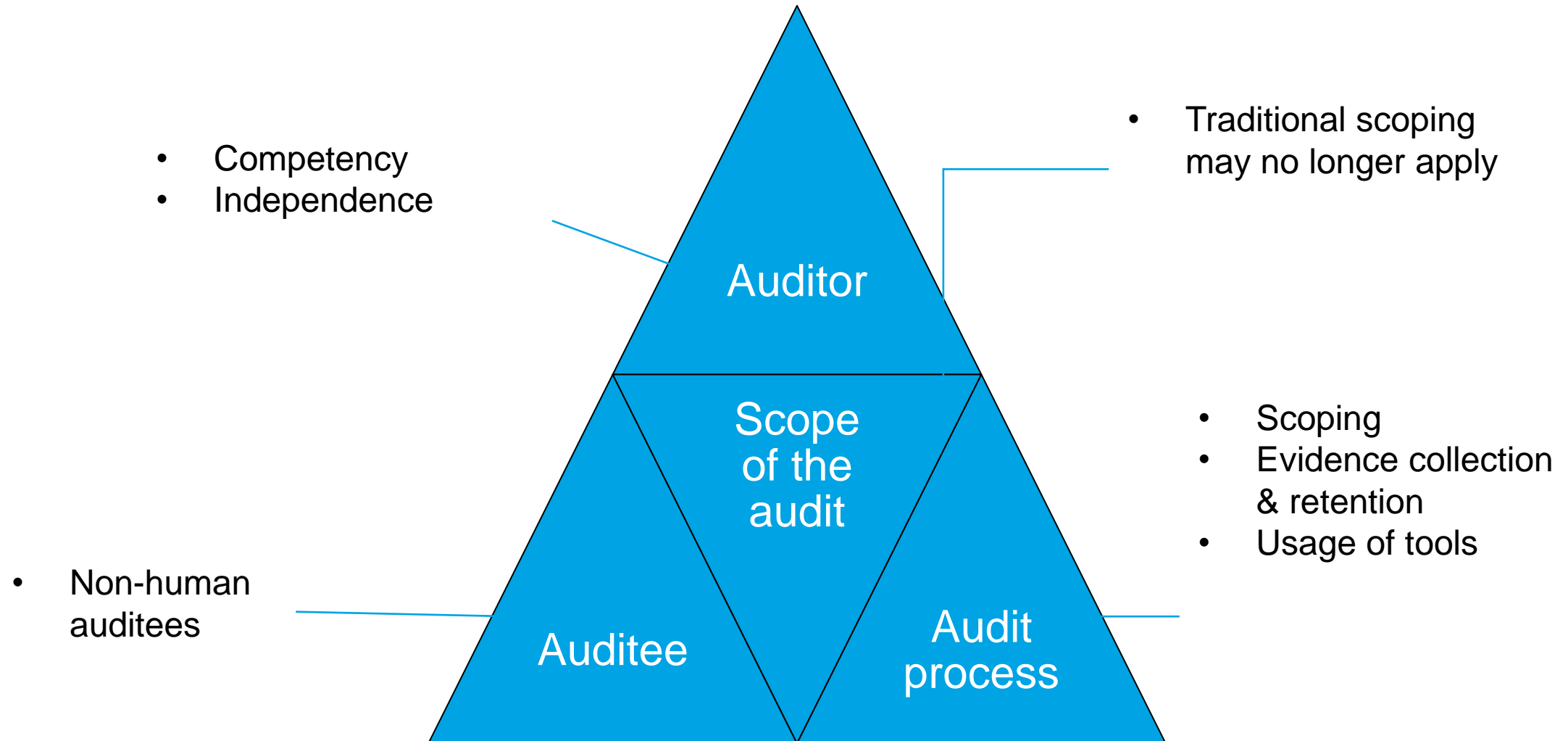
AUDIT IMPLICATIONS FROM THE DIGITAL ENTERPRISE

- Audit is concurrent /real time

- Evidence management
  - Approaches to obtaining evidence will change
  - Evidence analysis, retention will change

- Corrective action time frames change dramatically - actions required real time-near real time

- Blurring of audits/reviews/monitoring

- Increased integration between business and 'audit'

- Need for increased audit skepticism

- Need for high quality audits /increased reliability

- Contextual reporting v/s binary reporting

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We all need to be Change agents who 'illuminate the way' and manage the friction of stepping outside the status quo.

David Bray, CIO of the FCC,

REINVENTING AUDITS

High

Reinventing Agility

| Change agile | Judo Champion |
| Visually impaired | Legally Blind |

Low   Shockwave strength   High
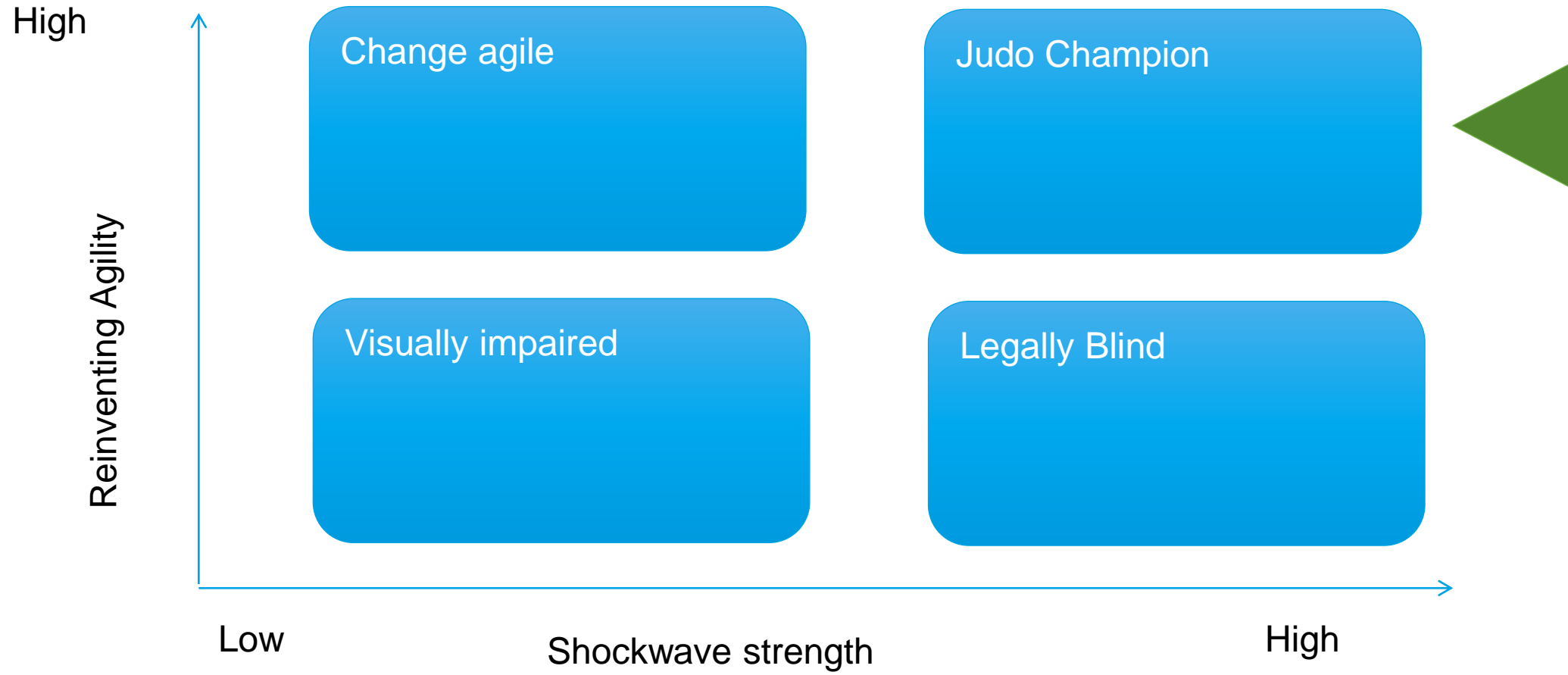
Reinvention: accelerating results in the age of Disruption- *Shane Cragun & Kate Sweetman*

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FUTURECASTING…

- Audit of the digital enterprise will need to focus on :

- Business process risk management

- 'Strength' of controls

- Change management

- Configuration control

- Increasing need to use analytics..

- Coalesced insights drawn from multiple sources

- Ability to analyze larger sets of data rather than sampling

- Audit 'intelligence'

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IMPLICATIONS FOR THE AUDIT PROFESSIONAL..

- Outsider to trusted, valued insider

- Collaborate more /Share knowledge

- Keeps abreast of changing technology

- Possess high domain knowledge.

- Uses tools extensively.

- Be closely attached to the business process..without impinging on independence

- Engage before and during the course of business rather than only post facto.

- Increasing need to involve in post audit actions

IMPLICATIONS FOR THE AUDIT PROCESS

Increasing reliance on rules/parameterization

Embedding of audit routines into the business process

On-going collection of evidence & analysis
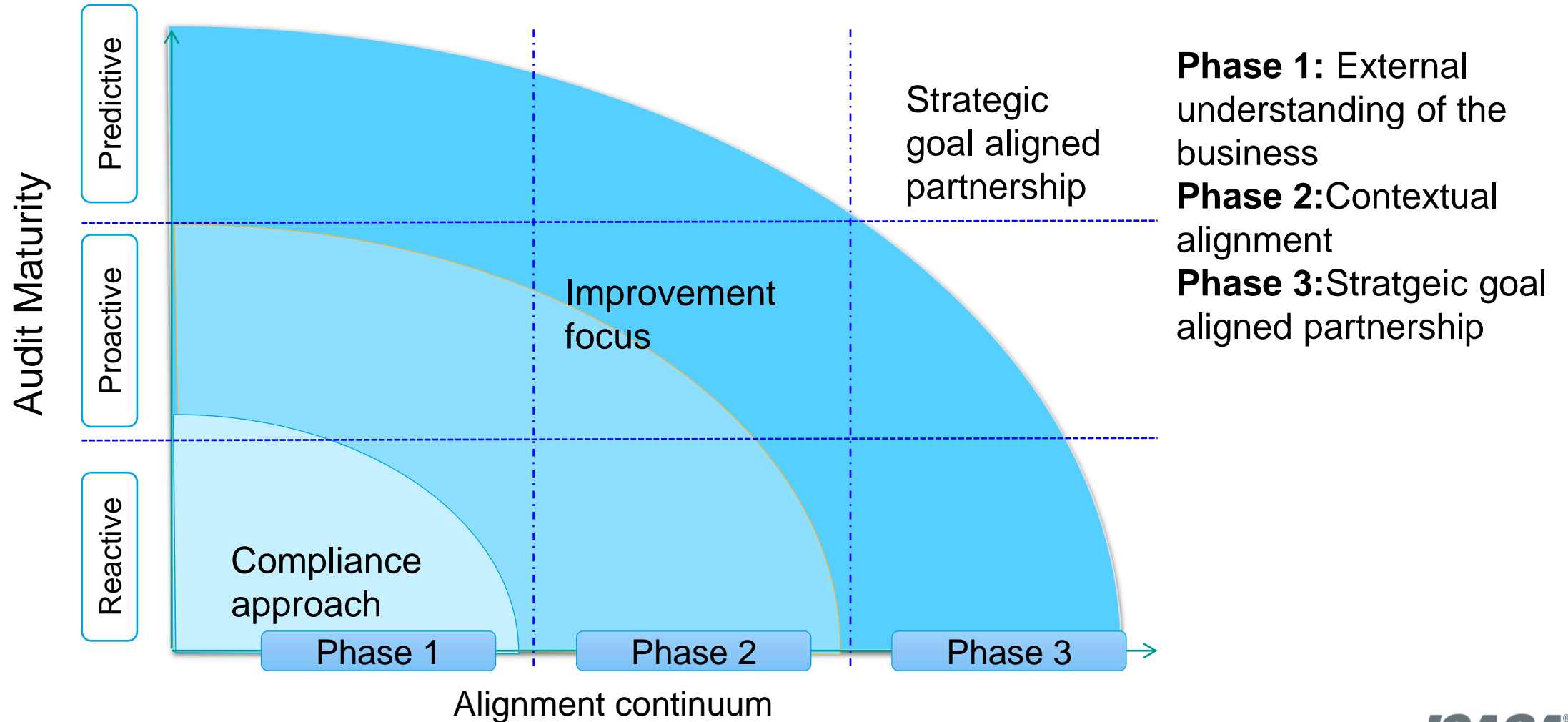
Emphasis on evidence collection/analysis /retention

End-to- end audit life cycle management tools

Go with the flow of business process rather than against the grain

Deep, wide and technical- all need to be ticked

A MODEL FOR THE FUTURE

Audit Maturity

Predictive

Proactive

Reactive

Strategic goal aligned partnership

Improvement focus

Compliance approach

Phase 1

Phase 2

Phase 3

Alignment continuum

Phase 1: External understanding of the business
Phase 2: Contextual alignment
Phase 3: Stratgeic goal aligned partnership

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MODELED OUTCOMES

Audit strategy aligned with business strategy

Move from a line of defense to a strategic value adding role

Improved audit productivity

Increased automation

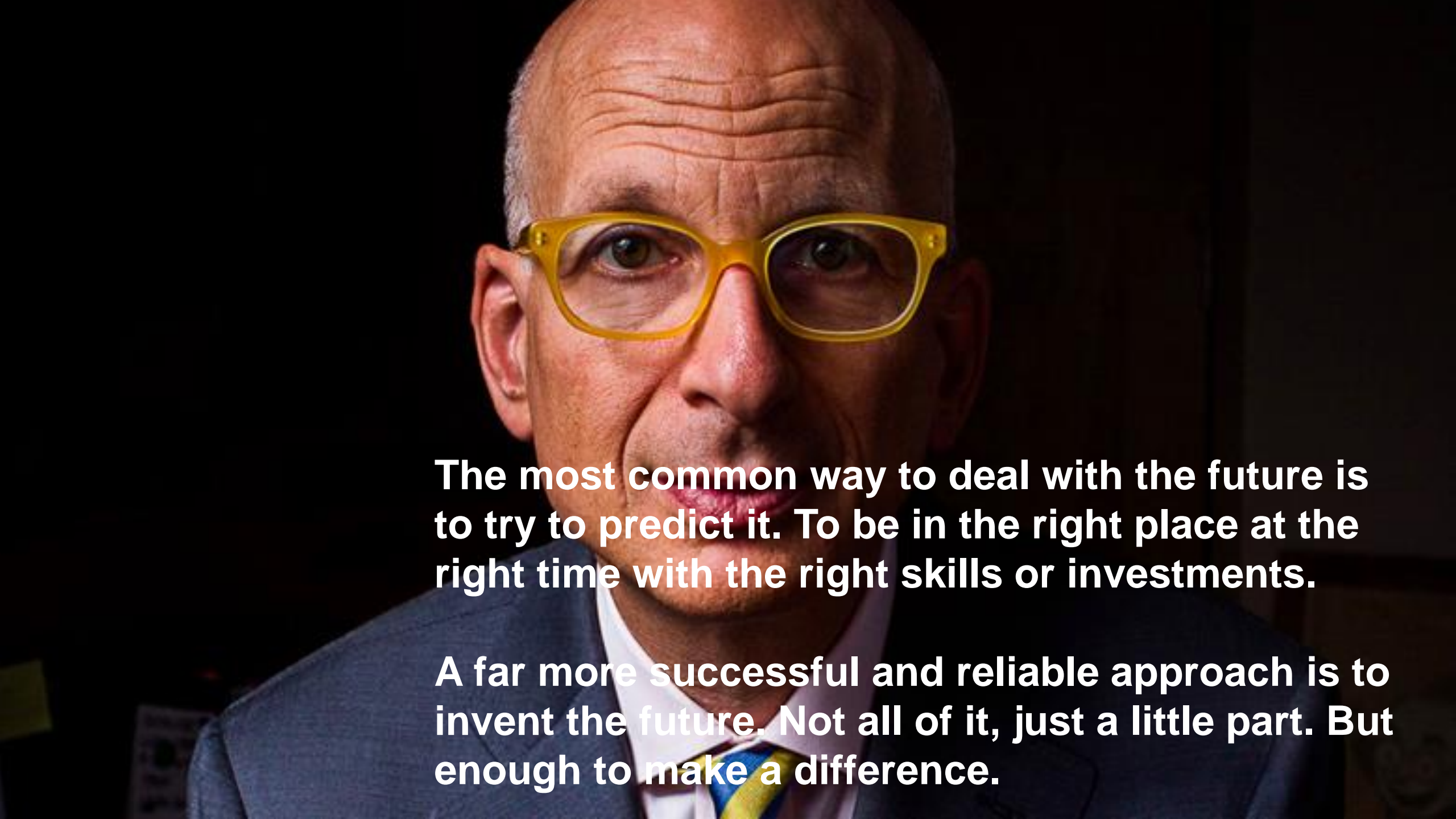Consistency across teams/businesses/geographies

Enhanced audit management ability

Analytics leveraged to identify trends

Predict areas of higher risk

Become force multipliers

Metrics to drive, deliver and demonstrate value

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The most common way to deal with the future is to try to predict it. To be in the right place at the right time with the right skills or investments.

A far more successful and reliable approach is to invent the future. Not all of it, just a little part. But enough to make a difference.

- ありがとうございました

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