



Australian Government
Australian Taxation Office

Ensuring audit capability in IT

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Objective

Look at some strategies that mean IT audit teams can:

- support the challenges of a contemporary IT control environment
- produce the associated high-level reporting this demands.



When I started out ...

Customer information was locally controlled:

- ledger-cards
- names, addresses, family details
- regular face-to-face contact
- banking history
- processed cheques
- Bankcard was a possibility.



Overview

- Auditing in the Tax Office
- Achieving business objectives
- Meeting client expectations
- Board and audit committee assurance
- Maintaining audit capability
- Audit reporting
- Conclusion



Auditing in the Tax Office

The government uses tax funds to:

- pay for public goods, services and infrastructure
- implement social and economic policies.

Super secures retirement incomes for Australians.



About the Tax Office

- Australian Government's main revenue collection agency
- Administers main aspects of Australia's super system
- Celebrates its centenary in 2010
- Net revenue collection of 270.8 billion*
- Operating budget of \$3.1 billion**
- Average staffing level 21,720**
- 75 locations across all states and territories**
- 25 business and service lines*

* end June 2008 ** end June 2009



Change program

- Major redesign of systems
- Integrating 120 existing systems into one interface
- Cost – around \$700 million



Audit staff

- Around 40 full-time equivalent staff
- We can employ specialist external staff for technical audits
- Four teams across three sites in ACT, NSW and Victoria
- Auditor capability meets global benchmarks (qualifications, certifications, experience)
- Multi-disciplinary team
- Completes 60 to 70 audits per year
- Specialist IT audit team in Canberra (several auditors with CISA)



Example – Tax Office blended IT audit work

- Major system development governance
- Traditional coverage of IT general controls
- Interface controls
- Satellite auditing
 - continuous, rolling program
- Integrated auditing
- Managing IT service contracts
- Emerging issues
 - business critical spreadsheets and penetration testing



Achieving business objectives

IT is fundamental to achieving business objectives. Because IT systems are growing more complex and we use more internet-based technologies, we need strong controls.



“Technology developments in the past few decades have significantly transformed the way people live and communicate, and the way that businesses operate across the globe....Businesses have adopted digital technologies to improve their productivity, to develop new products, and services, and in some cases, to create business models that have transformed major industries...”

Global Megatrends 2009, Ernst & Young, p. 12



Thirty years of technology evolution

- Internet, broadband, www (browser and HTML)
- PC/laptop computers
- Mobile phones
- Email
- Microprocessors
- Fibre optics
- Office software (spreadsheets, word processors)
- Open-source software and services (eg Linux, Wikipedia)



- GPS systems
- Online shopping, e-commerce, online auctions (eg eBay)
- Media file compression (JPEG, MPEG, MP3)
- Social networking via the internet
- Digital photography and video
- Barcodes and scanners
- ATMs

Australian Institute of Management, Management Today, July 2009, pp. 7-8, 37



Achieving business objectives

- 78% of Australia's largest organisations say improving productivity is a high priority, but only half of those surveyed have systems in place to measure improvements.
- 83% of organisations that say improving productivity is very important also say investing in information and communications technology is a high priority.

Virgin Blue Voyeur Airline Magazine, March 2009, p. 75



Example – Tax Office technology channels

We receive:

- 88% of individual income tax returns electronically
- 94% of other income tax returns electronically.

In the year to June 2008:

- Business portal use grew 24% (1.98 million logins)
- Tax Agent portal grew 70% (21.7 million logins)

More taxpayers are paying electronically with 39% using BPAY®.

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Example – Tax Office corporate IT planning

- Provide enterprise solution and technology services to make sure:
 - our systems meet business needs
 - we complete change program deliverables
 - they support tax time
- Manage ICT infrastructure service contacts, especially network services, end-user and centralised computing
- Balance IT security needs with business needs and maintain strong information security
- Deliver our parts of whole-of-government initiatives, including recommendations from the Gershon Review



Meeting client expectations

A good client experience increasingly depends on a reliable and user-friendly technology interface.

Management also needs reliable and timely information to run its business and meet risk management, financial, regulatory and compliance obligations.



“In recent times, a number of events have occurred overseas resulting in the loss or disclosure of sensitive information. One particularly high public profile incident resulted in the resignation of the Chief Executive of Her Majesty’s Revenue and Customs (HMRC) in the UK.”

** Australian Taxation Office, Information Security Practices Review, PricewaterhouseCoopers, April 2008, p. 2*



Emerging issues – security safeguards

- More electronic records were breached in 2008 than in the four earlier years combined
- Corporations fell victim to the largest cybercrimes ever during 2008
- Motivated hackers know where and what to target
- 90% of records breaches involved organised crime
- Nine out of 10 breaches could have been avoided with security basics
- At the time of the breach, mistakes and oversights hindered security efforts more than a lack of resources

** Australian Institute of Management, Management Today, July 2009, pp. 7-8, 37*



Example – Tax Office security culture

- We are highly conscious of information security (IS) and treat it as a serious business issue.
- Our security culture compares favourably with other organisations.



We have:

- sound governance structures
- a clear corporate stance
- effective education and awareness programs
- a well-defined security classification framework
- effective security monitoring and incident response mechanisms
- robust plans for IT incidents.

• *Australian Taxation Office, Information Security Practices Review*, PricewaterhouseCoopers, April 2008, covering letter, p. 2



Example – Tax Office service standards

- Community perceptions strong
 - 80% think the Tax Office is doing a good job*
- Business perceptions strong
 - 89% think the Tax Office is doing a good job*
- Professional survey positive
 - 79% are ‘satisfied’ or ‘very satisfied’ with the professionalism of Tax Office employees*

** end June 2008*



Board and audit committee assurance

Boards, audit committees, and executive management across both the private and public sectors want assurance that:

- technology risks are managed
- the suite of controls is operating seamlessly
- business continuity will be maintained to the level now expected by technology-savvy clients.

“When you consider (recent) credit information breaches ... it’s clear that IT has to be a critical piece of the audit committee’s risk analysis.”

* *Harvard Business Review*, The Audit Committee’s New Agenda, p. 96



Common audit committee questions on IS

- Are current protections, policies, practices and assurance processes right?
- How do we compare with industry best practice?
- Are staff awareness programs effective?
- Is information being classified appropriately?
- How are we addressing emerging trends such as flexible, home-based working arrangements?
- Are protocols right for moving and exchanging information?

Example – Tax Office audit themes

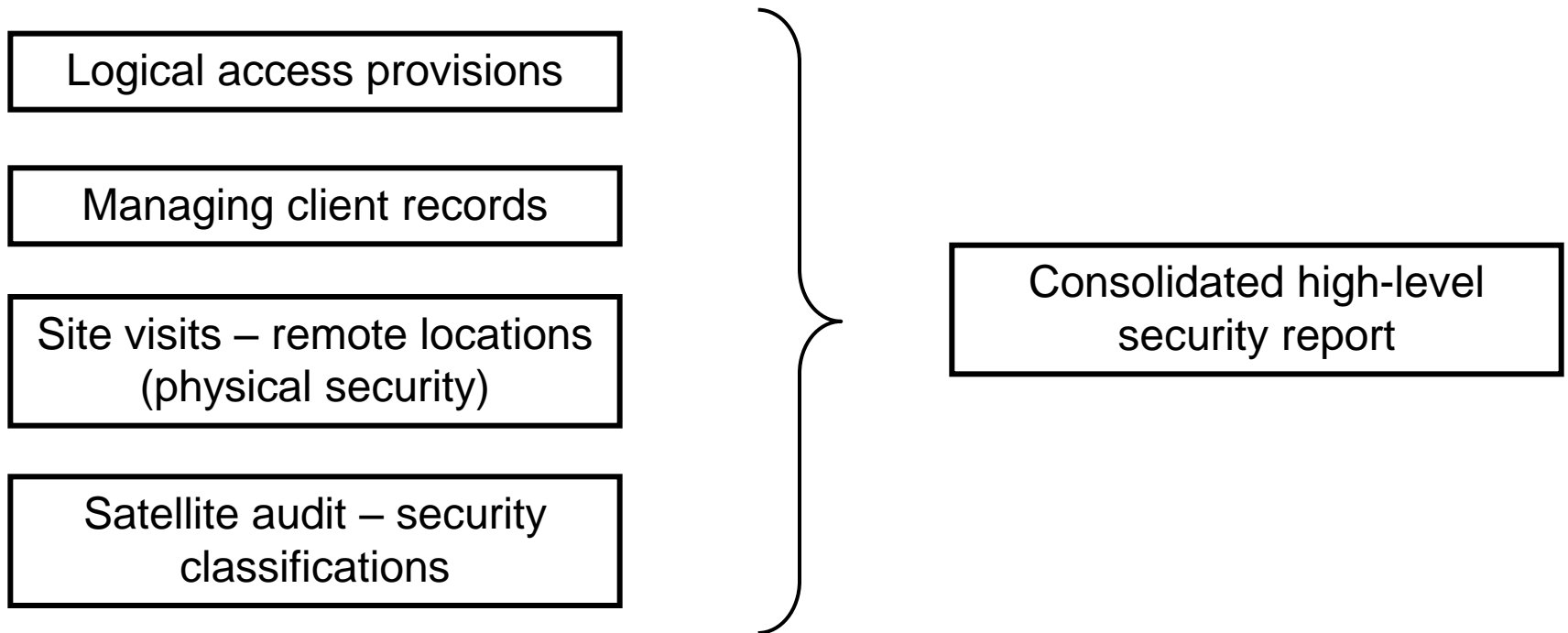
- Core tax administrative activities
- Security and privacy
- Managing overheads
- Strategic reviews
- Assurance activities
- Change Program



- Managing contracts
- Financial stewardship
- Non-financial management information
- Fraud control



Example – Tax Office reporting on themes



Maintaining audit capability

Effective internal audit teams:

- have the technical skills to identify information technology risks
- develop ongoing assessment plans for the control framework.

Organisations often have difficulty recruiting, retaining and maintaining the technical skills of IT internal audit staff.

Skilled internal audit resources

“An important responsibility of the Audit Committee is to be satisfied that there are sufficient skilled internal audit resources available to undertake the approved internal audit work program, including providing support for and input to the committee.”

** Australian National Audit Office, Public Sector Audit Committees – Having the right people is the key, first edition, Australian National Audit Office, Canberra, 2005, p. 24*



Getting the mix right

Delivery model	Capability	Delivery to audit committee
<ul style="list-style-type: none">■ In-house■ Outsourced■ Co-sourced	<ul style="list-style-type: none">■ IT knowledge■ Industry knowledge■ Skills■ Experience	<ul style="list-style-type: none">■ Control assurance■ Related advice



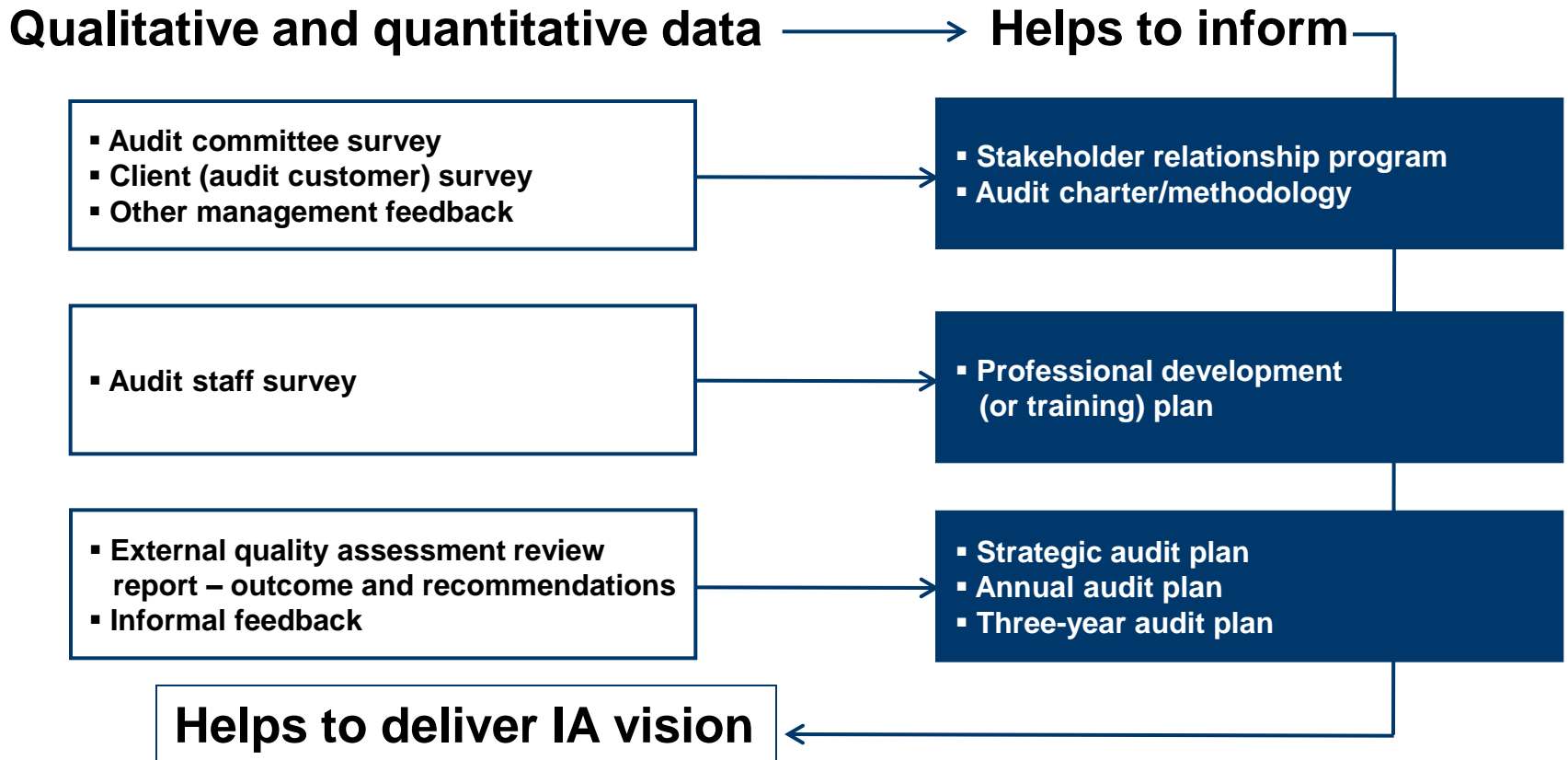
Essential IT auditor capabilities

- IS audit process
- IT governance
- Systems and infrastructure life cycle management
- IT service delivery and support
- Protecting information assets
- Business continuity and disaster recovery

- CISA is a preferred certification



Example – Tax Office audit planning



Audit reporting

As well as receiving 'traditional' audit reports on the outcomes of information technology audit reviews, audit committees need to be comfortable about the:

- ability of the people performing the work
- techniques and tools that they have available.

Capability reporting

“Internal Audit periodically reports to the Audit Committee on its staff capabilities including academic and professional qualifications and years of audit, industry and organisational experience.”

*Fraser J & Lindsay H, *20 Questions Directors Should Ask about Internal Audit*, first edition, Canadian Institute of Chartered Accountants, Toronto, ON, 2004, p. 13



Contemporary audit reporting

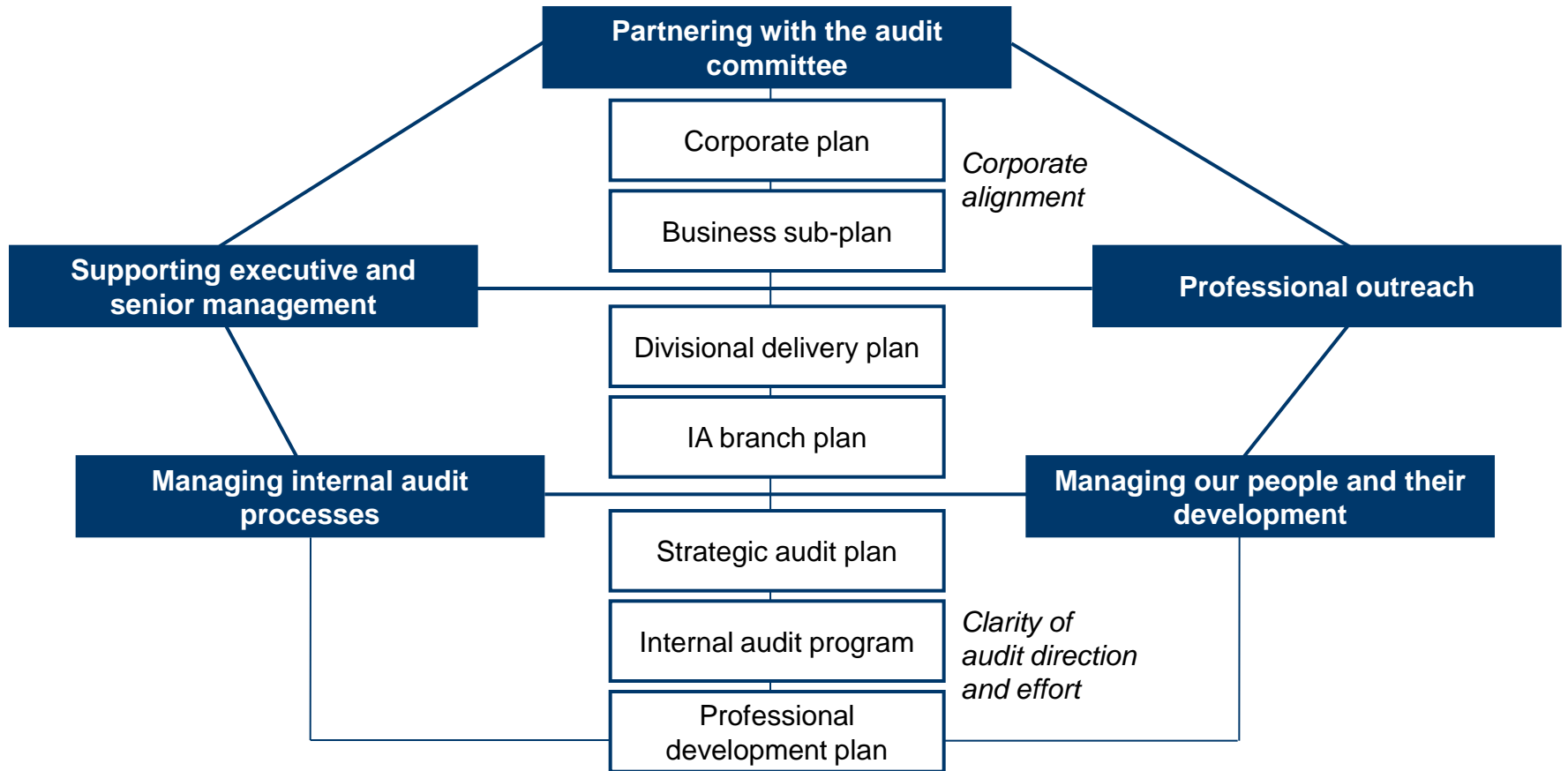
How the business is operating

- Traditional reports on the outcomes of individual audits
- High-level reporting on systemic issues arising from individual audits
- Intelligence on emerging issues outside the business
- The status of previous recommendations

How internal audit is functioning

- Balanced scorecard
 - profile of audit staff
 - benchmarking capability (global and local benchmarks)

Example – Tax Office balanced scorecard



Conclusion



Maintaining IT auditing relevance

We must:

- understand the business context
- be aware of customer demands and interfaces
- be equipped to handle contemporary technologies
- be aware of emerging technology issues and threats
- understand the audit committee's expectations
- provide more high-level analysis and reporting
- maintain continuous professional development.



Questions?

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This presentation was current in July 2009



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