Advancing the standards front

Audit standard-setter ISACA is updating its standards to help auditors keep up with the IT systems so many internal controls are built on, as NATO's **Ian Sanderson** explains

There are three global audit and assurance standard-setting bodies:

* the International Federation of Accountants (IFAC), which through its International Auditing and Assurance Standards Board (IAASB) sets International Standards on Auditing, assurance engagements and related services;
* the Institute of Internal Auditors (IIA), which sets international standards for the professional practice of internal auditing;
* ISACA (previously known as the Information Systems Audit and Control Association), which sets information systems audit and assurance standards.

Standards review and update

Each of these standard-setting bodies has recently reviewed its standards:

* The IAASB's clarified International Standards on Auditing became effective for audits of financial statements for periods beginning on or after 15 December 2009.
* The IIA's revised standards came into effect at the start of 2013.
* ISACA plans to issue its revised information systems audit and assurance standards in early 2013.

ISACA

Many ACCA members will be familiar with ISACA's standards through holding its Certified Information System Auditor (CISA) certification or through knowledge of its COBIT framework (previously known as Control Objectives for Information and Related Technology). The latest version of the framework – COBIT 5 – provides an end-to-end business view of the governance and management of enterprise IT that reflects the central role of information and technology in creating value for organisations.

COBIT 5 is rapidly gaining popularity and becoming a legitimate alternative to the framework of the Committee of Sponsoring Organizations (COSO) because many internal control and risk management systems are built on information systems.

Revision imperative

The need to revise ISACA's information systems audit and assurance standards stems from the fact that information systems are rapidly developing, increasingly pervasive and have become fundamental to most audits, including audits of financial statements, compliance-based audits and internal audits.

The revised IIA standards that came into effect in January acknowledge the growing importance of information systems in audit by introducing a specific standard for IT governance. Standard 2110 lays down that the internal audit activity must assess whether the IT governance of the organisation sustains and supports the organisation's strategies and objectives.

ISACA's information systems audit and assurance standards, and the guidelines which help an auditor to interpret and apply those standards, are regularly reviewed to ensure that they remain relevant and continue to provide value. Both relevance and value creation are fundamental both for those who perform the audit engagement and those who rely on the audit work performed.

Following the standards is mandatory for information systems auditors. While following guidelines is not a requirement, guidelines support the auditor in achieving the requirements of the standards. They help the auditor interpret precisely what the requirements of the standard mean or are intended to cover.

Those who govern or manage an organisation need to know that the standards on which their internal controls assurance is based are credible. They must demonstrate compliance with existing legislation such as Sarbanes-Oxley and new laws resulting from the global financial crisis; demonstrating compliance is easier if it is based on internationally accepted auditing standards.

Standards setters must remain vigilant to ensure their standards remain credible in the eyes of a broad stakeholder group, including the general public. Stakeholder expectations can quickly evolve. We all remember the criticism that auditors received after the onset of the global economic crisis, when we were accused of being 'the dog that didn't bark'.

Keeping up to date

Professional standards also have to keep pace with developments in the audit profession itself. The updating and improving of one standard-setting body's auditing standards leads to justifiable expectations that the others will incorporate similar enhancements and best practices.

A good example of this was the IAASB's 'clarity' project, which led to improved requirements aimed at strengthening audit practices in areas such as:

* using materiality in planning and performing an audit;
* undertaking risk assessments;
* communicating deficiencies in internal control.

These improvements will benefit all auditors and should, where possible, be incorporated by other standard-setting bodies. Such alignment efforts help both the auditor and those who rely on the auditor's work by increasing the harmonisation of different standards.

What is the aim?

ISACA intends to make its professional standards even more accessible and relevant to the information systems auditor. The revised standards are designed to help an information systems auditor better plan, perform and report on an audit.

The wording of each standard is being reviewed and updated to ensure clarity and conciseness. As the standards are used by most major audit firms and by information system internal audit functions at major businesses across the world, the correct words and phrases are fundamental to ensuring that they are applied consistently from one audit assignment to the next.

The standards will also become clearer; they will eliminate ambiguity about the requirements for the information systems auditor. Without this level of clarity, standards could fail their ultimate test of providing independent and objective assurance to users of the audit report.

The revised standards will also have an improved and more logical structure. For example, the standards will direct the auditor more clearly on what he or she must do, provide a commentary on the standard, include definitions of terms used, and give references to support auditors who wish to learn more about their responsibilities towards the standard.

The standards are also being split into defined categories, in a similar way to other global audit standards, so that there will be:

* general standards, which represent the attributes of the audit and assurance professional and organisation;
* performance standards, which show how an audit should be planned and performed;
* reporting standards, which outline how to report the results of the audit and how to follow up on recommendations made in the audit report.

While there will be greater consistency in terms of terminology with other audit standards setters, there are limits to how far this can go. An information systems audit, by its specialised nature, requires some specific terminology; and even when terminology may appear to be common with other audit standards, it may be interpreted differently. For example, the concept of materiality may be applied differently when conducting a financial statement audit as compared to an information systems audit. These areas need to be addressed.

Timeline

ISACA plans to have all of its standards and the associated guidelines fully reviewed, updated and issued by the end of 2013. Draft revised standards were open to public exposure and comment until the end of 2012, and draft revised guidelines will be issued for exposure and comments in 2013.

The ISACA professional standards and career management committee will review all comments and integrate those leading to improvements or clarification into the final, approved standards and guidelines.

Ian Sanderson is a member of ISACA's professional standards and career management committee. He works for NATO in Brussels, Belgium