ISACA®

Competitions and Markets Authority

Statutory audit market study

ISACA Response

This response is being submitted on behalf of ISACA. By way of introduction, ISACA is a global non-profit association helping individuals and enterprises achieve the positive potential of technology. ISACA help individuals to lead, adapt and assure trust in an evolving digital world by offering innovative and world-class knowledge, standards, networking, credentialing and career development. ISACA also plays a leading role in the UK by providing accreditation for IT professionals, both in the cyber security and IT Audit sectors, most notably through our COBIT 5 framework.

ISACA standards such as CISA (Certified Information Systems Auditor) are the globally accepted gold standard of achievement for those who audit, control, monitor and assess an organisation's information technology and business systems. CISA examines and establish credentials in the following areas:

- Auditing Information Systems
- Governance and Management of IT
- Information Systems and Acquisition, Development and Implementation
- Information Systems Operations. Maintenance and service management
- Protection of Information Assists

This response represents the views of the leadership of ISACA's 6000 UK members and its 140,000 global professionals.

This response pertains to the requirement for consequential reforms in the way audit is performed, consistent with recent corporate governance reforms.

The focus of audit reform has understandably been on financial reporting given recent corporate governance scandals. However, pressure for audit reform creates opportunities to consider the wider role and potential of audit, in particular ways in which financial audit can be better integrated with IT audit.

This is critically important, in today's complex, fast-paced business environment, information has become the most valuable currency for enterprises around the globe. Information systems professionals play vital roles in leveraging the value and assuring the security and integrity of data that drives business. Cyber risk is also a major consideration for companies, and cyber-attacks can be potentially crippling to corporate reputation and by extension finances. Good IT audit and cyber hygiene must, therefore, lie at the heart of a responsible approach to corporate governance.

This has been recognised in legislation in the United States notably in the Sarbanes-Oxley Act 2002. The broad language it contains on the role of audit has ensured that many companies have included IT Governance and management within their audit approach.

This legislation proscribes rules requiring each annual financial report to contain an internal control report, which shall–

‘(1) state the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting; and

(2) contain an assessment, as of the end of the most recent fiscal year of the issuer, of the effectiveness of the internal control structure and procedures of the issuer for financial reporting.

And with respect to the internal control assessment required by subsection (a), each registered public accounting firm that prepares or issues the audit report for the issuer shall attest to, and report on, the assessment made by the management of the issuer’

ISACA believe that it is key for the UK to establish a model of audit with a focus on the internal control structure to integrate IT audit and financial audit. The Sarbanes-Oxley legislation offers a potential model that can be followed to establish this.

The need for such legislation is largely driven by the rapid advancement of technology, and as such there must be a focused effort to explore the needs of tomorrow’s audit process. This process should combine the requirement for all UK companies to have their accounts audited with a requirement for companies to audit their information technology processes.

The volume, magnitude and speed of the technological changes underway in organisations today continue to increase in dramatic fashion, from business and digital transformation to the growing complexity of data management. Many of these changes give rise to new risks, which ultimately demand more from businesses in order to protect themselves from a range of cyber threats.

Research from ISACA’s Culture of Cybersecurity report, which polled business and technology professionals worldwide and received 2,350 unique responses, shows that 80% of businesses say that they are likely or very likely to be attacked this year; and 50% of respondents have seen an increase in cyber attacks from the previous year[1]. Given the devastating nature of cyber-attacks - research shows the average cost of a malware attack on a company is $2.4 million[2]; and given the importance under GDPR of protecting financial and personal data, it is of significant importance that IT Audit sits alongside financial audit as a mandatory requirement, especially for FTSE 350 companies.

Given that the modern financial audit process heavily relies on the use of Artificial Intelligence to comb through significant amounts of data, auditors must have stronger analytical, data science and IT skills to complement their financial and business acumen. Considering the level of IT skill

[1] http://www.isaca.org/Knowledge-Center/Research/Documents/cyber/state-of-cybersecurity-2018-part-1_res_eng_0418.PDF?regnum=474233

[2] https://www.accenture.com/us-en/insight-cost-of-cybercrime-2017?src=SOMS

required by auditors, introducing a requirement for IT Audit would commit FTSE 350 companies to do their due diligence in protecting their assets, would not be burdensome and would encourage a greater emphasis to be put on cyber security by larger companies.

By addressing the need for IT Audit, UK businesses would gradually begin to address the issue of cyber security so that it no longer created quite the existential threat that it currently does. Such a policy, may in time spread internationally, ensuring the security of supply chains and establishing the UK at the vanguard of global best practice.

For more information please contact:
Tara Wisniewski
Senior Vice President, Global Affairs
Email: [   ]