



EFFECTIVE AUDIT HOSTING STRATEGY: A PERSPECTIVE

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Abstract

A company is subjected to various IT system/applications audits throughout the year. Two of the most important audits are i) SOX audits as they enforce regulating financial reporting practices in a company and ii) Computer Systems and Part 11 Audits as they have financial implications for regulated companies. It is very important for a company to conduct these audits internally and externally to ascertain their compliance level and identify and rectify gaps.

Periodic internal and external audits ensure compliance and diminish overall risks associated with operations. This is achieved by identifying potential issues, implementing contingency plans and managing solutions before they emerge as problems.

This white paper discusses an effective Audit Hosting strategy which includes preparatory activities, audit facilitation and remediation activities.

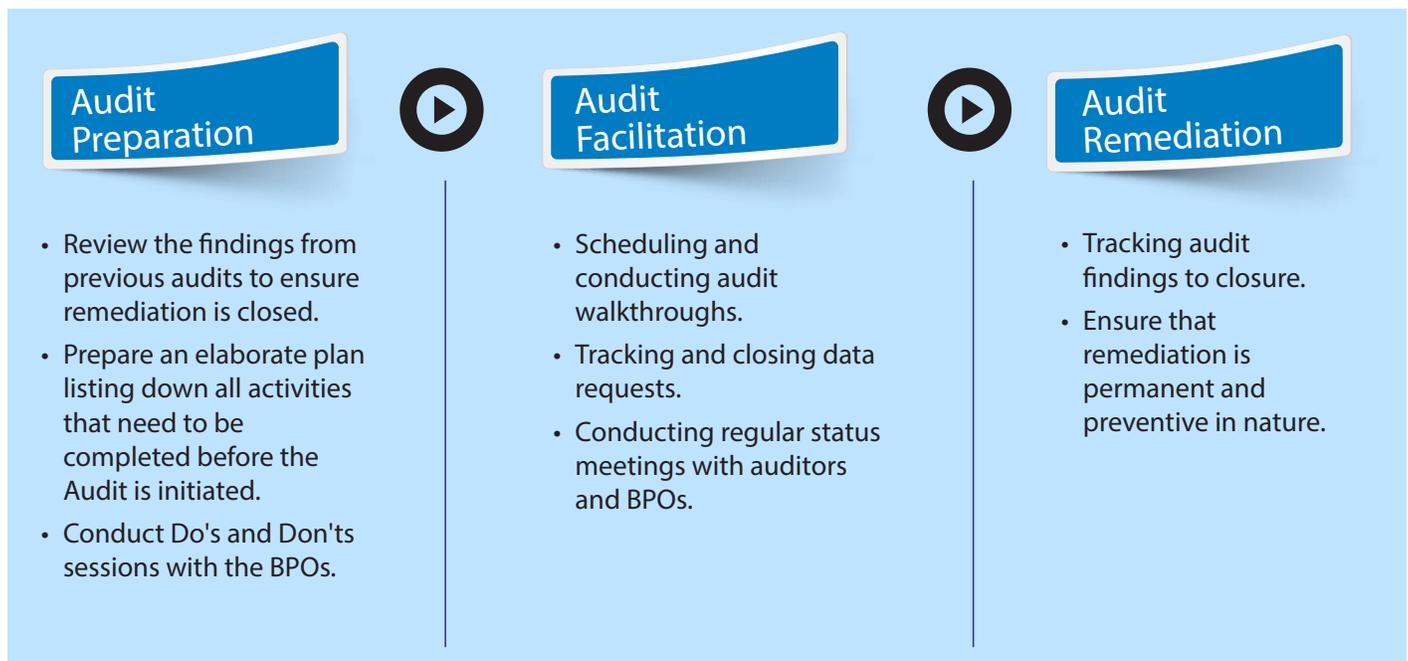
Need for Audit Hosting

For many companies, the failure of an audit may not only have a cost impact, but also impact the company's image, because if a company has findings that are considered to be high risk, these findings can also get reported in the public domain.

The Quality and Compliance department within a company is usually responsible for conducting internal audits and hosting external audits.

For most Auditees, the audit process is unpredictable, uncertain and one of uneasiness. The preparation process can also be tiring, frantic and sometimes grueling. And as scary as the audit process appears, it is even more concerning when an audit does not go well. To avoid such uncertainties it is always better to plan for an Audit. A best practice and starting point would be for a company to document the process for Audit Hosting.

Typically in any large organization, there is a separate team (part of Q&C) to help the business functions and users in their audits. They help the Business Process Owners (BPOs) to undertake and clear their Audits.



An analogy to help understand the concept better

One can relate Audit hosting to a game of soccer where Audit Host is the "Coach" of the team, the players are the BPOs and the opposing team players are the Auditors. (In reality they should not be viewed as the opposing team but as team members whose goal is to facilitate best practices in an organization).

The Coach needs to help his team and prepare them before a big match. He needs to identify the weak areas and work on them with the team. The coach and the team need to look at the past mistakes and

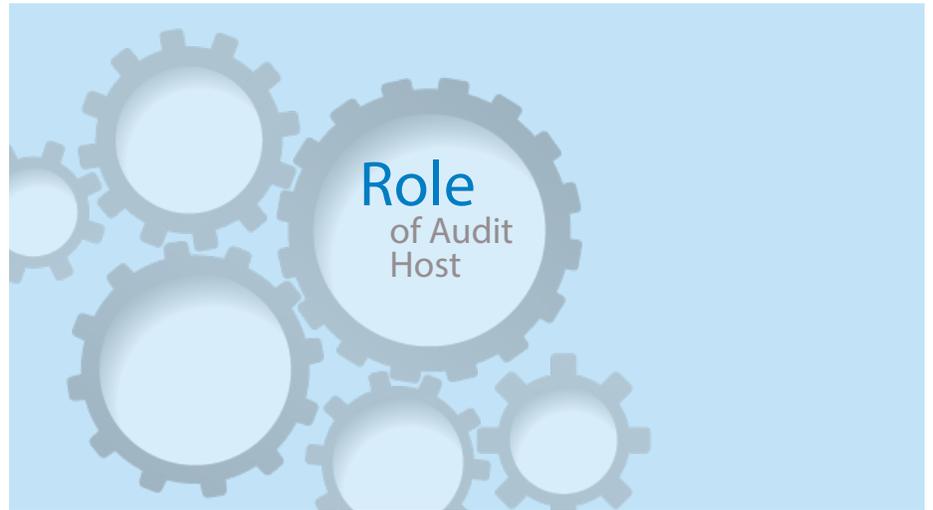
plan so that they do not reoccur. This can be related to the "Audit Preparation" activities.

The actual game can be related to the "Audit Facilitation" where the Coach is directing and guiding the players (BPOs) from outside the field. He ensures that they play by the plan, do not foul and that they defend their goal by fair means only. The players need to ensure that they play their best game and provide no opportunities for the opposition to score.

Once the game is completed, the post-

match analysis is similar to the "Audit Remediation" activities. Here the Coach analyses the mistakes of the team during the game to provide valuable insights. The players need to work on their mistakes and train harder to ensure a better outcome in the next game. The coach devises a plan based on the current experience of the team to prepare for the next game.

The Audit host is a liaison between the auditors and the auditees. He / she is responsible for tracking the data requests from the Auditor and providing accurate data back to them. He / she should facilitate Audit meetings and help the BPOs with their data requests and seek clarifications from the Auditors whenever required. The Audit host plays an important role in ensuring the success of the Audit. He / she should also ensure that the data is represented accurately.



Audit hosting phases

There are three main phases of Audit hosting:





Audit Preparation

This is the most critical phase to ensure the success of an Audit. Most of the groundwork and preparation is undertaken in this phase. The preparation phase should begin at least two months prior to the start of the actual audit. A starting point of any audit is for the auditors to review the findings from the previous audits whether they have been closed and remediated as any repeat finding will have a greater significance on the final rating of the Audit. This needs to be confirmed by the Audit host with the responsible BPOs.

The next step would be to prepare an elaborate plan by listing down all the activities in preparation of an audit. The notification of the audit would be the trigger for this activity. The Audit host should read the notification carefully and identify the in-scope and out-of-scope considerations mentioned in the document. He should inform the concerned BPOs about the duration and the scope of the upcoming audit.

The plan should capture at a minimum the following details:

1. Contact Details of all the BPOs and Auditors
2. List of processes to be audited (In Scope)
3. List of applications/systems to be audited
4. Logistics
5. List of presentations required for the kickoff and closure meetings
6. Common shared folder details to share and store the documents with the Audit team and BPOs

Once the planning document is ready and the audit host has all the auditee contacts, he / she should start conducting an audit overview and Do's and Don'ts sessions with the auditee contacts. This is a very important session which instructs the auditee how to respond to questions from the auditor. This session can also be utilized as a Q&A session to clarify misconceptions about audits in the minds of an auditee.

In most audits the number of the data

requests is quite significant. It is very important that the email communication is tracked accurately to monitor the traffic of the data requests and subsequent follow up questions. The Audit host should decide on a naming convention or categorization of requests belonging to different in-scope areas. It will help if the Audit data request tracker has the same convention as in the subject line of the emails sent for these requests. It is a good idea to send out mock data requests from previous audit prior to the start of an actual audit to familiarize the BPOs with the naming conventions and Dos and Don'ts of Email communications during the audit. The mock data requests also serve the purpose to check the response time and accuracy of the data provided by the BPOs before the start of the actual audit. This activity helps the auditees to acclimatize to actual audit requirements.

One of the key activities of audit preparation is to maintain a risk register. The Audit host should conduct a session with all the BPOs to identify risk areas and mitigating controls to address these risks prior to the start of the audit. The BPOs should try to address all such risks before the start of the audit.

The Audit host should plan for pre audit meetings with the auditors to understand the scope of the audit, the proposed schedule for the audit and discuss the work schedule of the Auditors and BPOs during the duration of the audit. The audit host should schedule walkthrough meetings for auditors of the processes in-scope with the concerned BPOs. This helps during the course of audit as auditors would understand the processes better before providing their data requests.

Ensuring successful completion of all the above activities will help in the actual audit process. The preparation phase also helps in setting expectations with all stakeholders. The next phase is the Audit Facilitation during the course of audit.



Audit Facilitation

The audit host is responsible for ensuring effective and correct communication between the Auditors and the BPOs during the course of the audit duration. He / she should try to attend all meetings with the auditors and should keep focus on the scope of the meeting and try to prevent any digression. Some of the key activities that the audit host should ensure during the course of audit are listed below:

Conducting Audit Walkthroughs

The Audit host should coordinate with the auditors to schedule the required walkthroughs and ensure that there is enough and appropriate representation from business owners and users. It is a good practice to conduct internal walkthroughs with the BPOs before the actual meeting with the auditors. Audit host should capture the minutes of meeting and action items and follow up on them after the walkthrough.

Tracking Data Requests

Depending on the scope and duration of the audit, the number of data requests may vary but it is important to close them in an appropriate timeframe and track them. It is a good practice to create a tracker to track all the data requests. The tracker should have the name of the responsible person, auditor name, requested date, due date and status as the minimum columns.

It is a good practice to follow the same naming convention of the tracker in Email communications sent to the BPOs and the Auditors, this helps in effective tracking.

Status Meetings

It is essential to conduct status meetings with the Auditors and the BPOs at regular intervals. At the status meetings, the data request tracker should be discussed to resolve any pending requests. This meeting should also be used to seek clarifications on data requests from the Auditors and the data provided by the BPOs if the auditor has any questions. The most important usage of the status meeting is to discuss the findings/ issues that the auditors have noted and the significance of the same. This enables the BPOs to provide any additional data before the final audit report is published.

Audit Closing Meeting

The Audit host should plan for the Audit Closure meeting in advance. He /she should

ensure that all the audit findings are agreed upon by the BPOs and that the remediation plans for the same are discussed and approved by the Auditors. He / she should confirm that the planned completion dates for the remediation are reasonable and achievable. This helps in the remediation phase of the audit.

Audit Facilitation is a critical activity and the Audit Host should try to facilitate all communication between the Auditors and the BPOs. The next phase of the Audit Hosting activities is Audit Remediation.



Audit Remediation

There is a possibility that BPOs could lose track of the committed remediation during an audit and this would create issues during forthcoming audits. This is compounded when business users try to rush closure of the remediation prematurely. This is where the Audit Host needs to play a pivotal role. He / she should ensure that the BPOs close the remediation as committed in the given time frame.

Creating an Audit Remediation tracker can be the starting point. At a minimum this tracker should have the issue details, remediation details, due date, status and the contact details of the responsible BPO. The Audit host should maintain this tracker until all the remediation is closed.

The Audit host should ensure that the

remediation is permanent and preventive in nature. This will avoid repeat findings of similar issues in the next audit. It is very likely that the BPOs lose focus after the audit and will not work towards closure of the findings till the due date is near. This can lead to incomplete or temporary fixes to rush closure of findings. To avoid this

occurring, it is a good practice to conduct weekly status meetings with the BPOs to gather the status of the remediation and the progress made till date.

Successful remediation of all the Audit findings marks the closure of all Audit Hosting activities for that audit.

Summary

It is important to understand that Audits are performed of the processes and not individuals. An audit is a way to check the compliance of defined processes and identify the gaps within to solidify them. The more audits a company faces, the more mature its processes become. The Audit Host should enforce this message to the BPOs and ensure that the findings are not taken personally.

Effective Audit Hosting for an audit ensures its success and on-time completion. It is important for an Audit Host and BPOs to maintain their integrity and not create any hindrances for the Audit team. Auditors become more receptive and open when they sense that the Audit Host and the BPOs are trying to help them with the audit process. It is the responsibility of the Audit Host to keep the BPOs committed throughout the course of the audit and help them provide all requisite information to the Audit team as possible. Hence it is pivotal for organizations to have a dedicated Audit Host for each audit to ensure its success.

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