AUDIT – A blessing or a curse?

Lia Ruszczynski
Auditor

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Introduction

Lia Ruszczynski – IT Auditor - MBCP  
37 years Information Services Experience

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<thead>
<tr>
<th>Bucyrus – Erie Corporation</th>
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<tbody>
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<td></td>
<td>- Technical Writer</td>
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<td>- Data Security Administrator</td>
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<tr>
<th>Mortgage Guaranty Insurance Corporation (MGIC)</th>
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<td>1999 – 2015</td>
<td>- Business Continuity Architect</td>
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<td>- 2003 – CBCP</td>
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<td>- 2006 - MBCP</td>
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<td>2015 – Present</td>
<td>- IT Auditor</td>
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This presentation will help to explain the world of audit. *For example purposes, a Business Continuity Management audit is referenced at times.*

Focus Includes:

- Auditor’s objectives and responsibilities.
- Differences between internal and external audits.
- What to expect from an audit
- How you can partner with and use audit to your favor to improve your program and prepare for an audit.
Informal Survey

• How many of you have participated in an audit at your company?

• How many of you think of Auditors as the bad guys?
Common Perceptions

• Run the other way Audit is coming!

• Don’t say anything to an auditor because they are out to get you.

• Auditors are just looking to find fault and make you look bad.
Audit can be a Blessing not a Curse
 Objective

I want to help you understand why .....
Why?

Why are we even talking about Audit?

There are 3 things for sure in life…..

1. Death
2. Taxes
3. Your Business Continuity Program will be audited.
Most Company’s top risks include:

• Information / Cyber Security

• Business Continuity
Auditing is designed to INDEPENDENTLY look at the key risks facing a business and assess how the business is managing those risks effectively. (In other words, what controls are in place to mitigate those risks?)
<table>
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<tr>
<th>RISK</th>
<th>CONTROL</th>
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<td>Data loss or corruption</td>
<td>Data backups or replication</td>
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<td>Fire in the data center</td>
<td>Fire suppression</td>
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<td>Recovery plans do not exist</td>
<td>Develop recovery plans</td>
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<td>Plans fail when executed</td>
<td>Perform regular testing</td>
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Inherent vs Residual RISK

Inherent Risk – the amount of risk with no mitigating controls

Residual Risk – the amount of risk that remains after mitigating controls are in place
Who will perform your audit?

Depending on the size of your company or how regulated your line of business is, you may be audited by Internal Auditors, External Auditors or both.

All publicly traded companies MUST have an internal audit department.
External Auditors are not employees of your company.

Examples include:
Government Agencies, regulatory bodies, financial auditing firms and customers.

Results from external audits seemed to have more impact than internal audits
Internal Auditors are employees of your company.

They provide independent, objective assurance (audits) and consulting (advisory) services.
Internal Auditors

INDEPENDENT?

If they are employees of the company how can they be independent?
Independence

• The Internal Audit department reports directly to the Board of Directors' Audit Committee.

• Internal Auditors are their eyes and ears into the operations of the company.
Assurance (Audits) and Consulting (Advisory)

**Audits** are performed on activities that have already happened.

**Advisory services** are performed on processes, systems or programs that are in the process of being developed or implemented.
What to expect during an Audit

Life Cycle of an Audit

1. Set Audit Scope
2. Define Risks
3. Identify CONTROLS
4. TEST Control Design and Operating Effectiveness
5. Identify Gaps
6. Draft Audit Report Include: Gaps Improvement Ideas and Recommendations
7. Management defines plans to address gaps
8. Audit Report issued to Management
9. Internal Audit Follow-up
10. Audit Report issued to Management

Management defines plans to address gaps

Draft Audit Report Include: Gaps Improvement Ideas and Recommendations

Identify Gaps

TEST Control Design and Operating Effectiveness

Identify CONTROLS

Set Audit Scope
Define Risks

Internal Audit Follow-up

Audit Report issued to Management

Management defines plans to address gaps

Draft Audit Report Include: Gaps Improvement Ideas and Recommendations

Identify Gaps

TEST Control Design and Operating Effectiveness

Identify CONTROLS

Set Audit Scope
Define Risks

Internal Audit Follow-up
What to expect?

Set Audit Scope Define Risks
What to expect?

Set Audit Scope Define Risks

Identify CONTROLS
What to expect?

- Set Audit Scope
- Define Risks
- Identify CONTROLS
- TEST Control Design and Operating Effectiveness
- TRUST AND VERIFY
- Identify CONTROLS
What to expect?

- Set Audit Scope
- Define Risks
- Identify Controls
- Test Control Design and Operating Effectiveness
- Identify Gaps
What to expect?

Set Audit Scope
Define Risks

Identify CONTROLS

Draft Audit Report
Include: Gaps, Improvement Ideas and Recommendations

TEST
Control Design and Operating Effectiveness

Identify Gaps
Management defines plans to address gaps

- Set Audit Scope
- Define Risks
- Identify Controls
- Test Control Design and Operating Effectiveness
- Identify Gaps
- Draft Audit Report

Management defines plans to address gaps
What to expect?

Audit Report issued to Management

Set Audit Scope Define Risks

Identify CONTROLS

TEST Control Design and Operating Effectiveness

Identify Gaps

Draft Audit Report

Management defines plans to address gaps
What to expect?

- Audit Scope
- Define Risks
- Identify Controls
- Test Control Design and Operating Effectiveness
- Identify Gaps
- Draft Audit Report
- Management defines plans to address gaps
- Audit Report issued to Management

Internal Audit Follow-up

Management defines plans to address gaps
Draft Audit Report
Identify Gaps
TEST Control Design and Operating Effectiveness
Identify CONTROLS
Set Audit Scope Define Risks
How to Prepare for an Audit?

Perform a Self Assessment.

If applicable, see how you measure up against Industry Standards.

Partner with your Internal Audit Team
BCM Industry Standards

ISO 22301 – International Standards Institute
NFPA 1600 – National Fire Protection Association
SPC.1-2009 – ASIS International
FFIEC – Federal Financial Institutions Examination Council
Virtual Corporation offers a FREE Business Continuity Maturity Model (BCMM)

https://www.virtual-corp.com/business-continuity

• A tool to assist with performing an assessment of your program to see how mature your program is.

• Offers a comparison of the BCMM to industry standards
Develop a Partnership

Develop a partnership with Internal Audit
Ways to Develop a Partnership

1. Participate in an audit
2. Request Advisory Services
3. Establish Check-Ins
4. Enlist Support
1. Participate in an Audit

The ultimate goal is to do what is best for the company to ensure risks are mitigated appropriately.

• Collaborate with Internal Audit
• Request an internal audit before an external audit
• Identify risks and concerns you are aware of
• Engage audit to support initiatives necessary to mitigate risks that may not be reaching management for consideration
2. Advisory Services

Your management can request the Internal Audit Team provide advisory to review your program as it is being developed.

This is a great way for you to have a fresh set of eyes assessing your program, offering best practices and identifying gaps or areas of improvement.
What’s great about advisory services?

• Not an official Audit!
• No report is submitted to the board of directors.
• A memo is generally drafted to management only advising of any gaps identified.
• Perfect way to prepare for an external or internal audit before the audit.
Selling your house
Maintain an on-going dialog with your Audit Team

- Meet regularly (i.e. quarterly) to discuss your current initiatives, exercise objectives/results, future enhancements, challenges etc. and request direct feedback.

- Great way to get valuable feedback you can incorporate into your program as you go, instead of waiting until you are audited.
4. Enlist Support

Discuss how Internal Audit may be able to support your program through their audit work

**BCM Example:**

When performing an audit on a business process, request Audit include a review of the area’s business continuity plans to see if they are current and complete.

This is a great way the audit team can assist BCM to emphasize the importance and currency of business continuity plans.
Internal Audit is not a Curse it is a blessing and GIFT

Provide an INDEPENDENT assessment of business processes and controls

Ensure compliance with laws and statutory regulations

Part of the Family
Operate as an extension of your team offering on-going support and insight

Help protect the company and offer support to business areas

Provide the opportunity to partner with business areas to identify gaps before outside entities do.
Questions