

To Our Readers



One of the major ways to get an edge in business these days is to make intelligent applications of information technology. In this, the focus has changed over the years. Initially IT was applied to administrative and accounting systems. Although this is still important, the overall focus has shifted to use of IT in strategic information systems.

It is important to realize that strategic information systems may have little to do with management information systems. The primary objective of strategic information systems is to gain competitive advantage through costing and price benefits, innovation and product design or differentiation targeted at customers, suppliers and competitors. A simple example is that of several US airlines who have drastically reduced on-board services and also cut tariffs to beat the competition.

Innovation is the key. To get the maximum out of strategic information systems through the use of IT, it is necessary to be ahead of all the others in using IT. Waiting for technology to develop is not an option. Therefore there are special risks associated with pioneering of new applications. Added to that, there is a premium upon effective control of the IT environment, including control over the strategic planning process for IT.

In India, what is necessary for us to realize is that information and IT are among the key resources of modern enterprise. Unfortunately, economists still do not regard information as a factor of production. The accounting community also does not regard the quality of information resource as an asset. This makes it very difficult to persuade Boards on the importance of investment in IT. More difficulty is added by the fact that many Directors are in real terms, IT illiterate. As a result investors remain unaware about the strength or vulnerability of the business associated with its investment in IT.

The premium on effective control in a fast moving IT-dependent business world is not easy to discharge. Business IT is becoming increasingly complex and difficult to understand. Volume of transactions increases geometrically. Automation has led to many activities being hidden from observation and therefore more reliance has to be placed on automated auditing methodologies.

However, the catch lies here. Automated methods demand greater investment in auditing software, and the hardware to go with it. With margins acutely under pressure, managements find it difficult to justify large investments in control and audit. Managements therefore adopt new and strategically important IT-based methods of conducting business without commensurate investment in tools and techniques for controlling risks and lowering fraud potential.

The role of the auditor is to point this out. He must state clearly the risks of not auditing certain facets of the strategic process, and he must simultaneously point out the audit risks themselves. Obviously, questions of subjectivity (in determining audit risks), objectivity, reliability and independence are all that need to be answered. It is in this area that attention needs to be given before the matters go out of hand. In IT, as everyone knows, matters go out of hand as soon as a new technology develops, which is almost everyday. Our normal response time to audit issues is a minimum of six months. That needs to be compressed especially for audit issues connected to the strategic information systems based almost totally on IT applications.

The Institute of Chartered Accountants of India has already pioneered a Post Qualification Course on 'Information Systems Audit' and will be offering a course on 'Information Systems Security Audits', very soon. These will help to fill the gap that currently exists.

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Editor
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