CHAPTER 3

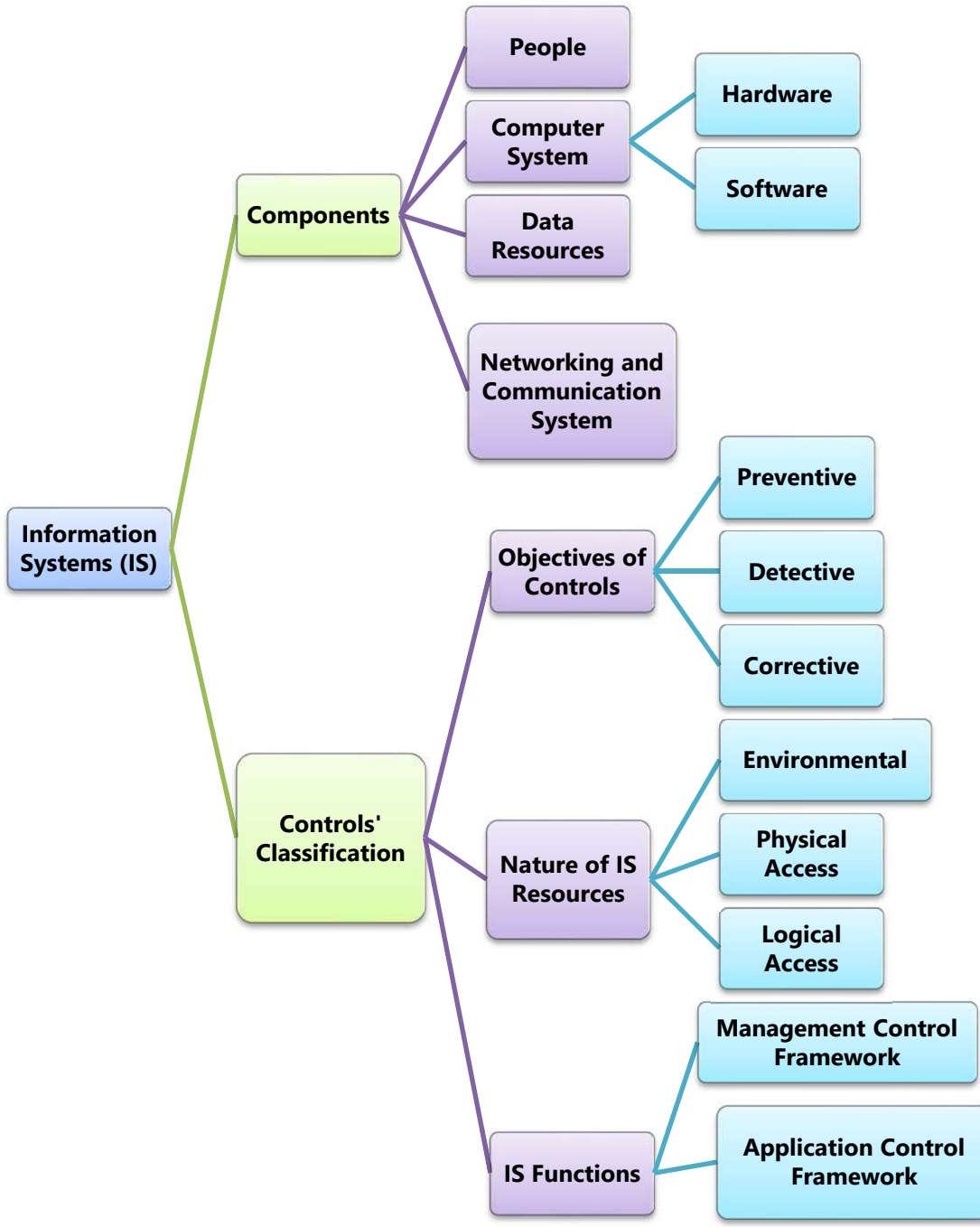
# INFORMATION SYSTEMS AND ITS COMPONENTS

## LEARNING OUTCOMES

**After reading this chapter, you will be able to -**

- Comprehend the knowledge about various components of an Information System and its working.
- Appreciate nuances of Application Systems, Operating Systems, Database Systems, Networking and Communication Systems.
- Grasp various types of threats and their mitigating controls to minimize the impact.
- Understand types of controls and audit aspects of various systems.
- Comprehend about an organization structure and individual roles and responsibilities.

## CHAPTER OVERVIEW



## 3.1 INTRODUCTION

Over the past few centuries, the world has moved on from connection amongst individuals to more of connection amongst systems. We now have systems that are constantly exchanging information about various things and even about us, many a times without human intervention. This inter-networking of physical devices, vehicles, smart devices, embedded electronics, software, sensors or any such device is often referred to as IoT (Internet of Things).

What is interesting about various emerging technologies is that at its core we have some key elements, namely, People, Computer Systems (Hardware, Operating System and other Software), Data Resources, Networking and Communication System. In this chapter, we are going to explore each of those key elements.

## 3.2 INFORMATION SYSTEMS

**Information System (IS)** is a combination of people, hardware, software, communication devices, network and data resources that processes (can be storing, retrieving, transforming information) data and information for a specific purpose. The system needs inputs from user (key in instructions and commands, typing, scanning) which will then be processed (calculating, reporting) using technology devices such as computers, and produces output (printing reports, displaying results) that will be sent to another user or other system via a network and a feedback method that controls the operation.

The main aim and purpose of each Information System is to convert the data into information which is useful and meaningful. An Information System depends on the resources of people (end users and IS specialists), hardware (machines and media), software (programs and procedures), data (data and knowledge bases), and networks (communications media and network support) to perform input, processing, output, storage, and control activities that transform data resources into information products. The Information System model highlights the relationships among the components and activities of information systems. It also provides a framework that emphasizes four major concepts that can be applied to all types of information systems. An Information System model involves following steps well depicted in the Fig. 3.2.1:

- **Input:** Data is collected from an organization or from external environments and converted into suitable format required for processing.

- **Processing:** A process is a series of steps undertaken to achieve desired outcome or goal. Information Systems are becoming more and more integrated with organizational processes, bringing more productivity and better control to those processes.
- **Output:** The system processes the data by applying the appropriate procedure on it and the information thus produced is stored for future use or communicated to user.
- ***Storage*: The storage of data shall be done at the most detailed level possible. Regular backups should be stored in a geographically different locations to avoid impact on both the original data storage and the backup data storage due to any major disasters such as flooding or fires etc.**

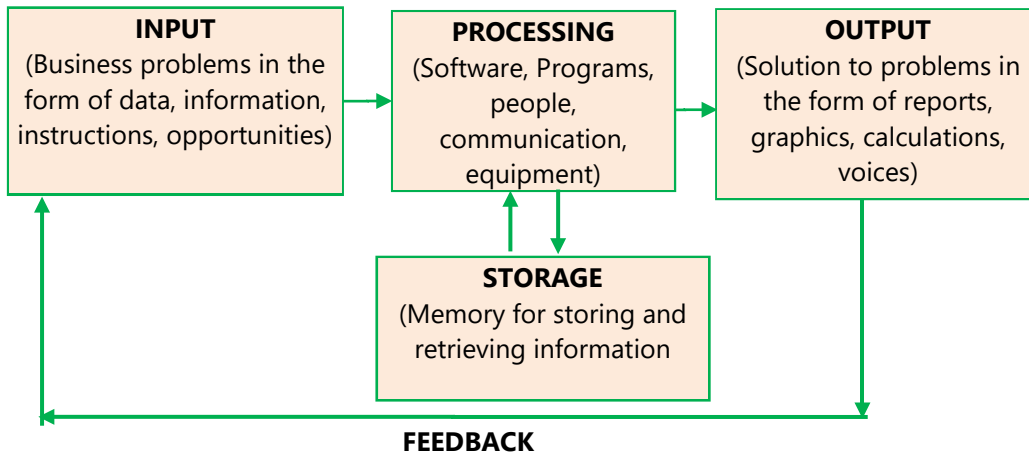



**Fig. 3.2.1: Functions of Information Systems**

- **Feedback:** Apart from these activities, information system also needs feedback that is returned to appropriate members of the enterprises to help them to evaluate at the input stage.

These basic activities of an information system that are defined above, helps enterprise in making decisions, control operations, analyze problems and creates new products or services as an output.

## 3.3 COMPONENTS OF INFORMATION SYSTEMS

With the help of information systems enterprises and individuals can use computers to collect, store, and process, analyze, and distribute information. There are different types of information systems, i.e. Manual (paper and pencil) information

system, Informal (word of mouth) information system, Formal (written procedures) information system and Computer based information system. This chapter mainly focuses on Computer Based Information System. A Computer based Information system is a combination of people, IT and business processes that helps management in taking important decisions to carry out the business successfully.

Information Systems are networks of hardware and software that people and organizations use to create, collect, filter, process, transform and distribute data. Information Systems are interrelated components working together to collect, process, and store and disseminate information to support decision-making, coordination, control, analysis and visualization in an organization. An Information System comprises of **People, Hardware, Software, Data** and **Network** for communication support shown in Fig. 3.3.1.

Here, **people** mean all those who operate, manage, maintain and use the system i.e. system administrator, IS personnel, programmers and end users i.e. the persons, who can use hardware and software for retrieving the desired information. The **hardware** means the physical components of the computers i.e. server or smart terminals with different configurations like corei3/corei5/corei7/corei9 processors etc. and **software** means the system software (operating systems), application software (different type of computer programs designed to perform specific task) and utility software (e.g. tools). The **data** is the raw fact which is input to the system. It may be alphanumeric, text, image, video, audio, and other forms. The **network** means communication media (Internet, Intranet, Extranet etc.).

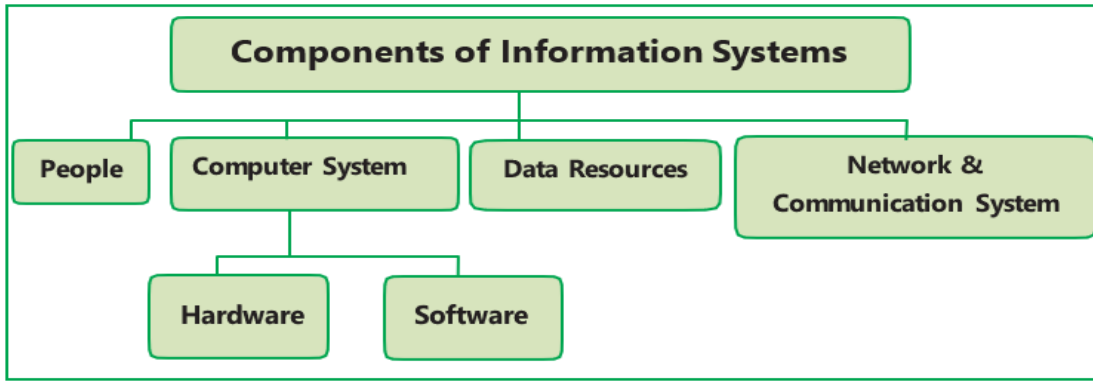



**Fig. 3.3.1: Components of Information Systems**

## 3.3.1 People Resources

While thinking about Information Systems, it is easy to get too focused on the technological components and forget that we must look beyond these tools at the

whole picture and try to understand how technology integrates into an organization. A focus on people involved in Information Systems is the next step. From the helpdesk to the system programmers all the way up to the Chief Executive Officer (CEO), all of them are essential elements of the information systems. People are the most important element in most Computer-based Information Systems. The people involved include users of the system and information systems personnel, also all the people who manage, run, program, and maintain the system.

In the ever-changing world, innovation is the only key, which can sustain long-run growth. More and more firms are realizing the importance of innovation to gain competitive advantage. Accordingly, they are engaging themselves in various innovative activities. Understanding these layers of information system helps any enterprise grapple with the problems it is facing and innovate to perhaps reduce total cost of production, increase income avenues and increase efficiency of systems.

### 3.3.2 Computer System – Hardware and Software

**Computer System** is considered as a combination of **Hardware** and **Software** well depicted in Fig. 3.3.2.

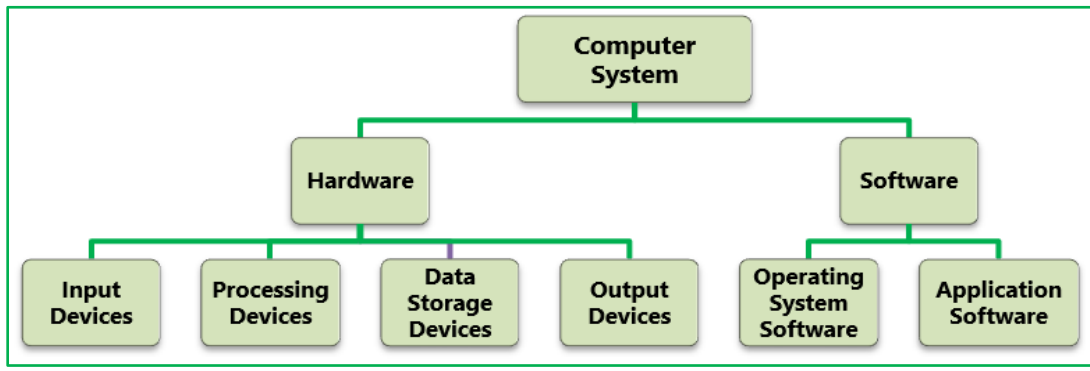



**Fig. 3.3.2: Components of Computer System**

We shall now discuss these components and their sub-parts in detail.

#### I. Hardware

**Hardware** is the tangible portion of our computer systems; something we can touch and see i.e. the physical components of technology. It basically consists of devices that perform the functions of input, processing, data storage and output activities of the computer. Computers, keyboards, hard drives, iPads and flash drives are all examples of Information Systems' hardware.

**(i) Input Devices** are devices through which we interact with the systems and include devices like Keyboard for text-based input; Mouse, Joysticks, Light pens

and other pointing devices for position-based input; Scanners and Bar Code, MICR readers, Webcams Stylus/ touch screen for image-based input and Microphone for audio-based input.

**(ii) Processing devices** are used to process data using program instructions, manipulate functions, perform calculations, and control other hardware devices. Examples include Central Processing Unit (CPU), Mother board, Network Card, Sound Card etc.

The most common device is CPU which is the actual hardware that interprets and executes the program (software) instructions and coordinates how all the other hardware devices work together. It is like the brain of the computer which is built on a small flake of silicon containing the equivalent of several million transistors. We can think of transistors as switches which could be "ON" or "OFF" i.e. taking a value of 1 or 0. It consists of following three functional units:

- **Control Unit (CU):** CU controls the flow of data and instruction to and from memory, interprets the instruction and controls which tasks to execute and when.
- **Arithmetic and Logical Unit (ALU):** It performs arithmetic operations such as addition, subtraction, multiplication, and logical comparison of numbers: Equal to, Greater than, Less than, etc.
- **Processor Registers:** Registers are part of the computer processor which is used to hold a computer instruction, perform mathematical operation as storage address, or any kind of data. These are high speed, very small memory units within CPU for storing small amount of data (mostly 32 or 64 bits). Registers could be accumulators (for keeping running totals of arithmetic values), address registers (for storing memory addresses of instructions), storage registers (for storing the data temporarily) and miscellaneous (used for several functions for general purpose).

**(iii) Data Storage Devices** refers to the memory where data and programs are stored. Various types of memory are depicted in Fig. 3.3.3.

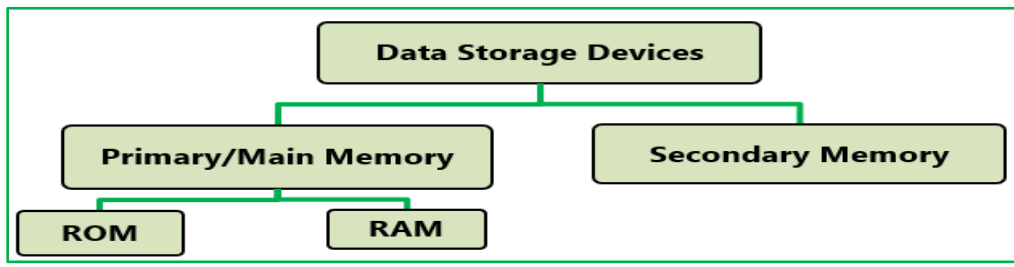



**Fig. 3.3.3: Types of Memory**

**(a)** **Primary/Main Memory:** Also known as Main Memory or Internal Memory, it is directly accessed by the processor using data bus. It is volatile or non-volatile in nature and being small in storage capacity, hence cannot be used to store data on a permanent basis. Primary memory is mainly of two types – **Random Access Memory (RAM)** and **Read Only Memory (ROM)**, the difference of which is provided below in the Table 3.3.1.

**Table 3.3.1: RAM vs ROM**

| Aspect | Random Access Memory (RAM) | Read Only Memory (ROM) |
|---|---|---|
| **Data Retention** | Volatile in nature means Information is lost as soon as power is turned off. | Non-volatile in nature (contents remain intact even in absence of power). |
| **Persistence** | The purpose is to hold program and data while they are in use. | These are used to store small amount of information that is rarely changed during the life of the system for quick reference by CPU. For example – Basic Input/Output System (BIOS). |
| **Information Access** | Information can be read as well as modified. | Information can be read only and not modified. |
| **Storage** | These are responsible for storing the instructions and data that the computer is using at that present moment, that is why it is a Temporary memory. | These are generally used by manufacturers to store data and programs like translators that is used repeatedly, that is why it is a Permanent memory. |
| **Impact** | Volatile memory such as RAM has high impact on system's performance. | Non-volatile memory has no impact on system's performance. |
| **Cost** | Volatile memory is costly per unit size. | Non-volatile memory is cheap per unit size. |
| **Speed** | RAM speed is quite high. | ROM speed is slower than RAM. |

| | | |
|---|---|---|
| **Capacity** | RAM memory is large and high capacity. | ROM is generally small and of low capacity. |

To bridge the huge differences of speed between the Registers and Primary memory, the Cache Memory is introduced.

**Cache memory** is a smaller, extremely fast memory type built into a computer's Central Processing Unit (CPU) and that acts as a buffer between RAM and the CPU. Cache Memory stores copies of the data from the most frequently used main memory locations so that CPU can access it more rapidly than main memory.

The differences between Processor Registers and Cache Memory are provided below in the Table 3.3.2.

**Table 3.3.2: Processor Registers vs Cache Memory**

| Processor Registers | Cache Memory |
|---|---|
| These are high speed memory units within CPU for storing small amount of data (mostly 32 or 64 bits). | It is fast memory built into a computer's CPU and is used to reduce the average time to access data from the main memory. The data that is stored within a cache might be values that have been computed earlier or duplicates of original values that are stored elsewhere. |
| The registers are the only Memory Units most processors can operate on directly. | Cache memory is an interface between CPU and Main storage. It is not directly accessible for operations. |

**(b)** **Secondary Memory:** Secondary memory devices are non-volatile, have greater capacity (they are available in large size), greater economy (the cost of these is lesser compared to register and RAM) and slow speed (slower in speed compared to registers or primary storage). Examples include Hard disk, Pen drive, Memory card etc. Table 3.3.3 provides the key differences between Primary Memory and Secondary Memory.

**Table 3.3.3: Primary Memory vs Secondary Memory**

| Aspect | Primary/Main Memory | Secondary Memory |
|---|---|---|
| **Basic** | Primary memory is directly accessible by Processor/CPU. | Secondary memory is not directly accessible by CPU. |

| | | |
|---|---|---|
| **Data** | Instructions or data to be currently executed are copied to main memory. | Data to be permanently stored is kept in secondary memory. |
| **Volatility** | Primary memory is usually volatile. | Secondary memory is non-volatile. |
| **Formation** | Primary memories are made of semiconductors. | Secondary memories are made of magnetic and optical material. |
| **Access Speed** | Accessing data from primary memory is faster. | Accessing data from secondary memory is slower. |
| **Access** | Primary memory is accessed by the data bus. | Secondary memory is accessed by input-output channels. |
| **Size** | The computer has a small primary memory. | The computer has a larger secondary memory. |
| **Expense** | Primary memory is costlier than secondary memory. | Secondary memory is cheaper than primary memory. |
| **Memory** | Primary memory is an internal memory. | Secondary memory is an external memory. |

With respect to CPU, the memory is organized as follows (as shown in the Fig. 3.3.4):

- Registers that have small capacity, high cost, very high speed are placed inside the CPU.
- Cache memory is placed next in the hierarchy followed by Primary memory.
- Secondary memory is the farthest from CPU (large capacity, low cost, low speed).

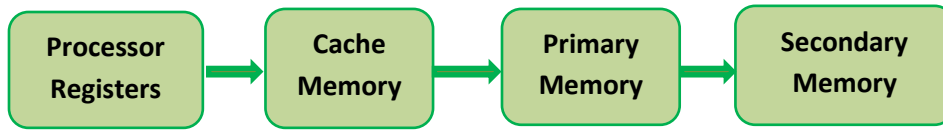



**Fig. 3.3.4: Computer Memory hierarchy**

**(iv) Output Devices:** Computer systems provide output to decision makers at all levels in an enterprise to solve business problems, the desired output may be in

visual, audio or digital forms. Output devices are devices through which system responds. Visual output devices like - a display device visually conveys text, graphics, and video information. Information shown on a display device is called soft copy because the information exists electronically and is displayed for a temporary period. Display devices include CRT monitors, LCD monitors and displays, gas plasma monitors, and televisions. Some types of output are textual, graphical, tactile, audio, and video.

- **Textual output** comprises of characters that are used to create words, sentences, and paragraphs.
- **Graphical outputs** are digital representations of non-text information such as drawings, charts, photographs, and animation.
- **Tactile output** such as raised line drawings may be useful for some individuals who are blind.
- **Audio output** is any music, speech, or any other sound.
- **Video output** consists of images played back at speeds to provide the appearance of full motion.

Most common examples of output devices are Speakers, Headphones, Screen (Monitor), Printer, Voice output communication aid, Automotive navigation system, Video, Plotter, Wireless etc.

### II. Software

**Software** is defined as a set of instructions that tell the hardware what to do. Software is not tangible; it cannot be touched. Software is created through the process of programming. When programmers create software, what they are really doing is simply typing out lists of instructions that tell the hardware what to execute. Without software, the hardware would not be functional. Software can be broadly divided into two categories: **Operating System Software** and **Application Software** as shown in the Fig. 3.3.2.

#### (a) Operating System Software

An **Operating System (OS)** is a set of computer programs that manages computer hardware resources and acts as an interface with computer applications programs. The operating system is a vital component of the system software in a computer system. Operating systems make the hardware usable and manage them by creating an interface between the hardware and the user. Application programs usually require an operating system to function that provides a convenient environment to users for executing their programs. Computer hardware with

operating system can thus be viewed as an extended machine, which is more powerful and easy to use. Some prominent Operating systems used nowadays are Windows 7, Windows 8, Mac OS, Linux, UNIX, etc.

All computing devices run on an operating system. For personal computers, the most popular operating systems are Microsoft's Windows, Apple's OS X, and different versions of Linux. Smart phones and tablets run on operating systems as well, such as Apple's iOS, Google Android, Microsoft's Windows Phone OS, and Research in Motion's Blackberry OS.

A variety of activities are executed by Operating systems which include:

- **Performing hardware functions:** Operating System acts as an intermediary between the application program and the hardware by obtaining input from keyboard, retrieve data from disk and display output on monitors.
- **User Interfaces:** Nowadays, Operating Systems are Graphic User Interface (GUI) based which uses icons and menus like in the case of Windows. GUI objects include icons, cursors, and buttons that change color, size, or visibility when the user interacts with them. A GUI displays objects that convey information and represent actions that can be taken by the user.
- **Hardware Independence:** Every computer could have different specifications and configurations of hardware. Operating System provides Application Program Interfaces (API), which can be used by application developers to create application software independent of the hardware configuration of their system, thus obviating the need to understand the inner workings of OS and hardware. Thus, OS provides hardware independence.
- **Memory Management:** Operating System allows controlling how memory is accessed and maximizes available memory and storage. Operating System also provides Virtual Memory by carving an area of hard disk to supplement the functional memory capacity of RAM. **Virtual Memory** is an imaginary memory area supported by some operating systems (for example, Windows) that combines computer's RAM with temporary space on the hard disk. If a computer lacks in required size of RAM needed to run a program or operation, Windows uses virtual memory to move data from RAM to a space called a paging file. Moving data to and from the paging file frees up RAM to complete its work. Thus, Virtual memory is an allocation of hard disk space to help RAM.

- **Task Management:** This facilitates users to do **Multitasking** i.e. to work with more than one application at a time and **Time sharing** i.e. allowing more than one user to use the system. For example - playing MP4 music, surfing internet through Google Chrome and working in MS Word Document simultaneously is a perfect example of Multitasking. Time-sharing is a technique which enables many users through various terminals to use particular computer system at the same time. In this, the processor's time is shared among multiple users simultaneously.
- **Networking Capability:** Operating systems can provide systems with features and capabilities to help connect different computer networks. Like Linux and Windows 10 give user an excellent capability to connect to internet.
- **Logical Access Security:** Operating systems provide logical security by establishing a procedure for identification and authentication using a User ID and Password. It can log the user access thereby providing security control.
- **File management:** The operating system keeps a track of where each file is stored and who can access it, based on which it provides the file retrieval.

**(b) Application Software**

**Example 3.1:** Consider the following examples:

- As the personal computer proliferated inside organizations, control over the information generated by the organization began splintering. Say the customer service department creates a customer database to keep track of calls and problem reports, and the sales department also creates a database to keep track of customer information. Which one should be used as the master list of customers?
- As another example, someone in sales might create a spreadsheet to calculate sales revenue, while someone in finance creates a different one that meets the needs of their department. However, it is likely that the two spreadsheets will come up with different totals for revenue. Which one is correct? And who is managing all this information?

To resolve these issues, various specific purpose applications were created.

**Application Software** is the category of programs that do some useful processing or task for the user. This includes all the computer software that causes a computer to perform useful tasks beyond the running of the computer itself. It is a collection of programs which address a real-life problem of its end users which may be

business or scientific or any other problem. Application Suite like MS Office 2010 which has MS Word, MS Excel, MS Access, etc.; Enterprise Software like SAP; Content Access Software like Media Players, Adobe Digital etc. are some examples of Application Software.

### 3.3.3 Data Resources

You can think of data as a collection of facts. For example, your street addresses, the city you live in, a new phone number are all pieces of data. Like software, data is also intangible. By themselves, pieces of data are not very useful. But aggregated, indexed and organized together into a database; data can become a powerful tool for businesses. For years, business houses have been gathering information with regards to customers, suppliers, business partners, markets, cost, and price movement and so on. After collection of information for years' companies have now started analyzing this information and creating important insights out of data. Data is now helping companies to create strategy for future. This is precisely the reason why we have started hearing a lot about data analytics in past few years.

- **Data:** Data, plural of Datum, are the raw bits and pieces of information with no context that can either be quantitative or qualitative. Quantitative data is numeric, the result of a measurement, count, or some other mathematical calculation. Qualitative data is descriptive. "Ruby Red," the color of a 2013 Ford Focus, is an example of qualitative data. By itself, data is not that useful. For it to be useful, it needs to be given context. For example - "15, 23, 14, and 85" are the numbers of students that had registered for upcoming classes that would-be information. Once we have put our data into context and have aggregated and analyzed it, we can use it to make decisions for our organization.
- **Database:** A set of logically inter-related organized collection of data is referred as Database. They store both operational data (produced by an organization's day to day operations) and non-operational data (used for education, research etc.). The goal of many Information Systems is to transform data into information to generate knowledge that can be used for decision making. To do this, the system must be able to take data, put the data into context and provide tools for aggregation and analysis.
- **Database Management Systems (DBMS):** DBMS may be defined as a software that aid in organizing, controlling, and using the data needed by the application program. They provide the facility to create and maintain a well-organized database. These systems are primarily used to develop and analyze single-user databases and are not meant to be shared across a network or

Internet but are instead installed on a device and work with a single user at a time. Various operations that can be performed on these files include adding new files to database, deleting existing files from database, inserting data in existing files, modifying data in existing files, deleting data in existing files, and retrieving or querying data from existing files. DBMS packages generally provide an interface to view and change the design of the database, create queries, and develop reports. Commercially available DataBase Management Systems are Oracle, MySQL, SQL Servers and DB2 etc. whereas Microsoft Access and Open Office Base are examples of personal DBMS.

**Advantages of DBMS**

- **Permitting Data Sharing:** One of the major advantages of a DBMS is that the same information can be made available to different users.
- **Minimizing Data Redundancy:** In a DBMS, duplication of information or redundancy is, if not eliminated, carefully controlled or reduced i.e. there is no need to repeat the same data repeatedly. Minimizing redundancy significantly reduce the cost of storing information on storage devices.
- **Integrity can be maintained:** Data integrity is maintained by having accurate, consistent, and up-to-date data. Updates and changes to the data only must be made in one place in DBMS ensuring Integrity.
- **Program and File consistency:** Using a DBMS, file formats and programs are standardized. The level of consistency across files and programs makes it easier to manage data when multiple programmers are involved as the same rules and guidelines apply across all types of data.
- **User-friendly:** DBMS makes the data access and manipulation easier for the user. DBMS also reduces the reliance of users on computer experts to meet their data needs.
- **Improved security:** DBMS allows multiple users to access the same data resources in a controlled manner by defining the security constraints. Some sources of information should be protected or secured and only viewed by select individuals. Using passwords, DBMS can be used to restrict data access to only those who should see it. Security will only be improved in a database when appropriate access privileges are allotted to prohibit unauthorized modification of data.
- **Achieving program/data independence:** In a DBMS, data does not reside in applications, but database program and data are independent of each other.

- **Faster Application Development:** In the case of deployment of DBMS, application development becomes fast. The data is already therein databases, application developer must think of only the logic required to retrieve the data in the way a user needs.

**Disadvantages of DBMS**

- **Cost:** Implementing a DBMS in terms of both system and user-training can be expensive and time-consuming, especially in large enterprises. Training requirements alone can be quite costly.
- **Security:** Even with safeguards in place, it may be possible for some unauthorized users to access the database. If one gets access to database, then it could be an all or nothing proposition.

### 3.3.4 Networking and Communication Systems

In today's high-speed world, we cannot imagine an information system without an effective and efficient communication system, which is a valuable resource which helps in good management. Telecommunication networks give an organization the capability to move information rapidly between distant locations and to provide the ability for the employees, customers, and suppliers to collaborate from anywhere, combined with the capability to bring processing power to the point of the application. All of this offers firm important opportunities to restructure its business processes and to capture highly competitive ground in the marketplace. Through telecommunications, this value may be:

(i) an increase in the efficiency of operations;

(ii) improvements in the effectiveness of management; and

(iii) innovations in the marketplace.

A network is a group of devices connected to each other and a **Computer Network** is a collection of computers and other hardware interconnected by communication channels that allow sharing of resources and information. Where atleast one process in one device can send/receive data to/from at least one process residing in a remote device, then the two devices are said to be in a network.

**Network and Communication System:** These consist of both physical devices and software that links the various pieces of hardware and transfers the data from one physical location to another. Computers and communications equipment can be connected in networks for sharing voice, data, images, sound and video. A network links two or more computers to share data or resources such as a printer.

Every enterprise needs to manage its information in an appropriate and desired manner. For this, an enterprise must know its information needs; acquire that information and organize it in a meaningful way, assure information quality and provide software tools so that users in the enterprise can access the information that they require.

Each component, namely the computer in a computer network is called a 'Node'. Computer networks are used for exchange of data among different computers and to share the resources like CPU, I/O devices, storages, etc. without much of an impact on individual systems. In real world, we see numerous networks like Telephone/ mobile network, postal networks etc. If we look at these systems, we can analyze that network could be of two types:

- **Connection Oriented networks:** Wherein a connection is first established between the sender and the receiver and then data is exchanged like it happens in case of telephone networks.
- **Connectionless Networks:** Where no prior connection is made before data exchanges. Data which is being exchanged in fact has a complete contact information of recipient; and at each intermediate destination, it is decided how to proceed further like it happens in case of postal networks.

These real-world networks have helped model computer networks. Each of these networks is modeled to address the following basic issues:

- **Routing:** It refers to the process of deciding on how to communicate the data from source to destination in a network. In this, data is transferred in the form of data packets using an Internet Protocol or IP address.
- **Bandwidth:** It refers to the amount of data which can be sent across a network in given time. The lesser the bandwidth, lesser is the data transferred and slower the website loads.
- **Contention:** It refers to the situation that arises when there is a conflict for some common resource in a network. For example, network contention could arise when two or more computer systems try to communicate at the same time.
- **Resilience:** It refers to the ability of a network to recover from any kind of error like connection failure, loss of data etc.

The following are the important benefits of a computer network:

- **Distributed nature of information:** There would be many situations where information must be distributed geographically. For example- In the case of

Banking Company, accounting information of various customers could be distributed across various branches but to make Consolidated Balance Sheet at the year-end, it would need networking to access information from all its branches.

- **Resource Sharing:** Data could be stored at a central location and can be shared across different systems. Even resource sharing could be in terms of sharing peripherals like printers, which are normally shared by many systems. For example- In the case of a Core Banking System, Bank data is stored at a Central Data Centre and could be accessed by all branches as well as ATMs.
- **Computational Power:** The computational power of most of the applications would increase drastically through load balancing when the processing is distributed amongst computer systems. For example: processing in an ATM machine in a bank is distributed between ATM machine and the central Computer System in a Bank, thus reducing load on both.
- **Reliability:** Many critical applications should be available 24x7, if such applications are run across different systems which are distributed across network, then the reliability of the applications would be high. For example- In a city, there could be multiple ATM machines so that if one ATM fails, one could withdraw money from another ATM.
- **User communication:** Networks allow users to communicate using e-mail, newsgroups, video conferencing, etc.

Telecommunications may provide these values through the following impacts:

**(a)** **Time compression:** Telecommunications enable a firm to transmit raw data and information quickly and accurately between remote sites.

**(b)** **Overcoming geographical dispersion:** Telecommunications enable an organization with geographically remote sites to function, to a degree, as though these sites were a single unit. The firm can then reap benefits of scale and scope which would otherwise be unobtainable.

**(c)** **Restructuring business relationships:** Telecommunications make it possible to create systems which restructure the interactions of people within a firm as well as a firm's relationships with its customers. Operational efficiency may be raised by eliminating intermediaries from various business processes.

## 3.4 INFORMATION SYSTEMS' CONTROLS

The increasing use of Information Technology in organizations has made it imperative that appropriate information systems are implemented in an organization. IT should cover all key aspects of business processes of an enterprise and should have an impact on its strategic and competitive advantage for its success. The enterprise strategy outlines the approach, it wishes to formulate with relevant policies and procedures to achieve business objectives. The basic purpose of information system controls in an organization is to ensure that the business objectives are achieved; and undesired risk events are prevented, detected and corrected. This is achieved by designing and effective information control framework which comprise policies, procedures, practices, and organization structure that gives reasonable assurances that the business objectives will be achieved.

Whenever a threat exploits a vulnerability, it gives rise to a risk. However, risk can never be completely eliminated, but only mitigated as there is always a component of inherent risk. Some of the critical controls that may lack in a computerized environment are as follows:

- Lack of management understanding of IS risks and related controls;
- Absence or inadequate IS control framework;
- Absence of weak general controls and IS controls;
- Lack of awareness and knowledge of IS risks and controls amongst the business users and even IT staff;
- Complexity of implementation of controls in distributed computing environments and extended enterprises;
- Lack of control features or their implementation in highly technology driven environments; and
- Inappropriate technology implementations or inadequate security functionality in technologies implemented.

Internal controls can be classified into various categories to illustrate the interaction of various groups in the enterprise and their effect on information systems on different basis. Refer Fig. 3.4.1:

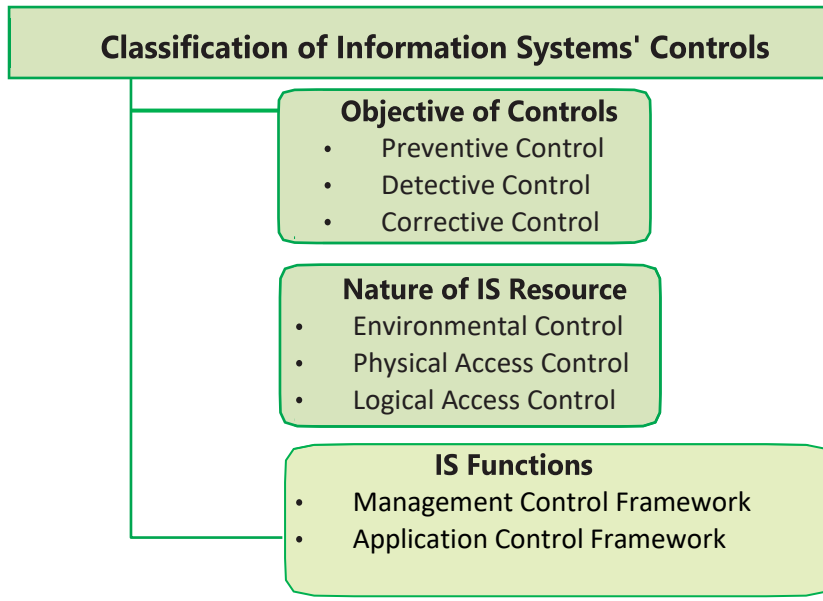



**Fig. 3.4.1: Classification of IS Controls**

### 3.4.1 Classification based on "Objective of Controls"

The controls as per the time that they act, relative to a security incident can be classified as under:

**(A) Preventive Controls:** These controls prevent errors, omissions, or security and malicious incidents from occurring. They are basically proactive in nature. Examples include simple data-entry edits that block alphabetic characters from being entered in numeric fields, access controls that protect sensitive data/ system resources from unauthorized people, and complex and dynamic technical controls such as anti-virus software, firewalls, and intrusion prevention systems. Preventive controls can be implemented in both manual and computerized environment for the same purpose. Only, the implementation methodology may differ from one environment to the other.

**Example 3.2:** Some examples of preventive controls are as follows:

Employing qualified personnel; Segregation of duties; Access control; Vaccination against diseases; Documentation; Prescribing appropriate books for a course; Training and retraining of staff; Authorization of transaction; Validation, edit checks in the application; Firewalls; Anti-virus software (sometimes this act like a corrective control also) etc. and Passwords. The above list contains both of manual and computerized preventive controls.

The main characteristics of Preventive controls are given as follows:

- A clear-cut understanding about the vulnerabilities of the asset;
- Understanding probable threats;
- Provision of necessary controls for probable threats from materializing.

**Example 3.3:** The following Table 3.4.1 shows how the purpose of preventive controls is achieved by using manual and computerized controls.

**Table 3.4.1: Preventive Controls**

| Purpose | Manual Control | Computerized Control |
|---|---|---|
| Restrict unauthorized entry into the premises. | Build a gate and post a security guard. | Use access control software, smart card, biometrics, etc. |
| Restrict unauthorized entry into the software applications. | Keep the computer in a secured location and allow only authorized person to use the applications. | Use access control, viz. User ID, password, smart card, etc. |

**(B)** **Detective Controls:** These controls are designed to detect errors, omissions or malicious acts that occur and report the occurrence. In other words, Detective Controls detect errors or incidents that elude preventive controls. They are basically investigative in nature. For example, a detective control may identify account numbers of inactive accounts or accounts that have been flagged for monitoring of suspicious activities. Detective controls can also include monitoring and analysis to uncover activities or events that exceed authorized limits or violate known patterns in data that may indicate improper manipulation. For sensitive electronic communications, detective controls indicate that a message has been corrupted or the sender's secure identification cannot be authenticated.

The main characteristics of Detective controls are given as follows:

- Clear understanding of lawful activities so that anything which deviates from these is reported as unlawful, malicious, etc.;
- An established mechanism to refer the reported unlawful activities to the appropriate person or group, whistle blower mechanism;
- Interaction with the preventive control to prevent such acts from occurring; and
- Surprise checks by supervisor.

**Example 3.4:** Some examples of Detective Controls are as follows:

Review of payroll reports; Compare transactions on reports to source documents; Monitor actual expenditures against budget; Use of automatic expenditure profiling where management gets regular reports of spend to date against profiled spend; Hash totals; Check points in production jobs; Echo control in telecommunications; Duplicate checking of calculations; Past-due accounts report, the Internal Audit functions; Intrusion Detection System; Cash counts and Bank reconciliation and Monitoring expenditures against budgeted amount.

**(C) Corrective Controls:** It is desirable to correct errors, omissions, or incidents once they have been detected. These controls are reactive in nature. These vary from simple correction of data-entry errors, to identifying and removing unauthorized users or software from systems or networks to recovery from incidents, disruptions, or disasters. Generally, it is most efficient to prevent errors or detect them as close as possible to their source to simplify correction. These corrective processes also should be subject to preventive and detective controls because they represent another opportunity for errors, omissions, or falsification. Corrective controls are designed to reduce the impact or correct an error once it has been detected.

The main characteristics of the corrective controls are as follows:

- Minimizing the impact of the threat;
- Identifying the cause of the problem;
- Providing Remedy to the problems discovered by detective controls;
- Getting feedback from preventive and detective controls;
- Correcting error arising from a problem; and
- Modifying the processing systems to minimize future occurrences of the incidents.

**Example 3.5:** Corrective controls may include the use of default dates on invoices where an operator has tried to enter the incorrect date. For example- "Complete changes to IT access lists if individual's role changes" is an example of corrective control. If an accounts clerk is transferred to the sales department as a salesman, his/her access rights to the general ledger and other finance functions should be removed and he/she should be given access only to functions required to perform his sales job.

Some other examples of Corrective Controls are submitting corrective journal entries after discovering an error; a Business Continuity Plan (BCP); Contingency planning; Backup procedure; Rerun procedures; System reboot; Change input value to an application system; and Investigate budget variance and report violations.

### 3.4.2 Classification based on "Nature of Information System Resources"

These are as follows:

**(A) Environmental Controls:** These are the controls relating to IT environment such as power air-conditioner, Uninterrupted Power Supply (UPS), smoke detector, fire-extinguishers, dehumidifiers etc. Tables 3.4.2 (A,B,C,D) enlist all the controls against the environmental exposures like Fire, Electrical Exposures, Water Damage, and Pollution damage and others with their corresponding controls respectively.

**I. Fire:** It is a major threat to the physical security of a computer installation.

**Table 3.4.2(A): Controls for Fire Exposure**

- ***Smoke Detectors*: Smoke detectors should be positioned at places above and below the ceiling tiles. Upon activation, these detectors should produce an audible alarm and must be linked to a monitored station (for example, a fire station).**
- ***Norms to reduce Electric Firing*: To reduce the risk of electric firing, the location of the computer room should be strategically planned and should not be in the basement or ground floor of a multi-storey building. Less wood and plastic material should be used in computer rooms. To reduce the risk of electric fire occurring and spreading, wiring should be placed in the fire-resistant panels and conduit. This conduit generally lies under the fire-resistant raised floor in the computer room. Fireproof Walls, Floors and Ceilings surrounding the Computer Room and Fire-resistant office materials such as waste baskets, curtains, desks, and cabinets should be used.**
- ***Fire Extinguishers*: Manual fire extinguishers can be placed at strategic locations. Fire Alarms, Extinguishers, Sprinklers, Instructions / Fire Brigade Nos., Smoke detectors, and Carbon-dioxide based fire extinguishers should be well placed and maintained.**
- ***Fire Alarms*: Both automatic and manual fire alarms may be placed at strategic locations and a control panel may be installed to clearly**

***indicate this. Besides the control panel, master switches may be installed for power and automatic fire suppression system. A gas-based fire suppression system is preferable, however, depending upon the situation, different fire suppression techniques like Dry-pipe sprinkling systems, water-based systems, halon etc., may be used. When a fire alarm is activated, a signal may be sent automatically to permanently manned station.***

- ***Regular Inspection and Raising awareness: Regular inspection by Fire Department Officials should be conducted. The procedures to be followed during an emergency should be properly documented. Fire Exits should be clearly marked, and all the staff members should know how to use the system in case of emergency.***
- **Documented and Tested Emergency Evacuation Plans:** Relocation plans should emphasize human safety but should not leave information processing facilities physically unsecured. Procedures should exist for a controlled shutdown of the computer in an emergency. In all circumstances, saving human life should be given paramount importance.

**II. Electrical Exposures:** These include risk of damages that may be caused due electrical faults which may occur due to very short pulse of energy in a power line. These include non-availability of electricity, spikes (temporary very high voltages), fluctuations of voltage and other such risk.

**Table 3.4.2(B): Controls for Electrical Exposure**

- **Electrical Surge Protectors:** The risk of damage due to power spikes can be reduced using Electrical Surge Protectors that are typically built into the Uninterrupted Power System (UPS).
- **Un-interruptible Power System/Generator:** In case of a power failure, the UPS provides the backup by providing electrical power from the battery to the computer for a certain span of time. Depending on the sophistication of the UPS, electrical power supply could continue to flow for days or for just a few minutes to permit an orderly computer shutdown.
- **Voltage regulators and circuit breakers:** These protect the hardware from temporary increase or decrease of power.
- **Emergency Power-Off Switch:** When the need arises for an immediate power shut down during situations like a computer room fire or an emergency evacuation, an emergency power-off switch at the strategic

locations would serve the purpose. They should be easily accessible and yet secured from unauthorized people.

**III. Water Damage:** Water damage to a computer installation can be the outcome of water pipes burst. Water damage may also result from other resources such as cyclones, tornadoes, floods etc.

**Table 3.4.2(C): Controls for Water Exposure**

- ***Water Detectors: These should be placed under the raised floor, near drain holes and near any unattended equipment storage facilities.***
- ***Strategically locating the computer room: To reduce the risk of flooding, the computer room should not be located in the basement of ground floor of a multi-storey building.***
- Some of the major ways of protecting the installation against water damage are as follows:
  - Wherever possible have waterproof ceilings, walls and floors;
  - Ensure an adequate positive drainage system exists;
  - Install alarms at strategic points within the installation;
  - In flood-prone areas, have the installation above the upper floors but not at the top floor;
  - Water proofing; and
  - Water leakage Alarms.

**IV. Pollution Damage and others:** The major pollutant in a computer installation is dust. Dust caught between the surfaces of magnetic tape / disk and the reading and writing heads may cause either permanent damage to data or read / write errors.

**Table 3.4.2(D): Controls for Pollution Damage Exposure**

- **Power Leads from Two Substations:** Electrical power lines are exposed to many environmental dangers such as water, fire, lightning, cutting due to careless digging etc. To avoid these types of events, redundant power links should feed into the facility so that interruption of one power supply does not adversely affect electrical supply.

- **Prohibitions against Eating, Drinking and Smoking within the Information Processing Facility:** These activities should be prohibited from the information processing facility especially food and beverages to protect the systems from rodents which could damage the electrical wirings and cables and also to prevent fire caused due to smoking. This prohibition should be clear, e.g. a sign on the entry door.

**(B) Physical Access Controls:** The Physical Access Controls are the controls relating to physical security of the tangible resources and intangible resources stored on tangible media etc. Such controls include Access control doors, Security guards, door alarms, restricted entry to secure areas, visitor logged access, CCTV monitoring etc. Refer the Table 3.4.3.

**Table 3.4.3: Controls for Physical Exposures**

**I. Locks on Doors**

- **Cipher locks (Combination Door Locks):** Cipher locks are used in low security situations or when many entrances and exits must be usable all the time. To enter into a secured room, a person presses a four-digit number and the door will unlock for a predetermined period, usually 10 to 30 seconds.
- **Bolting Door Locks:** In this, a special metal key is used to gain entry and to avoid illegal entry, the keys should not be duplicated.
- **Electronic Door Locks:** A magnetic or embedded chip-based plastics card key or token may be entered into a reader to gain access in these systems.

**II. Physical Identification Medium:** These are discussed below:

- **Personal Identification Numbers (PIN):** A secret number assigned to an individual, in conjunction with some means of identifying the individual, serves to verify the authenticity of the individual. The visitor will be asked to log on by inserting a card in some device and then enter their PIN via a PIN keypad for authentication. His/her entry will be matched with the PIN number available in the security database.
- **Plastic Cards:** These cards are used for identification purposes. Customers should safeguard their card so that it does not fall into unauthorized hands.

- **Identification Badges:** Special identification badges can be issued to personnel as well as visitors. For easy identification purposes, their color of the badge can be changed. Sophisticated photo IDs can also be utilized as electronic card keys.

**III. Logging on Facilities:** These are given as under:

- **Manual Logging:** All visitors should be prompted to sign a visitor's log indicating their name, date and time of visit, company represented, their purpose of visit, and person to see. Logging may happen at both fronts - reception and entrance to the computer room. A valid and acceptable identification such as a driver's license, business card or vendor identification tag may also be asked for before allowing entry inside the company.
- **Electronic Logging:** This feature is a combination of electronic and biometric security systems. The users logging can be monitored, and the unsuccessful attempts being highlighted.

**IV. Other means of Controlling Physical Access:** Other important means of controlling physical access are as follows:

- **Video Cameras:** Cameras should be placed at specific locations and monitored by security guards. Refined video cameras can be activated by motion. The video supervision recording must be retained for possible future play back.
- **Security Guards:** Extra security can be provided by appointing guards aided with CCTV feeds. Guards supplied by an external agency should be made to sign a bond to protect the organization from loss.
- **Controlled Visitor Access:** A responsible employee should escort all visitors who may be friends, maintenance personnel, computer vendors, consultants, and external auditors.
- **Bonded Personnel:** All service contract personnel, such as cleaning people and off-site storage services, should be asked to sign a bond. This may not be a measure to improve physical security but to a certain extent can limit the financial exposure of the organization.
- **Dead Man Doors/Man trap:** These systems encompass a pair of doors that are typically found in entries to facilities such as computer rooms and document stations. The first entry door must close and lock for the second door to operate with the only one person permitted in the

holding area. It helps to manage traffic and prohibits the intruder from escaping the facility quickly.

- **Non–exposure of Sensitive Facilities**: There should be no explicit indication such as presence of windows of directional signs hinting the presence of facilities such as computer rooms. Only the general location of the information processing facility should be identifiable.
- **Computer Terminal Locks:** These locks ensure that the device to the desk is not turned on or disengaged by unauthorized persons.
- **Controlled Single Entry Point**: All incoming personnel can use controlled Single-Entry Point. A controlled entry point is monitored by a receptionist. Multiple entry points increase the chances of unauthorized entry. Unnecessary or unused entry points should be eliminated or deadlocked.
- **Alarm System:** Illegal entry can be avoided by linking alarm system to inactive entry point and the reverse flows of enter or exit only doors, to avoid illegal entry. Security personnel should be able to hear the alarm when activated.
- **Perimeter Fencing:** Fencing at boundary of the facility may also enhance the security mechanism.
- **Control of out of hours of employee-employees:** Employees who are out of office for a longer duration during the office hours should be monitored carefully. Their movements must be noted and reported to the concerned officials frequently.
- **Secured Report/Document Distribution Cart:** Secured carts, such as mail carts must be covered and locked and should always be attended.

**(C)** **Logical Access Controls:** These are the controls relating to logical access to information resources such as operating systems controls, application software boundary controls, networking controls, access to database objects, encryption controls etc. Logical access controls are implemented to ensure that access to systems, data and programs is restricted to authorized users to safeguard information against unauthorized use, disclosure or modification, damage, or loss. The key factors considered in designing logical access controls include confidentiality and privacy requirements, authorization, authentication, and incident handling, reporting and follow-up, virus prevention and detection, firewalls, centralized security administration, user training and tools for monitoring compliance, intrusion testing and reporting. Logical access controls

are the system-based mechanisms used to designate who or what is to have access to a specific system resource and the type of transactions and functions that are permitted. Table 3.4.4 provides the controls for Technical Exposures.

**Table 3.4.4: Controls for Technical Exposures**

| |
|---|
| **I. User Access Management:** This involves the administration within a system for giving individual users the access to the tools they require at the right time. This is an important factor that involves following:<br>• **User Registration:** Information about every user is documented. Some questions like why and who is the user granted the access; has the data owner approved the access, and has the user accepted the responsibility? etc. are answered. The de-registration process is also equally important.<br>• **Privilege management:** Access privileges are to be aligned with job requirements and responsibilities are to be minimal w.r.t. their job functions. For example, an operator at the order counter shall have direct access to order processing activity of the application system. Similarly, a business analyst could be granted the access to view the report but not modify which would be done by the developer.<br>• **User password management:** Passwords are usually the default screening point for access to systems. Allocations, storage, revocation, and reissue of password are password management functions. Educating users is a critical component about passwords and making them responsible for their password.<br>• **Review of user access rights:** A user's need for accessing information changes with time and requires a periodic review of access rights to check anomalies in the user's current job profile, and the privileges granted earlier. |
| **II. User Responsibilities:** User awareness and responsibility are also important factors discussed below:<br>• **Password use:** This includes mandatory use of strong passwords to maintain confidentiality.<br>• **Unattended user equipment:** Users should ensure that none of the equipment under their responsibility is ever left unprotected. They should also secure their PCs with a password and should not leave it |

accessible to others. While leaving the premises from work, care should be taken to always lock the system.

**III. Network Access Control:** Network Access controls refers to the process of managing access for use of network based services like shared resources, access to cloud based services, remote login, network and internet access. The protection can be achieved through the following means:

- **Policy on use of network services:** An enterprise-wide policy applicable to internet service requirements aligned with the business need for using the Internet services is the first step. Selection of appropriate services and approval to access them should be part of this policy.
- **Enforced path:** Based on risk assessment, it is necessary to specify the exact path or route connecting the networks e.g. internet access by employees will be routed through a firewall and proxy.
- **Segregation of networks:** Based on the sensitive information handling function; say a VPN connection between a branch office and the head-office, this network is to be isolated from the internet usage service thereby providing a secure remote connection.
- **Network connection and routing control:** The traffic between networks should be restricted, based on identification of source and authentication access policies implemented across the enterprise network facility.
- **Security of network services:** The techniques of authentication and authorization policy should be implemented across the organization's network.
- **Firewall:** A Firewall is a system that enforces access control between two networks. To accomplish this, all traffic between the external network and the organization's Intranet must pass through the firewall that will allow only authorized traffic between the organization and the outside to pass through it. The firewall must be immune to penetrate from both outside and inside the organization. In addition to insulating the organization's network from external networks, firewalls can be used to insulate portions of the organization's Intranet from internal access also as per the organizations network usage policy.

- **Network Encryption:** Network encryption is defined as the process of encrypting data and messages transmitted or communicated over a computer network. Encrypting date means the conversion of data into a secret code for storage in databases and transmission over networks. Two general approaches - Private key and Public key encryption are used for encryption.
- **Call Back Devices:** It is based on the principle that the key to network security is to keep the intruder off the Intranet rather than imposing security measure after the criminal has connected to the intranet. The call back device requires the user to enter a password and then the system breaks the connection. If the caller is authorized, the call back device dials the caller's number to establish a new connection. This limits the access only from authorized terminals or telephone numbers and prevents an intruder masquerading as a legitimate user. This also helps to avoid the call forwarding and man-in-the middle attack.

**IV. Operating System Access Control:** Operating System (O/S) is the computer control program that allows users and their applications to share and access common computer resources, such as processor, main memory, database, and printers. Major tasks of O/S are Job Scheduling; Managing Hardware and Software Resources; Maintaining System Security; Enabling Multiple User Resource Sharing; Handling Interrupts and Maintaining Usage Records. Operating system security involves policy, procedure and controls that determine, 'who can access the operating system,' 'which resources they can access', and 'what action they can take'. Hence, protecting operating system access is extremely crucial and can be achieved using following steps.

- **Automated terminal identification:** This will help to ensure that a specified session could only be initiated from a certain location or computer terminal.
- **Terminal log-in procedures:** A log-in procedure is the first line of defense against unauthorized access as it does not provide unnecessary help or information, which could be misused by an intruder. When the user initiates the log-on process by entering user-id and password, the system compares the ID and password to a database of valid users and accordingly authorizes the log-in.

- **Access Token:** If the log on attempt is successful, the operating system creates an access token that contains key information about the user including user-id, password, user group and privileges granted to the user. The information in the access token is used to approve all actions attempted by user during the session.
- **Access Control List:** This list contains information that defines the access privileges for all valid users of the resource. When a user attempts to access a resource, the system compasses his or her user-id and privileges contained in the access token with those privileges granted to the user as mentioned in the access control list. If there is a match, the user is granted access.
- **Discretionary Access Control:** The system administrator usually determines who is granted access to specific resources and maintains the access control list. However, in distributed systems, resources may be controlled by the end-user. Resource owners in this setting may be granted discretionary access control, which allows them to grant access privileges to other users. For example, the controller who is owner of the general ledger grants read only privilege to the budgeting department while accounts payable manager is granted both read and write permission to the ledger.
- **User identification and authentication:** The users must be identified and authenticated in a foolproof manner. Depending on risk assessment, more stringent methods like Biometric Authentication or Cryptographic means like Digital Certificates should be employed.
- **Password management system:** An operating system could enforce selection of good passwords. Internal storage of password should use one-way hashing algorithms and the password file should not be accessible to users.
- **Use of system utilities:** System utilities are the programs that help to manage critical functions of the operating system e.g. addition or deletion of users. Obviously, this utility should not be accessible to a general user. Use and access to these utilities should be strictly controlled and logged.
- **Duress alarm to safeguard users:** If users are forced to execute some instruction under threat, the system should provide a means

to alert the authorities. The design of the duress alarm should be simple enough to be operated under stressful situations.

- **Terminal time out:** Log out the user if the terminal is inactive for a defined period. This will prevent misuse in absence of legitimate user.
- **Limitation of connection time:** Define the available time slot. Do not allow any transaction beyond this time. For example, no computer access after 8.00 p.m. and before 8.00 a.m. or on a Saturday or Sunday.

**V. Application and Monitoring System Access Control:** Applications are most common assets that access information. Users invoke the programmes or modules of application to access, process and communicate information. Hence, it is necessary to control the accesses to application. Some of the controls are as follows:

- **Information Access restriction:** The access to information is prevented by application specific menu interfaces, which limit access to system function. A user can access only to those items, s/he is authorized to access. Controls are implemented on access rights like read, write, delete, and execute to users, and further to ensure that sensitive output is sent only to authorized terminals and locations.
- **Sensitive System isolation:** Based on the critical constitution of a system in an enterprise, it may even be necessary to run the system in an isolated environment. Monitoring system access is a detective control, to check if preventive controls discussed so far are working. If not, this control will detect/report any unauthorized activities.
- **Event logging:** In Computer systems, it is easy and viable to maintain extensive logs for all types of events. It is necessary to review if logging is enabled and the logs are archived properly. An intruder may penetrate the system by trying different passwords and user ID combinations. All incoming and outgoing requests along with attempted access should be recorded in a transaction log. The log should record the user ID, the time of the access and the terminal location from where the request has been originated.
- **Monitor System use:** Based on the risk assessment, a constant monitoring of some critical systems is essential. Define the details of types of accesses, operations, events, and alerts that will be monitored. The extent of detail and the frequency of the review

| | |
|---|---|
| | would be based on criticality of operation and risk factors. The log files are to be reviewed periodically and attention should be given to any gaps in these logs.<br>• **Clock Synchronization:** Event logs maintained across an enterprise network plays a significant role in correlating an event and generating report on it. Hence, the need for synchronizing clock time across the network as per a standard time is mandatory. |
| **VI.** | **Controls when mobile:** In today's organizations, computing facility is not restricted to a certain data center alone. Ease of access on the move provides efficiency and results in additional responsibility on the management to maintain information security. Theft of data carried on the disk drives of portable computers is a high-risk factor. Both physical and logical access to these systems is critical. Information is to be encrypted and access identifications like fingerprint, eye-iris, and smart cards are necessary security features. |

### 3.4.3 Classification based on "Information Systems Functions"

Auditors might choose to factor systems in several different ways. Auditors have found two ways to be especially useful when conducting information systems audits, as discussed below. Fig. 3.4.2 and Fig. 3.4.3 provide overview of The Management Control Framework and Application Control Framework respectively.

#### A. The Management Control Framework

Managerial functions must be performed to ensure the development, implementation, operation, and maintenance of information systems in a planned and controlled manner in an organization. These functions provide a stable infrastructure in which information systems can be built, operated, and maintained on a day-to-day basis.

#### I. Top Management Controls

The controls adapted by the management of an enterprise are to ensure that the information systems function correctly, and they meet the strategic business objectives. The management has the responsibility to determine whether the controls that their enterprise system has put in place are sufficient so that the IT activities are adequately controlled. The scope of control here includes framing high-level IT policies, procedures, and standards on a holistic view and in establishing a sound internal controls framework within the organization. The high-level policies establish a framework on which the controls for lower hierarchy of the

enterprise. The controls flow from the top of an organization to down; the responsibility still lies with the senior management. Top management is responsible for preparing a master plan for the information systems function. The senior managers who take responsibility for IS function in an organization face many challenges. The major functions that a senior management must perform are Planning, Organizing, Leading and Controlling.

**(a)** **Planning –** This includes determining the goals of the information systems function and the means of achieving these goals which could either be a short term or long term one. The steering committee shall comprise of representatives from all areas of the business, and IT personnel that would be responsible for the overall direction of IT. The steering committee should assume overall responsibility for activities of information systems function.

**(b)** **Organizing –** There should be a prescribed IT organizational structure with documented roles and responsibilities and agreed job descriptions. This includes gathering, allocating, and coordinating the resources needed to accomplish the goals that are established during planning function. Unless Top management performs the organizing function properly, the Information systems function is unlikely to be effective and efficient.

**(c)** **Leading –** This includes the activities like motivating, guiding, and communicating with personnel. The purpose of leading is to achieve the harmony of objectives, i.e. a person's or group's objectives must not conflict with the organization's objectives. The process of leading requires managers to motivate subordinates, direct them and communicate with them.

**(d)** **Controlling –** This includes comparing actual performance of the information systems functions with their planned performance as a basis for taking any corrective actions that are needed. This involves determining when the actual activities of the information system's functions deviate from the planned activities.

### II. Systems Development Management Controls

Systems Development Management has responsibility for the functions concerned with analyzing, designing, building, implementing, and maintaining information systems. System development controls are targeted to ensure that proper documentations and authorizations are available for each phase of the system development process. It includes controls at controlling new system development activities. The activities discussed below deal with system development controls in an IT setup.

(a) ***Problem definition and Feasibility assessment**: Information Systems can be developed to help resolve problems or to take advantage of opportunities. All the stakeholders must reach to agreement on the problem and should understand the possible threats associated with possible solutions/systems related to asset safeguarding, data integrity, system effectiveness, and system efficiency. The feasibility assessment is done to obtain a commitment to change and to evaluate whether cost-effective solutions are available to address the problem or opportunity that has been identified. All solutions must be properly and formally authorized to ensure their economic justification and feasibility. This requires that each new solution request to be submitted in written form by stakeholders to systems professionals who have both the expertise and authority to evaluate and approve (or reject) the request.*

(b) ***Analysis of existing system**: Designers need to analyze the existing system that involves two major tasks:*

- *Studying the existing organizational history, structure, and culture to gain an understanding of the social and task systems in place, the ways these systems are coupled, and the willingness if stakeholders to change.*
- *Studying the existing product and information flows as the proposed system will be based primarily on current product and information flows. The designers need to understand the strengths and weaknesses of existing product to determine the new system requirements and the extent of change required.*

(c) ***Information Processing System design**: This phase involves following activities:*

- ***Elicitation of detailed requirements**: Either ask the stakeholders for their requirement in case they are aware about it or discover the requirement through analysis and experimentation in case stakeholders are uncertain about their need.*
- ***Design of data/information flow**: The designers shall determine the flow of data/information and transformation points, the frequency and timing of the data and information flows and the extent to which data and information flows will be formalized. Tools such as DFD can be used for this purpose.*

- ***Design of Database and user interface*: Design of database involves determining its scope and structure, whereas the design of user interface determines the ways in which users interact with a system.**
- ***Physical design*: This involves breaking up the logical design into units which in turn can be decomposed further into implementation units such as programs and modules.**
- ***Design of the hardware/software platform*: In case the hardware and software platforms are not available in the organization, the new platforms are required to be designed to support the proposed system.**

***(d) Hardware/Software acquisition and procedures development*: To purchase the new application system or hardware, a request for a proposal must be prepared, vendor proposals are sought, and final decisions is made based on evaluation. During procedures development, designers specify the activities that users must undertake to support the ongoing operation of the system and to obtain useful output.**

***(e) Acceptance Testing and Conversion*: Acceptance Testing is carried out to identify errors or deficiencies in the system prior to its final release into production use. The conversion phase comprises the activities undertaken to place the new system in operation.**

***(f) Operation and Maintenance*: In this phase, the new system is run as a production system and periodically modified to better meet its objectives. A formal process is required to identify and record the need for changes to a system and to authorize and control the implementation of needed changes. The maintenance activities associated with these systems need to be approved and monitored carefully.**

### III. Programming Management Controls

Program development and implementation is a major phase within the systems development life cycle. The primary objectives of this phase are to produce or acquire and to implement high-quality programs. Refer Table 3.4.5.

**Table 3.4.5: Program Development Life Cycle**

| Phase | Controls |
|---|---|
| **Planning** | This phase estimates the resources required for software development, acquisition, and implementation. The importance and complexity of planning decision can vary based on factors |

| | |
|---|---|
| | such as size of software to be developed and uncertainty relating to user requirement or support technology. |
| **Design** | In this, programmers seek to specify the structure and operation of programs that will meet the requirements articulated. Any systematic approach to program design like structured design approach or object-oriented design is adopted. The design of program depends on the type of programming language that has been or will be used to implement the program. |
| **Coding** | Programmers must choose a module implementation and integration strategy (like Top-down and Bottom-up approach), a coding strategy (that follows percepts of structured programming) and a documentation strategy to ensure program code is easily readable and understandable. |
| **Testing** | Three types of testing can be undertaken in this phase:<br>♦ **Unit Testing** which focuses on individual program modules;<br>♦ **Integration Testing** which focuses on groups of program modules; and<br>♦ **Whole-of-Program Testing** which focuses on whole program to determine whether it meets the requirement.<br>These tests are to ensure that a developed or acquired program achieves its specified requirements. |
| **Operation and Maintenance** | Management establishes formal mechanisms to monitor the status of operational programs so that maintenance needs can be identified on a timely basis. Below are three types of maintenance:<br>♦ **Repair Maintenance –** in which logic errors detected in the system are corrected;<br>♦ **Adaptive Maintenance –** in which the program is modified to meet changing user requirements; and<br>♦ **Perfective Maintenance -** in which the program is tuned to decrease the resource consumption and improve processing efficiency. |
| The **Control** phase that runs in parallel to all other phases during software development or acquisition is to monitor progress against plan and to ensure that software released for production use is authentic, accurate, and complete. Techniques like Work Breakdown Structures (WBS), Gantt Charts and PERT | |

(Program Evaluation and Review Technique) Charts can be used to monitor progress against plan. The Control phase has two major purposes:

- Task progress in various software life-cycle phases should be monitored against plan and corrective action should be taken in case of any deviations.
- Control over software development, acquisition, and implementation tasks should be exercised to ensure software released for production use is authentic, accurate, and complete.

**IV. Data Resource Management Controls**

In organizations, the data is a critical resource that must be managed properly and therefore, accordingly, centralized planning and control are implemented. For data to be managed better; users must be able to share data; data must be available to users when it is needed, in the location where it is needed, and in the form in which it is needed. Further, it must be possible to modify data easily if the change is required and the integrity of the data must be preserved.

***If data repository system is used properly, it can enhance data and application system reliability. It must be controlled carefully, however, because the consequences are serious if the data definition is compromised or destroyed. Careful control should be exercised over the roles by appointing senior, trustworthy persons, separating duties to the extent possible and maintaining and monitoring logs of the data administrator's and database administrator's activities. Data integrity is defined as maintenance, assurance, accuracy, consistency of data and the control activities that are involved in maintaining it are as under:***

***(a) Definition Controls: These controls are placed to ensure that the database always corresponds and comply with its definition standards.***

***(b) Existence/Backup Controls: These controls ensure the existence of the database by establishing backup and recovery procedures. Backup refers to making copies of the data so that these additional copies may be used to restore the original data after a data loss. Backup controls ensure the availability of system in the event of data loss due to unauthorized access, equipment failure or physical disaster; the organization can retrieve its files and databases. Various backup strategies like dual recording of data; periodic dumping of data; logging input transactions and changes to the data may be used.***

***(c) Access Controls: These controls are designed to prevent unauthorized individual from viewing, retrieving, computing, or destroying the entity's***

***data. User Access Controls are established through passwords, tokens and biometric controls; and Data Encryption controls are established by keeping the data in database in encrypted form.***

***(d) Update Controls: These controls restrict update of the database to authorized users in two ways either by permitting only addition of data to the database or allowing users to change or delete existing data.***

***(e) Concurrency Controls: These controls provide solutions, agreed-upon schedules, and strategies to overcome the data integrity problems that may arise when two update processes access the same data item at the same time.***

***(f) Quality Controls: These controls ensure the accuracy, completeness, and consistency of data maintained in the database. This may include traditional measures such as program validation of input data and batch controls over data in transit through the organization.***

**V. Security Management Controls**

Information security administrators are responsible for ensuring that information systems assets categorized under Personnel, Hardware, Facilities, Documentation, Supplies Data, Application Software and System Software are secure. Assets are secure when the expected losses that will occur over some time, are at an acceptable level. The Environmental Controls, Physical Controls and Logical Access Controls are all security measures against the possible threats. However, despite the controls on place, there could be a possibility that a control might fail. Disasters are events/incidents that are so critical that has capability to hit business continuity of an entity in an irreversible manner.

When disaster strikes, it still must be possible to recover operations and mitigate losses using the controls of last resort - A **Disaster Recovery Plan (DRP)** and **Insurance**.

- DRP deals with how an organization recovers from a disaster and comes back to its normalcy. The plan lays down the policies, guidelines, and procedures for all Information System personnel. A comprehensive DRP comprise four parts – **an Emergency Plan** (actions to be undertaken immediately when a disaster occurs)**, a Backup Plan** (specifies the type of backup to be kept, frequency of taking backup, the procedures for making backup etc.), a **Recovery Plan** (to restore full IS capabilities) and a **Test Plan** (to identify deficiencies in the test plan). **Business Continuity Plan** (BCP) as compared

to a DRP mainly deals with carrying on the critical business operations in the event of a disaster so as to ensure minimum impact on the business.

- **Insurance** is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. Adequate insurance must be able to replace Information Systems assets and to cover the extra costs associated with restoring normal operations.

### VI. Operations Management Controls

Operations management is responsible for the daily running of hardware and software facilities so that production application systems can accomplish their work and development staff can design, implement and maintain application systems. Operations management typically perform controls over the functions as discussed below:

**(a) Computer Operations:** The controls over computer operations govern the activities that directly support the day-to-day execution of either test or production systems on the hardware/software platform available.

**(b) Network Operations:** Data may be lost or corrupted through component failure. To avoid such situation, the proper functioning of network operations, monitoring the performance of network communication channels, network devices, and network programs and files are required.

**(c) Data Preparation and Entry:** Irrespective of whether the data is obtained indirectly from source documents or directly from say customers, keyboard environments and facilities should be designed to promote speed and accuracy and to maintain the wellbeing of keyboard operators.

**(d) Production Control:** This includes the major functions like receipt and dispatch of input and output; job scheduling; management of service-level agreements with users; transfer pricing/charge-out control; and acquisition of computer consumables.

**(e) File Library:** This includes the management of not only machine-readable storage media like magnetic tapes, cartridges, and optical disks of an organization but also its fixed storage media.

**(f) Documentation and Program Library:** This involves that documentation librarians ensure that documentation is stored securely; that only authorized personnel gain access to documentation; that documentation is kept up-to-date and that adequate backup exists for documentation. There should also

be adequate versioning of documents depending on the updates. The documentation may include reporting of responsibility and authority of each function; definition of responsibilities and objectives of each function; reporting responsibility and authority of each function; policies and procedures; job descriptions and Segregation of Duties.

**(g) Help Desk/Technical support:** This assists end-users to employ end-user hardware and software such as micro-computers, spreadsheet packages, database management packages etc. and provided the technical support for production systems by assisting with problem resolution.

**(h) Capacity Planning and Performance Monitoring:** Regular performance monitoring facilitates the capacity planning wherein the resource deficiencies must be identified well in time so that they can be made available when they are needed.

**(i) Management of Outsourced Operations:** This has the responsibility for carrying out day-to-day monitoring of the outsourcing contract.

**VII. Quality Assurance Management Controls**

Quality Assurance management is concerned with ensuring that the –

- Information systems produced by the information systems function achieve certain quality goals; and
- Development, implementation, operation and maintenance of Information systems comply with a set of quality standards.

Quality Assurance (QA) personnels should work to improve the quality of information systems produced, implemented, operated, and maintained in an organization. They perform a monitoring role for management to ensure that –

- Quality goals are established and understood clearly by all stakeholders;
- Compliance occurs with the standards that are in place to attain quality information systems, and
- Best practices in the industry are also incorporated during the production of information systems including detailed knowledge transfer sessions, quality matrix etc.

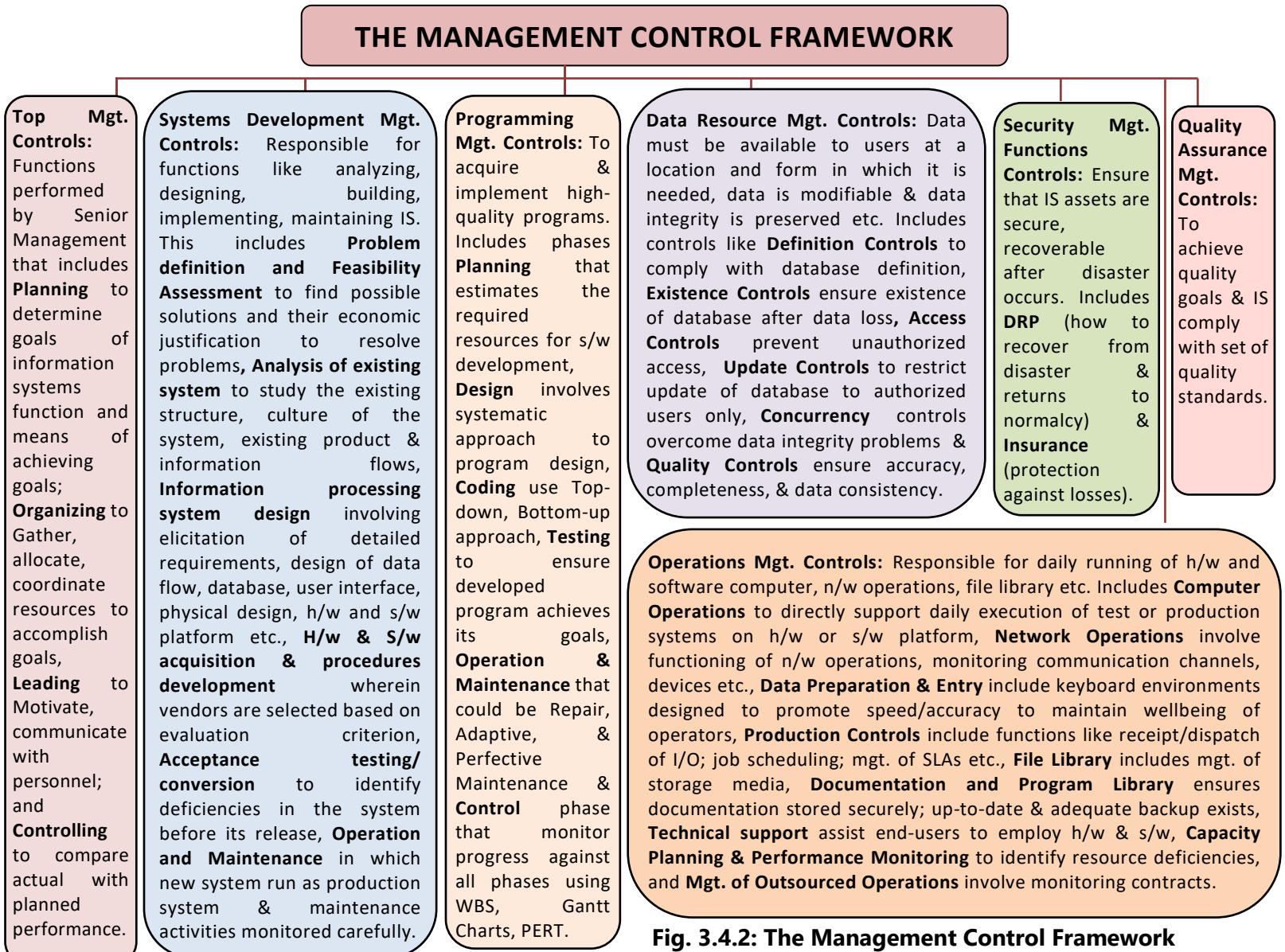



**Fig. 3.4.2: The Management Control Framework**

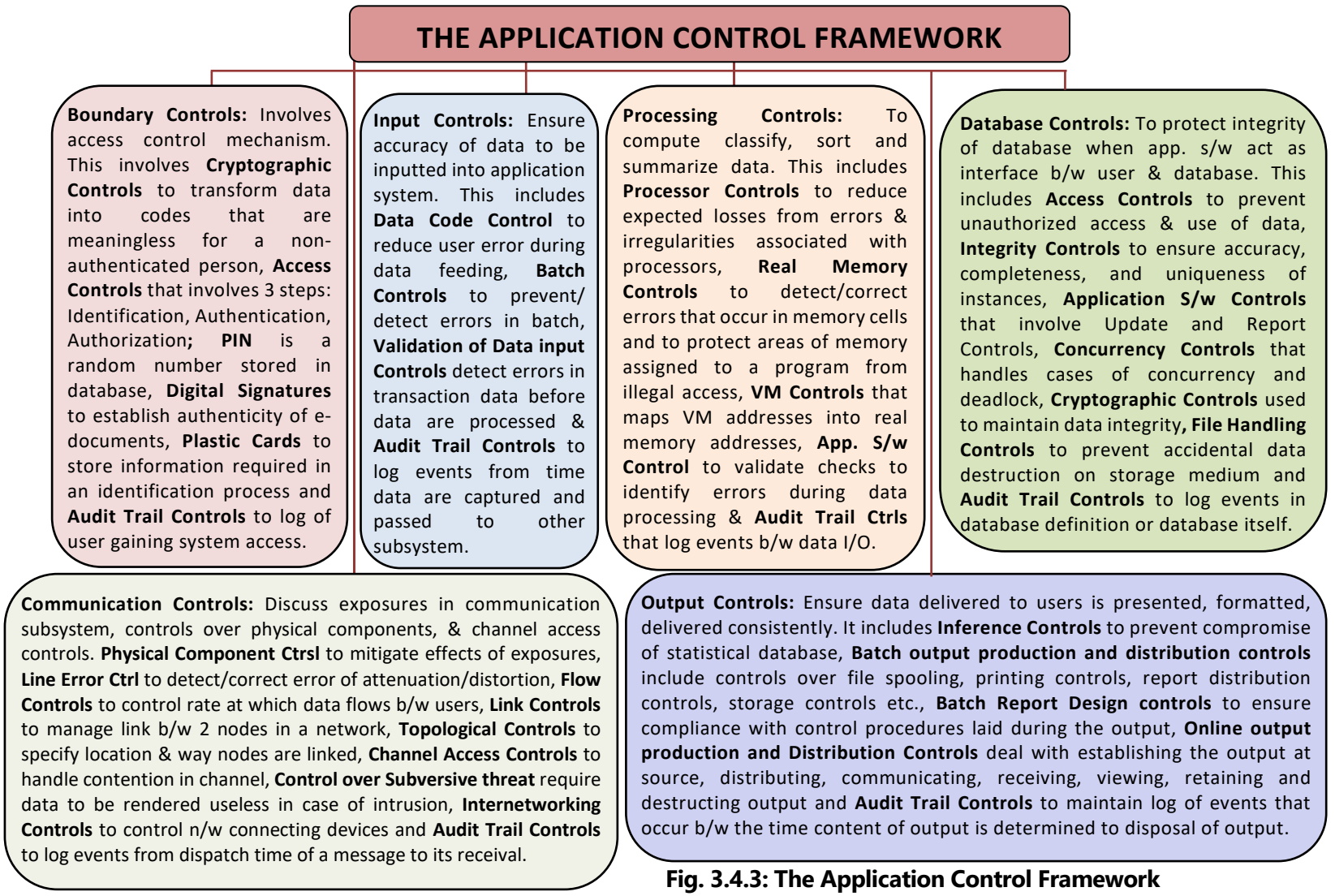



**Fig. 3.4.3: The Application Control Framework**

## B. The Application Control Framework

The objective of application controls is to ensure that data remains complete, accurate and valid during its input, update and storage. The specific controls could include form design, source document controls, input, processing and output controls, media identification, movement and library management, data back-up and recovery, authentication and integrity, legal and regulatory requirements. Any function or activity that works to ensure the processing accuracy of an application can be considered as application control. For example, a counter clerk at a bank is required to perform various business activities as part of his/her job description and assigned responsibilities. S/he can relate to the advantages of technology when he is able to interact with the computer system from the perspective of meeting his job objectives. ***Application System Controls involve ensuring that individual application systems safeguard assets (reducing expected losses), maintain data integrity (ensuring complete, accurate and authorized data) and achieve objectives effectively and efficiently from the perspective of users of the system from within and outside the organization.***

An **Audit Trail** should record all the material events that occur within the boundary subsystem to analyze and search for error or irregularities. **Audit Trail Controls** attempt to ensure that a chronological record of all events that have occurred in a system is maintained. This record is needed to answer queries, fulfill statutory requirements, detect the consequences of error, and allow system monitoring and tuning. Two types of audit trails that should exist in each subsystem are as follows:

- An **Accounting Audit Trail** to maintain a record of events within the subsystem.
- An **Operations Audit Trail** to maintain a record of attempted or actual resource consumption associated with each event in the subsystem.

### I. Boundary Controls

The major controls of the boundary system are the access control mechanisms that links the authentic users to the authorized resources, they are permitted to access. The boundary subsystem establishes the interface between the would-be user of a computer system and the computer itself. Major Controls at the Boundary subsystem are as follows:

**(a) Cryptographic Controls:** These are designed to protect the privacy of data and prevent unauthorized modification of data by scrambling data. These deal with programs for transforming data into cipher text that are meaningless to anyone, who does not possess the authentication to access

the respective system resource or file. A cryptographic technique transforms (encrypts) data (known as cleartext) into cryptograms (known as ciphertext) and its strength depends on the time and cost to decipher the ciphertext by a cryptanalyst. Three techniques of cryptography that are used are **Transposition** (permute the order of characters within a set of data), **Substitution** (replace text with a key-text) and **Product Ciphers** (combination of transposition and substitution).

***(b)*** ***Access Controls: These controls restrict the use of computer system resources to authorized users, limit the actions authorized users can take with these resources and ensure that users obtain only authentic computer system resources. The access control mechanism involves three steps: Identification, Authentication and Authorization.***

- ***User's identification is done by user itself by providing his/her unique user id allotted to him/her or account number.***
- ***Authentication mechanism is used for proving the identity with the help of a password which may involve personal characteristics like name, birth date, employee code, designation or a combination of two or more of these. Biometric identification including thumb or finger impression, eye retina etc. and information stored in identification cards can also be used in an authentication process.***
- ***Authorization refers to the set of actions allowed to a user once authentication is done successfully. For example – Read, Write, Print, etc. permissions allowed to an individual user.***

***An access control mechanism is used to enforce an access control policy which are mainly of two types - Discretionary Access Control and Mandatory Access Control policies (already discussed in Chapter 2).***

***(c)*** ***Personal Identification Numbers (PIN): As already discussed before, we may recall that it is a form of remembered information used to authenticate users like verification of customers in electronic fund transfer systems. PIN is like a password assigned to a user by an institution, a random number stored in its database independent to a user identification details. Several phases of the life cycle of PINs include the steps that are (a) Generation of the PIN; (b) Issuance and delivery of PIN to users; (c) Validation of the PIN upon entry at the terminal device; (d) Transmission of the PIN across communication lines; (e) Processing***

***of the PIN; (f) Storage of the PIN; (g) Change of the PIN; (h) Replacement of the PIN; and (i) Termination of the PIN.***

***A PIN may be exposed to vulnerabilities at any stage of the life cycle of PIN and therefore, controls need to be put in place and working to reduce exposures to an acceptable level.***

***(d) <u>Digital Signatures</u>: Establishing the authenticity of persons and preventing the denial of message or contracts are critical requirements when data is exchanged in electronic form. A counterpart known as Digital Signature (a string of 0's and 1's) is used as an analog signature for such e-documents. Digital Signatures are not constant like analog signatures – they vary across messages and cannot be forged.***

***(e) <u>Plastic Cards</u>: We may recall that while PIN and Digital Signatures are used for authentication purposes, plastic cards are used primarily for identification purpose. This includes the phases namely - application for a card, preparation of the card, issue of the card, use of the card and card return or card termination.***

**(f) Audit Trail Controls:** This maintains the chronology of events that occur when a user attempts to gain access to and employ systems resources. The events associated with both types of audit trail control are given below in Table 3.4.6:

**Table 3.4.6: Audit Trail Controls - Boundary Control**

| Accounting Audit Trail | Operations Audit Trail |
|---|---|
| All material application-oriented events occurring within the boundary subsystem should be recorded that may include the data related to identity of the would-be user of system; authentication information supplied; resources requested/provided or denied; terminal Identifier and Start/Finish Time; number of Sign-on attempts; & Action privileges allowed/denied. | This includes the details like resource usage from log-on to log-out time and log of resource consumption. |

### II. Input Controls

Data that is presented to an application as input data must be validated for authorization, reasonableness, completeness, accuracy, and integrity. These controls are responsible for ensuring the accuracy and completeness of data and instruction input into an application system. Input controls are important and critical since substantial time is spent on input of data, involve human intervention

and are, therefore error and fraud prone. These are of following types as shown in the Fig. 3.4.4:

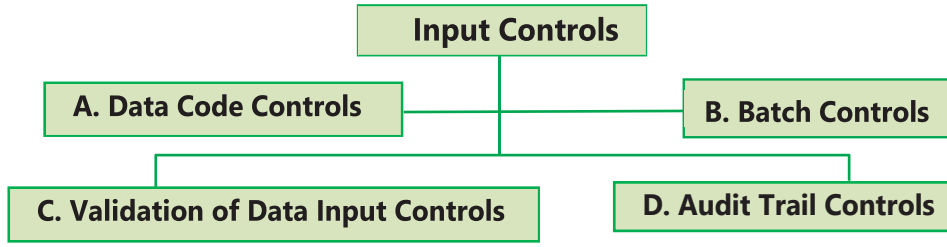



**Fig. 3.4.4: Classification of Input Controls**

In systems that use physical source documents to initiate transactions, careful control must be exercised over these instruments. Source document fraud can be used to remove assets from the organization. For example- an individual with access to purchase orders and receiving reports could fabricate a purchase transaction to a non-existent supplier. In the absence of other compensating controls to detect this type of fraud, the system would create an account payable and subsequently write a cheque for payment. To control against this type of exposure, an organization must implement control procedures over source documents to account for each document.

**(a)** **Data Code Controls:** These controls are aimed at reducing the user error during data feeding. Two types of errors - **Transcription** and **Transposition** errors can corrupt a data code and cause processing errors. Any of these errors can cause serious problems in data processing if they go undetected. These simple errors can severely disrupt operations.

- **Transcription Errors:** It is a special type of data entry error that is commonly made by human operators or by Optical Character Recognition (OCR) programs. These can be **Addition errors** (when an extra digit is added to the code); **Truncation Errors** (when a digit is removed from the code) and **Substitution Errors** (replacement of a digit in a code with another).
- **Transposition Errors:** It is a simple error of data entry that occurs when two digits that are either individual or part of larger sequence of numbers are reversed (Transpose) when posting a transaction. For example, a sales order for customer 987654 that is transposed into 897654 will be posted to the wrong customer's account. A similar error in an inventory item code on a purchase order could result in ordering unneeded inventory and failing to order inventory that is needed.

**(b)** **Batch Controls:** Batching is the process of grouping together transactions that bear some type of relationship to each other. Various controls can be exercises over the batch to prevent or detect errors or irregularities. To identify errors or irregularities in either a physical or logical batch, three types of control totals are as follows:

- **Financial Totals:** Grand totals calculated for each field containing monetary amounts. For example - the total salary paid to employees of an organization can be totaled using DA, TA, house allowance, medical and PF etc.
- **Hash Totals:** Grand totals calculated for any code on a document in the batch, e.g., the source document serial numbers can be totaled.
- **Document/Record Counts:** Grand totals for number of documents / record in batch.

**(c)** **Validation of Data Input Control:** Input validation controls are intended to detect errors in the transaction data before the data are processed. These errors need to be corrected and if not corrected, the same should be written immediately to an error file. Some of these controls include the following:

- **Field check:** It involves programmed procedures that examine the characters of the data in the field. This includes the checks like **Limit Check** (against predefined limits), **Picture Checks** (against entry into processing of incorrect/invalid characters), **Valid check codes** (against predetermined transactions codes, tables) etc.
- **Record Check:** This includes the **reasonableness** check of whether the value specified in a field is reasonable for that particular field; **Valid sign** to determine which sign is valid for a numeric field and **Sequence Check** to follow a required order matching with logical records etc.
- **Batch Check:** This includes the checks like the **transaction type** if all input records in a batch are of particular type; **sequence check** if input records are in a particular order or not etc.
- **File Check:** This includes file's version usage; internal and external labeling; data file security; file updating and maintenance authorization etc.

**(d)** **Audit Trail Controls:** This maintains the chronology of events from the time data and instructions are captured and entered into an application system

until the time they are deemed valid and passed onto other subsystems within the application system (Refer Table 3.4.7).

**Table 3.4.7: Audit Trail Controls - Input Controls**

| Accounting Audit Trail | Operations Audit Trail |
|---|---|
| This must record the origin, contents, and timing of transaction entered into application system, thus involving the details regarding the identity of the person (organization) who was the source of the data and who entered the data into the system; the time and date when the data was captured; the identifier of the physical device used to enter the data into the system; the account or record to be updated by the transaction; the standing data to be updated by the transaction; the details of the transaction; and the number of the physical or logical batch to which the transaction belongs. | Some of the data that might be collected include time to key in a source document or an instrument at a terminal; number of read errors made by an optical scanning device; number of keying errors identified during verification; frequency with which an instruction in a command language is used; and time taken to invoke an instruction using different input devices like light pen or mouse. |

### III. Communication Controls

These discuss exposures in the communication subsystem, controls over physical components, communication line errors, flows and links, topological controls, channel access controls, controls over subversive attacks, internetworking controls, communication architecture controls, and audit trail controls. Some communication controls are as follows:

***(a) Physical Component Controls: In the communications subsystem, the physical components shall have characteristics that make them reliable and incorporate features and controls that mitigate the possible effects of exposures. Major physical components that affect the reliability of communication subsystem are Transmission media, Communication lines, Modem, Port protection devices, Multiplexers, and Concentrators etc.***

**(b) Line Error Controls:** Whenever data is transmitted over a communication line, it can be received in error because of attenuation, distortion, or noise that occurs on the line. These errors must be detected and corrected.

**(c)** **Flow Controls:** Flow controls are needed because two nodes in a network can differ in terms of the rate at which they can be sent, receive, and process data. For example- data transmission between mainframe and microcomputers may become erroneous because of difference in their speed and storage capacity. ***Flow controls will be used therefore to prevent the mainframe flooding the microcomputer and as a result, data being lost.***

**(d)** **Link Controls:** In Wide Area Network (WAN), line error control and flow control are important functions in the component that manages the link between two nodes in a network. The way these link-management components operate is specified via a protocol.

***(e)*** ***Topological Controls: A communication network topology specifies the location of nodes within a network, the ways in which these nodes will be linked, and the data transmission capabilities of the links between the nodes. The network must be available for use at any one time by a given number of users that may require alternative hardware, software, or routing of messages.***

**(f)** **Channel Access Controls:** Two different nodes in a network can compete to use a communication channel simultaneously, leading to the possibility of contention for the channel existing. Therefore, some type of channel access control techniques like **polling method** (defining an order in which a node can gain access to a channel capacity) or **contention method** (nodes in network must compete with each other to gain access to a channel) must be used.

***(g)*** ***Controls over Subversive threats: Firstly, the physical barriers are needed to be established to the data traversing into the subsystem. Secondly, in case the intruder has somehow gained access to the data, the data needs to be rendered useless when access occurs.***

***(h)*** ***Internetworking Controls: Different internetworking devices like bridge, router, gateways are used to establish connectivity between homogeneous or heterogeneous networks. Therefore, several control functions in terms of access control mechanisms, security and reliability of the networks are required to be established.***

**(i)** Audit Trail Controls: This maintains a chronology of the events from the time a sender dispatches a message to the time a receiver obtains the message. Few examples of data item that might be kept in both types of audit trail is shown in Table 3.4.8.

**Table 3.4.8: Audit Trail Controls - Communication Controls**

| Accounting Audit Trail | Operations Audit Trail |
|---|---|
| This includes collection of the data like unique identifier of the source, destination and each node that traverses the message; unique identifier of the person or process authorizing dispatch of the message; time and date at which the message was dispatched and received by the sink node; time and date at which node in the network was traversed by the message; message sequence number; and the image of the message received at each node traversed in the network. | This includes the details like number of messages that have traversed each link and each node; queue lengths at each node; number of errors occurring on each link or at each node; number of retransmissions that have occurred across each link; log of errors to identify locations and patterns of errors; log of system restarts; and message transit times between nodes and at nodes. |

### IV. Processing Controls

The processing subsystem is responsible for computing, sorting, classifying, and summarizing data. Its major components are the Central Processor in which programs are executed, the real or virtual memory in which program instructions and data are stored, the operating system that manages system resources, and the application programs that execute instructions to achieve specific user requirements. Some of these controls are as follows:

**(a) Processor Controls:** Table 3.4.9 enlists the Controls to reduce expected losses from errors and irregularities associated with Central processors.

**Table 3.4.9: Processor Controls**

| Control | Explanation |
|---|---|
| **Error Detection and Correction** | Occasionally, processors might malfunction because of design errors, manufacturing defects, damage, fatigue, electromagnetic interference, and ionizing radiation. The failure might be transient (that disappears after a short period), intermittent (that reoccurs periodically), or permanent (that does not correct with time). For the transient and intermittent errors, re-tries and re-execution might be successful, whereas for permanent errors, the processor must halt and report error. |

| | |
|---|---|
| **Multiple Execution States** | It is important to determine the number of and nature of the execution states enforced by the processor. This helps auditors to determine which user processes will be able to carry out unauthorized activities, such as gaining access to sensitive data maintained in memory regions assigned to the operating system or other user processes. |
| **Timing Controls** | An operating system might get stuck in an infinite loop. In the absence of any control, the program will retain use of processor and prevent other programs from undertaking their work. |
| **Component Replication** | In some cases, processor failure can result in significant losses. Redundant processors allow errors to be detected and corrected. If processor failure is permanent in multicomputer or multiprocessor architectures, the system might reconfigure itself to isolate the failed processor. |

**(b)** **Real Memory Controls:** This comprises the fixed amount of primary storage in which programs or data must reside for them to be executed or referenced by the central processor. Real memory controls seek to detect and correct errors that occur in memory cells and to protect areas of memory assigned to a program from illegal access by another program.

**(c)** **Virtual Memory Controls:** Virtual Memory exists when the addressable storage space is larger than the available real memory space. To achieve this outcome, a control mechanism must be in place that maps virtual memory addresses into real memory addresses. When an executing program references virtual memory addresses, the mechanism then translates these addresses into real memory addresses.

**(d)** **Application Software Controls:** These perform validation checks to identify errors during processing of data. These are required to ensure both the completeness and the accuracy of data being processed. Normally, the processing controls are enforced through database management system that stores the data. However, adequate controls should be enforced through the front-end application system also to have consistency in the control process.

**(e)** **Audit Trail Controls:** This maintains the chronology of events from the time data is received from the input or communication subsystem to the time data

is dispatched to the database, communication, or output subsystems. Table 3.4.10 shows the Audit Trail Controls of Processing Controls.

**Table 3.4.10: Audit Trail Controls - Processing Controls**

| Accounting Audit Trail | Operations Audit Trail |
|---|---|
| This includes the data items like- to trace and replicate the processing performed on a data item that enters into the processing subsystem, to follow triggered transactions from end to end by monitoring input data entry, intermediate results and output data values, to check for existence of any data flow diagrams or flowcharts that describe data flow in the transaction, and whether such diagrams or flowcharts correctly identify the flow of data and to check whether audit log entries recorded the changes made in the data items at any time including who made them. | This includes a comprehensive log on hardware consumption – CPU time used, secondary storage space used, and communication facilities used and comprehensive log on software consumption – compilers, subroutine libraries, file management facilities and communication software used. |

### V. Database Controls

These controls are used within an application software to maintain the integrity of data, to prevent integrity violations when multiple programs have concurrent access to data, and the ways in which data privacy can be preserved within the database subsystem.

***(a) Access Controls: These controls in database subsystem seek to prevent unauthorized access to and use of the data. A security policy has to be specified followed by choosing an access control mechanism that will enforce the policy chosen. If database is replicated, the same access control rules must be enforced by access control mechanism at each site.***

***(b) Integrity Controls: These are required to ensure that the accuracy, completeness, and uniqueness of instances used within the data or conceptual modeling are maintained. Integrity Constraints are established to specify the type of relationship and consistency among rows (tuple) in relationship.***

***(c) Application Software Controls: When application software acts as an interface to interact between the user and the database, the DBMS***

***depends on application software to pass across a correct sequence of commands and update parameters so that appropriate actions can be taken when certain types of exception condition arise. This is achieved through Update Controls that ensure that changes to the database reflect changes to the real-world entities and associations between entities that data in the database is supposed to represent and Report Controls that identify errors or irregularities that may have occurred when the database has been updated.***

***(d)*** ***Concurrency Controls: These are required to address the situation that arises either due to simultaneous access to the same database or due to deadlock.***

***(e)*** ***Cryptographic Controls: (Already discussed under Boundary Controls) These controls can be well used for protecting the integrity of data stored in the database using block encryption.***

***(f)*** ***File Handling Controls: These controls are used to prevent accidental destruction of data contained on a storage medium. These are exercised by hardware, software, and the operators or users who load/unload storage media.***

**(g)** **Audit Trail Controls:** The audit trail maintains the chronology of events that occur either to the database definition or the database itself as shown in Table 3.4.11.

**Table 3.4.11: Audit Trail Controls - Database Controls**

| Accounting Audit Trail | Operations Audit Trail |
|---|---|
| This includes the data items to confirm whether an application properly accepts, processes, and stores information, to attach a unique time stamp to all transactions, to attach before-images and after-images of the data item on which a transaction is applied to the audit trail, any modifications or corrections to audit trail transactions accommodating the changes that occur within an application system, and to not only test the stated input, calculation, and output rules for data integrity; but also should assess the efficacy of the rules themselves. | This maintains a chronology of resource consumption events that affects the database definition or the database. |

### VI. Output Controls

These controls ensure that the data delivered to users will be presented, formatted, and delivered in a consistent and secured manner. Output can be in any form, it can either be a printed data report or a database file in a removable media. Various Output Controls are as follows:

***(a) Inference Controls: These are used to prevent compromise of statistical databases from which users can obtain only aggregate statistics rather than the values of individual data items. These are restriction controls which limit the set of responses provided to users to try to protect the confidentiality of data about persons in the database.***

***(b) Batch Output Production and Distribution Controls: Batch output in the form of tables, graphs or images etc. is produced at some operations facility and distributed to users of the output. This includes several controls like Report program execution Controls to ensure that only authorized users are permitted to execute batch report programs and these events are logged and monitored; Spooling file Controls so that the user(s) can continue working while a queue of documents waiting to be printed on a particular printer to ensure that the waiting files to get printed shall not be subject to unauthorized modifications; Printing Controls to ensure that output is made on the correct printer, and unauthorized disclosure of printed information does not take place; Report collection Controls to ensure that report is collected immediately and secured to avoid unauthorized disclosure and data leakage; User/Client service Review Controls to ensure user should obtain higher quality output and detection of errors or irregularities in output; Report distribution Controls ensuring that the time gap between generation and distribution of reports is reduced, and a log is maintained for reports that were generated and to whom these were distributed; User output Controls to be in place to ensure that users review output on a timely basis; Storage Controls to ensure proper perseverance of output in an ideal environment, secured storage of output and appropriate inventory controls over the stored output and Retention and Destruction Controls in terms of deciding the time duration for which the output shall be retained and then destroyed when not required.***

***(c) Batch Report Design Controls: Batch report design features should comply with the control procedures laid down for them during the output process. The information incorporated in a well-designed batch report***

***shall facilitate its flow though the output process and execution of controls.***

***(d) Online output production and Distribution Controls: It deals with the controls to be considered at various phases like establishing the output at the source, distributing, communicating, receiving, viewing, retaining and destructing the output. Source controls ensure that output which can be generated or accessed online is authorized, complete and timely; Distribution Controls to prevent unauthorized copying of online output when it was distributed to a terminal; Communication Controls to reduce exposures from attacks during transmission; Receipt Controls to evaluate whether the output should be accepted or rejected; Review Controls to ensure timely action of intended recipients on the output; Disposition Controls to educate employees the actions that can be taken on the online output they receive; and Retention Controls to evaluate for how long the output is to be retained and Deletion Controls to delete the output once expired.***

**(e) Audit Trail Controls:** The audit trail maintains the chronology of events that occur from the time the content of the output is determined until the time users complete their disposal of output because it no longer should be retained. The data items that need to be considered are provided in Table 3.4.12.

**Table 3.4.12: Audit Trail Controls - Output Controls**

| Accounting Audit Trail | Operations Audit Trail |
|---|---|
| This includes what output was assimilated for presentation to the users; what output was then presented to the users; who received the output; when the output was received; and what actions were subsequently taken with the output. | This maintains the record of resources consumed by components in the output subsystem to assimilate, produce, distribute, use, store and dispose of various types of output like graphs, images etc., to record data that enables print times, response times and display rates for output to be determined and to manage the information that enables the organization to improve the timelines of output production and reduce the number of resources consumed in producing output. |

# 3.5 INFORMATION SYSTEMS' AUDITING

Computers are used extensively to process data and to provide information for decision-making. However, uncontrolled use of computers can have a widespread impact on a society. Because computers play a large part in assisting us to process data and to make decisions, it is significant that their use is in controlled manner.

## 3.5.1 Need for Control and Audit of Information Systems

Factors influencing an organization toward controls and audit of computers and the impact of the information systems audit function on organizations are depicted in the Fig. 3.5.1.

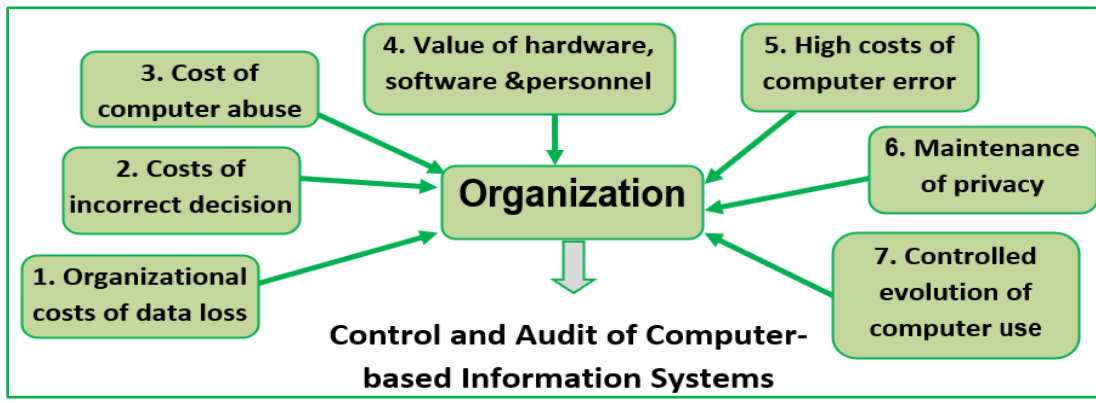



**Fig. 3.5.1: Factors influencing an organization toward control and Audit of computer-based Information Systems**

Let us now discuss these reasons in detail (Refer Fig. 3.5.1):

1. **Organizational Costs of Data Loss:** Data is a critical resource of an organization for its present and future processes. If the data is accurate, its ability to adapt and survive in a changing environment increases significantly. If such data is lost, an organization can incur substantial losses.

2. **Cost of Incorrect Decision Making:** Making high-quality decisions are dependent on both – the quality of the data and quality of the decision rules that exist within computer-based information systems. While making strategic decisions, some errors may be allowed by management considering the long-run nature of strategic planning decisions whereas highly accurate data would be required while making operational control decisions by the managers. These operational controls taken by managers involve detection, investigations and correction of the processes. Incorrect data can also have

adverse impact on the other stakeholders having an interest in the organization.

3. **Costs of Computer Abuse:** Computer abuse is defined as any incident associated with computer technology in which the user suffered or could have suffered loss and a perpetrator by intention made or could have made gain. Unauthorized access to computer systems, malwares, unauthorized physical access to computer facilities, unauthorized copies of sensitive data, viruses, and hacking can lead to destruction of assets (hardware, software, data, information etc.).

4. **Value of Computer Hardware, Software and Personnel:** These are critical resources of an organization, which has a credible impact on its infrastructure and business competitiveness. The intentional or unintentional loss of hardware, the destructions or corruption of software, and non-availability of skilled computer professionals in some countries; an organization might be unable to continue their operations seamlessly.

5. **High Costs of Computer Error:** In a computerized enterprise environment where many critical business processes are performed, a data error during entry or process would cause great damage. For example - small data error during an operational flight can lead to loss of human lives; an error in any financial system can make an organization liable for penalty etc.

6. **Maintenance of Privacy:** Today, data collected in a business process contains private information about an individual too. These data were also collected before computers but now, there are many instances in which privacy of individuals has been eroded beyond acceptable levels.

7. **Controlled evolution of computers' Use:** Use of Technology and reliability of complex computer systems cannot be guaranteed and the consequences of using unreliable systems can be destructive. Governments, professional bodies, pressure groups, organizations and individual persons all must be concerned with evaluating and monitoring how we deploy computer technology.

**Information Systems Auditing** is defined as the process of attesting objectives (those of an external auditor) that focus on asset safeguarding, data integrity and management objectives (those of an internal auditor) that include effectiveness and efficiency both. This enables organizations to better achieve some major objectives that are depicted in the Fig. 3.5.2.

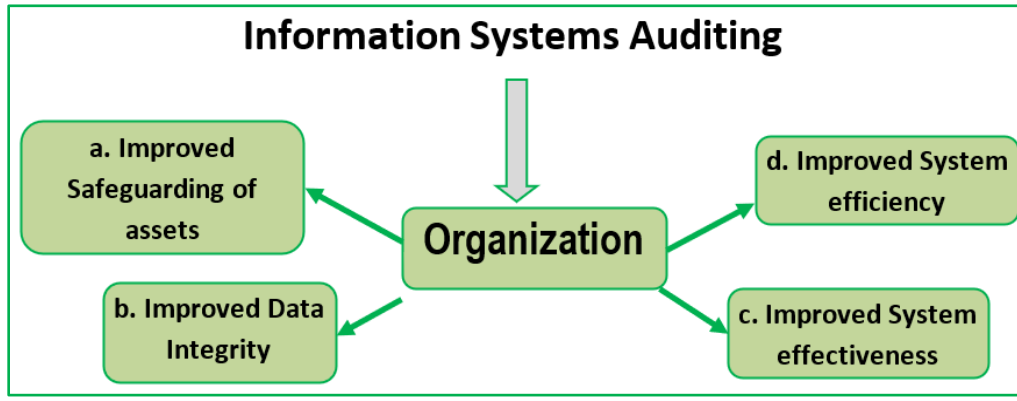



**Fig. 3.5.2: Information Systems Auditing Objectives**

Let us now discuss these objectives in detail.

a. **Asset Safeguarding Objectives:** The information system assets like hardware, software, facilities, people, data files, system documentation, information etc. must be protected by a system of internal controls from unauthorized access. These assets are often concentrated in one or small number of locations such as single disk. Therefore, asset safeguarding is an important objective for many organizations to achieve.

b. **Data Integrity Objectives:** It is a fundamental attribute of IS Auditing. Data has certain attributes – completeness, reliability, transparency, and accuracy. The importance to maintain integrity of data of an organization is required all the time, else an organization may suffer loss of competitive advantage. It is also important from the business perspective of the decision maker, competitive and the market environment.

c. **System Effectiveness Objectives:** Evaluating effectiveness implies knowledge of user needs. Effectiveness of a system is done to evaluate whether a system reports information in a way that facilitates its users in decision- making or not. Auditors must be aware of the characteristics of users and decision-making environment so that objectives of the system to meet business and user requirements are met.

d. **System Efficiency Objectives:** An efficient information system uses minimum resources to achieve its required objectives, therefore the use of various information system resources like machine time, peripherals, system software and labor must be optimally utilized along with the impact on its computing environment. Before upgradation of the systems are done,

Auditor assist management in knowing whether available capacity of the resources is exhausted or not.

### 3.5.2 Tools for IS Audit

Today, organizations produce information on a real-time, online basis. Real-time recordings need real-time continuous auditing to provide continuous assurance about the quality of the data. Continuous auditing enables auditors to significantly reduce and perhaps to eliminate the time between occurrence of the client's events and the auditor's assurance services thereon. Errors in a computerized system are generated at high speeds and the cost to correct and rerun programs are high. If these errors can be detected and corrected at the point or closest to the point of their occurrence, the impact thereof would be the least. Continuous auditing techniques use two bases for collecting audit evidence. One is the use of embedded modules in the system to collect, process, and print audit evidence and the other is special audit records used to store the audit evidence collected.

**Types of Audit Tools:** Different types of continuous audit techniques may be used. Some modules for obtaining data, audit trails and evidence may be built into the programs. Audit software is available which could be used for selecting and testing data. Many audit tools are also available; some of them are described below:

**(i)** **Snapshots:** Tracing a transaction in a computerized system can be performed with the help of snapshots or extended records. The snapshot software is built into the system at those points where material processing occurs which takes images of the flow of any transaction as it moves through the application. These images can be utilized to assess the authenticity, accuracy, and completeness of the processing carried out on the transaction. The main areas to dwell upon while involving such a system are to locate the snapshot points based on materiality of transactions when the snapshot will be captured and the reporting system design and implementation to present data in a meaningful way.

**(ii)** **Integrated Test Facility (ITF):** The ITF technique involves the creation of a dummy entity in the application system files and the processing of audit test data against the entity as a means of verifying processing authenticity, accuracy, and completeness. This test data would be included with the normal production data used as input to the application system. In such cases, the auditor must decide what would be the method to be used to enter test data and the methodology for removal of the effects of the ITF transactions.

**(iii) System Control Audit Review File (SCARF):** The SCARF technique involves embedding audit software modules within a host application system to provide continuous monitoring of the system's transactions. The information collected is written onto a special audit file- the SCARF master files. Auditors then examine the information contained on this file to see if some aspect of the application system needs follow-up. In many ways, the SCARF technique is like the snapshot technique along with other data collection capabilities.

**(iv) Continuous and Intermittent Simulation (CIS):** This is a variation of the SCARF continuous audit technique. This technique can be used to trap exceptions whenever the application system uses a database management system. During application system processing, CIS executes in the following way:

- The DBMS reads an application system transaction. It is passed to CIS. CIS then determines whether it wants to examine the transaction further. If yes, the next steps are performed or otherwise it waits to receive further data from the database management system.
- CIS replicates or simulates the application system processing.
- Every update to the database that arises from processing the selected transaction will be checked by CIS to determine whether discrepancies exist between the results it produces and those the application system produces.
- Exceptions identified by CIS are written to an exception log file.

The advantage of CIS is that it does not require modifications to the application system and yet provides an online auditing capability.

**(v) Audit Hooks:** There are audit routines that flag suspicious transactions. For example, internal auditors at Insurance Company determined that their policyholder system was vulnerable to fraud every time a policyholder changed his or her name or address and then subsequently withdrew funds from the policy. They devised a system of audit hooks to tag records with a name or address change. The internal audit department will investigate these tagged records for detecting fraud. When audit hooks are employed, auditors can be informed of questionable transactions as soon as they occur. This approach of real-time notification displays a message on the auditor's terminal.

### 3.5.3 Audit Trail

We may recall that Audit Trails are logs that can be designed to record activity at the system, application, and user level. When properly implemented, audit trails provide an important detective control to help accomplish security policy objectives. Many operating systems allow management to select the level of auditing to be provided by the system. This determines 'which events will be recorded in the log'. An effective audit policy will capture all significant events without cluttering the log with trivial activity.

**(i) Audit Trail Objectives:** Audit trails can be used to support security objectives in three ways:

- **Detecting Unauthorized Access:** Detecting unauthorized access can occur in real time or after the fact. The primary objective of real-time detection is to protect the system from outsiders who are attempting to breach system controls. A real-time audit trail can also be used to report on changes in system performance that may indicate infestation by a virus or worm. Depending upon how much activity is being logged and reviewed; real-time detection can impose a significant overhead on the operating system, which can degrade operational performance. After-the-fact, detection logs can be stored electronically and reviewed periodically or as needed. When properly designed, they can be used to determine if unauthorized access was accomplished or attempted and failed.
- **Reconstructing Events:** Audit analysis can be used to reconstruct the steps that led to events such as system failures, security violations by individuals, or application processing errors. Knowledge of the conditions that existed at the time of a system failure can be used to assign responsibility and to avoid similar situations in the future. Audit trail analysis also plays an important role in accounting control. For example, by maintaining a record of all changes to account balances, the audit trail can be used to reconstruct accounting data files that were corrupted by a system failure.
- **Personal Accountability:** Audit trails can be used to monitor user activity at the lowest level of detail. This capability is a preventive control that can be used to influence behavior. Individuals are likely to violate an organization's security policy if they know that their actions are not recorded in an audit log.

**(ii)** **Implementing an Audit Trail:** The information contained in audit logs is useful to accountants in measuring the potential damage and financial loss associated with application errors, abuse of authority, or unauthorized access by outside intruders. Logs provide a valuable evidences to auditors in assessing both the adequacies of controls in place and the need for additional controls. Audit logs, however, can generate data in overwhelming detail, and therefore, at times, important information can easily get lost among the superfluous detail of daily operations. Thus, poorly designed logs can be dysfunctional.

## 3.6 AUDITING OF INFORMATION SYSTEMS CONTROLS

### 3.6.1 Auditing Environmental Controls

Related aspects are given as follows:

**(a)** **Role of IS Auditor in auditing Environmental Controls:** The attack on the World Trade Centre in 2001 has created a worldwide alert bringing focus on business continuity planning and environmental controls. Audit of environmental controls should form a critical part of every IS audit plan. The IS auditor should satisfy not only the effectiveness of various technical controls but also the overall controls safeguarding the business against environmental risks.

**(b)** **Audit of Environmental Controls:** Audit of environmental controls requires the IS auditor to conduct physical inspections and observe practices. Auditing environmental controls requires knowledge of building mechanical and electrical systems as well as fire codes. The IS auditor needs to be able to determine if such controls are effective and if they are cost-effective. Auditing environmental controls requires attention to these and other factors and activities, including:

- **Power conditioning:** The IS auditor should determine how frequently power conditioning equipment, such as UPS, line conditioners, surge protectors, or motor generators, are used, inspected and maintained and if this is performed by qualified personnel.
- **Backup power:** The IS auditor should determine if backup power is available via electric generators or UPS and how frequently they are tested. S/he should examine maintenance records to see how frequently

these components are maintained and if this is done by qualified personnel.

- **Heating, Ventilation, and Air Conditioning (HVAC):** The IS auditor should determine, if HVAC systems are providing adequate temperature and humidity levels, and if they are monitored. Also, the auditor should determine if HVAC systems are properly maintained and if qualified persons do this.
- **Water detection:** The IS auditor should determine if any water detectors are used in rooms where computers are used. S/he should determine how frequently these are tested and if these are monitored.
- **Fire detection and suppression:** The IS auditor should determine if fire detection equipment is adequate, if staff members understand their function, and if these are tested. S/he should determine how frequently fire suppression systems are inspected and tested, and if the organization has emergency evacuation plans and conducts fire drills.
- **Cleanliness:** The IS auditor should examine data centers to see how clean they are. IT equipment air filters and the inside of some IT components should be examined to see if there is an accumulation of dust and dirt.

### 3.6.2 Auditing Physical Security Controls

**(a)** **Role of IS Auditor in auditing Physical Access Controls:** Auditing physical access requires the auditor to review the physical access risk and controls to form an opinion on the effectiveness of the physical access controls. This involves the following activities:

- **Risk Assessment:** The auditor must satisfy him/herself that the risk assessment procedure adequately covers periodic and timely assessment of all assets, physical access threats, vulnerabilities of safeguards and exposures there from.
- **Controls Assessment:** The auditor based on the risk profile evaluates whether the physical access controls are in place and adequate to protect the IS assets against the risks.
- **Review of Documents:** It requires examination of relevant documentation such as the security policy and procedures, premises plans, building plans, inventory list and cabling diagrams.

**(b) Audit of Physical Access Controls:** Auditing physical security controls requires knowledge of natural and man-made hazards, physical security controls, and access control systems.

**(i) Sitting and Marking:** Auditing building sitting and marking requires attention to several key factors and features, including:

- **Proximity to hazards:** The IS auditor should estimate the building's distance to natural and manmade hazards, such as Dams; Rivers, Lakes, and Canals; Natural gas and petroleum pipelines; Water mains and pipelines; Earthquake faults; Areas prone to landslides; Volcanoes; severe weather such as hurricanes, cyclones, and tornadoes; Flood zones; Military bases; Airports; Railroads and Freeways. The IS auditor should determine if any risk assessment regarding hazards has been performed and if any compensating controls that were recommended have been carried out.
- **Marking:** The IS auditor should inspect the building and surrounding area to see if building(s) containing information processing equipment identify the organization. Marking may be visible on the building itself, but also on signs or parking stickers on vehicles.

**(ii) Physical barriers:** This includes fencing, walls, barbed/razor wire, bollards, and crash gates. The IS auditor needs to understand how these are used to control access to the facility and determine their effectiveness.

**(iii) Surveillance:** The IS auditor needs to understand how video and human surveillance are used to control and monitor access. He or she needs to understand how (and if) video is recorded and reviewed, and if it is effective in preventing or detecting incidents.

**(iv) Guards and dogs:** The IS auditor needs to understand the use and effectiveness of security guards and guard dogs. Processes, policies, procedures, and records should be examined to understand required activities and how they are carried out.

**(v) Key-Card systems:** The IS auditor needs to understand how key-card systems are used to control access to the facility. Some points to consider include work zones: whether the facility is divided into security zones and which persons are permitted to access which zones whether

key-card systems record personnel movement; what processes and procedures are used to issue keycards to employees? etc.

### 3.6.3 Auditing Logical Access Controls

**(a) Role of IS Auditor in Auditing Logical Access Controls:** Auditing Logical Access Controls requires attention of IS Auditors to several key areas that include the following:

**(I) Network Access Paths:** The IS auditor should conduct an independent review of the IT infrastructure to map out organization's logical access paths. This will require considerable effort and may require use of investigative and technical tools, as well as specialized experts on IT network architecture.

**(II) Documentation:** The IS auditor should request network architecture and access documentation to compare what was discovered independently against existing documentation. The auditor will need to determine why any discrepancies exist. Similar investigations should take place for each application to determine all the documented and undocumented access paths to functions and data.

**(b) Audit of Logical Access Controls**

**(I) User Access Controls:** User access controls are often the only barrier between unauthorized parties and sensitive or valuable information. This makes the audit of user access controls particularly significant. Auditing user access controls requires keen attention to several key factors and activities in four areas:

**(i) Auditing User Access Controls:** These are to determine if the controls themselves work as designed. Auditing user access controls requires attention to several factors, including:

- **Authentication:** The auditor should examine network and system resources to determine if they require authentication, or whether any resources can be accessed without first authenticating.
- **Access violations:** The auditor should determine if systems, networks, and authentication mechanisms can log access violations. These usually exist in the form of system logs showing invalid login attempts, which may indicate intruders who are trying to log in to employee user accounts.
- **User account lockout:** The auditor should determine if systems and networks can automatically lock user accounts that are the

target of attacks. A typical system configuration is one that will lock a user account after five unsuccessful logins attempts within a short period.

- **Intrusion detection and prevention:** The auditor should determine if there are any IDSs or IPSs that would detect authentication-bypass attempts. The auditor should examine these systems to see whether they have up-to-date configurations and signatures, whether they generate alerts, and whether the recipients of alerts act upon them.
- **Dormant accounts:** The IS auditor should determine if any automated or manual process exists to identify and close dormant accounts. Dormant accounts are user (or system) accounts that exist but are unused. These accounts represent a risk to the environment, as they represent an additional path between intruders and valuable or sensitive data.
- **Shared accounts:** The IS auditor should determine if there are any shared user accounts; these are user accounts that are routinely (or even infrequently) used by more than one person. The principal risk with shared accounts is the inability to determine accountability for actions performed with the account.
- **System accounts:** The IS auditor should identify all system-level accounts on networks, systems, and applications. The purpose of each system account should be identified, and it should be determined if each system account is still required (some may be artifacts of the initial implementation or of an upgrade or migration). The IS auditor should determine who has the password for each system account, whether accesses by system accounts are logged, and who monitors those logs.

**(ii)** **Auditing Password Management:** The IS auditor needs to examine password configuration settings on information systems to determine how passwords are controlled. Some of the areas requiring examination are- how many characters must a password have and whether there is a maximum length; how frequently must passwords be changed; whether former passwords may be used again; whether the password is displayed when logging in or when creating a new password etc.

**(iii) Auditing User Access Provisioning:** Auditing the user access provisioning process requires attention to several key activities, including:

- **Access request processes:** The IS auditor should identify all user access request processes and determine if these processes are used consistently throughout the organization.
- **Access approvals:** The IS auditor needs to determine how requests are approved and by what authority they are approved. The auditor should determine if system or data owners approve access requests, or if any accesses are ever denied.
- **New employee provisioning:** The IS auditor should examine the new employee provisioning process to see how a new employee's user accounts are initially set up. The auditor should determine if new employees' managers are aware of the access requests that their employees are given and if they are excessive.
- **Segregation of Duties (SOD):** The IS auditor should determine if an organization makes any effort to identify segregation of duties. This may include whether there are any SOD matrices in existence and if they are actively used to make user access request decisions.
- **Access reviews:** The IS auditor should determine if there are any periodic access reviews and what aspects of user accounts are reviewed; this may include termination reviews, internal transfer reviews, SOD reviews, and dormant account reviews.

**(iv) Auditing Employee Terminations:** Auditing employee terminations requires attention to several key factors, including:

- **Termination process:** The IS auditor should examine the employee termination process and determine its effectiveness. This examination should include understanding on how terminations are performed and how user account management personnel are notified of terminations.
- **Access reviews:** The IS auditor should determine if any internal reviews of terminated accounts are performed, which would indicate a pattern of concern for effectiveness in this important activity. If such reviews are performed, the auditor should

determine if any missed terminations are identified and if any process improvements are undertaken.

- **Contractor access and terminations:** The IS auditor needs to determine how contractor access and termination is managed and if such management is effective.

**(II) User Access Logs:** The IS auditor needs to determine what events are recorded in access logs. The IS auditor needs to understand the capabilities of the system being audited and determine if the right events are being logged, or if logging is suppressed on events that should be logged.

- **Centralized access logs:** The IS auditor should determine if the organization's access logs are aggregated or if they are stored on individual systems.
- **Access log protection:** The auditor needs to determine if access logs can be altered, destroyed, or attacked to cause the system to stop logging events. Especially for high-value and high-sensitivity environments, the IS auditor needs to determine if logs should be written to digital media that is unalterable, such as optical WORM (Write Once Read Many) media.
- **Access log review:** The IS auditor needs to determine if there are policies, processes, or procedures regarding access log review. The auditor should determine if access log reviews take place, who performs them, how issues requiring attention are identified, and what actions are taken when necessary.
- **Access log retention:** The IS auditor should determine how long access logs are retained by the organization and if they are back up.

**(III) Investigative Procedures:** Auditing investigative procedures requires attention to several key activities, including:

- **Investigation policies and procedures:** The IS auditor should determine if there are any policies or procedures regarding security investigations. This would include who is responsible for performing investigations, where information about investigations is stored, and to whom the results of investigations are reported.
- **Computer crime investigations:** The IS auditor should determine if there are policies, processes, procedures, and records regarding computer crime investigations. The IS auditor should understand how internal investigations are transitioned to law enforcement.

- **Computer forensics:** The IS auditor should determine if there are procedures for conducting computer forensics. The auditor should also identify tools and techniques that are available to the organization for the acquisition and custody of forensic data. The auditor should identify whether any employees in the organization have received computer forensics training and are qualified to perform forensic investigations.

**(IV) Internet Points of Presence:** The IS auditor who is performing a comprehensive audit of an organization's system and network system needs to perform a "points of presence" audit to discover what technical information is available about the organization's Internet presence. Some of the aspects of this intelligence gathering include:

- **Search engines:** Google, Yahoo!, and other search engines should be consulted to see what information about the organization is available. Searches should include the names of company officers and management, key technologists, and any internal-only nomenclature such as the names of projects.
- **Social networking sites:** Social networking sites such as Facebook, LinkedIn, Myspace, and Twitter should be searched to see what employees, former employees, and others are saying about the organization. Any authorized or unauthorized "fan pages" should be searched as well.
- **Online sales sites:** Sites such as Craigslist and eBay should be searched to see if anything related to the organization is sold online.
- **Domain names:** The IS auditor should verify contact information for known domain names, as well as related domain names. For instance, for the organization mycompany.com; organizations should search for domain names such as mycompany.net, mycompany.info, and mycompany.biz to see if they are registered and what contents are available.
- **Justification of Online Presence:** The IS auditor should examine business records to determine on what basis the organization established online capabilities such as e-mail, Internet-facing web sites, Internet e-commerce, Internet access for employees, and so on. These services add risk to the business and consume resources. The auditor should determine if a viable business case exists to support these services or if they exist as a "benefit" for employees.

### 3.6.4 Auditing The Management Control Framework

The auditor's primary objective in examining the management control framework for the information system function is to evaluate whether management manages well. If high-quality management controls are not in place and working reliably; Application Controls are unlikely to be effective.

Though there are many concerns, however, some key areas that auditors should pay attention to while evaluating management controls at each level in an organization are provided below:

**I. Auditing Top Management Controls**

The major activities that senior management must perform are – **Planning**, **Organizing**, **Leading** and **Controlling**. The role of auditor at each activity is discussed below:

- **Planning:** Auditors need to evaluate whether top management has formulated a high-quality information system's plan that is appropriate to the needs of an organization or not. A poor-quality information system is ineffective and inefficient leading to losing of its competitive position within the marketplace.
- **Organizing:** Auditors should be concerned about how well top management acquires and manages staff resources.
- **Leading:** Generally, the auditors examine variables that often indicate when motivation problems exist or suggest poor leadership – for example, staff turnover statistics, frequent failure of projects to meet their budget and absenteeism level to evaluate the leading function. Auditors may use both formal and informal sources of evidence to evaluate how well top managers communicate with their staff.
- **Controlling:** Auditors should focus on subset of the control activities that should be performed by top management – namely, those aimed at ensuring that the information systems function accomplishes its objectives at a global level. Auditors must evaluate whether top management's choice to the means of control over the users of IS services is likely to be effective or not.

**II. Auditing Systems Development Management Controls**

- Auditors can conduct following three types of reviews/audits of the systems development process as discussed in the Table 3.6.1:

**Table 3.6.1: Types of Audit during System Development Process**

| | |
|---|---|
| **Concurrent Audit** | As a member of the system development team, the auditors need to assist the team in improving the quality of systems development for the specific system they are building and implementing. They shall ensure that needed controls are built into the system to produce high-quality systems. |
| **Post - implement ation Audit** | Auditors seek to help an organization learn from its experiences in the development of a specific application system. In addition, they might be evaluating the current status of the system in terms of attaining asset safeguarding, data integrity, system effectiveness and system efficiency objectives so that the decision on whether the system needs to be scrapped, continued, or modified in some way can be taken. |
| **General Audit** | Auditors evaluate the quality of overall systems development process. This review allows them to make judgments on the likely quality of individual application systems developed by the system development management subsystem, the control risk associated with this subsystem, and to determine whether the extent of substantive testing needed to form an audit opinion about management's assertions relating to the systems effectiveness and efficiency, can be reduced or not. An external auditor is more likely to undertake general audits rather than concurrent or post-implementation audits of the systems development process. Internal auditors generally participate in the development of material application systems or undertake post-implementation review of the system. |

### III. Auditing Programming Management Controls

Some of the major concerns that an Auditor should address under different activities involved in Programming Management Control Phase are provided in Table 3.6.2.

**Table 3.6.2: Auditing Programming Management Controls**

| Phase | Key Areas |
|---|---|
| **Planning** | ♦ They should evaluate whether nature of and extent of planning are appropriate to different types of software that are developed or acquired. |

| | |
|---|---|
| | ♦ They must evaluate how well the planning work is being undertaken. |
| **Control** | ♦ They must evaluate whether the nature of an extent of control activities undertaken are appropriate for the different types of software that are developed or acquired.<br>♦ They must gather evidence on whether the control procedures are operating reliably. For example - they might first choose a sample if past and current software development and acquisition projects carried out at different locations in the organization, they are auditing. |
| **Design** | ♦ Auditors should find out whether programmers use some type of systematic approach to design.<br>♦ Auditors can obtain evidence of the design practices used by undertaking interviews, observations, and reviews of documentation. |
| **Coding** | ♦ Auditors should seek evidence –<br>• On the level of care exercised by programming management in choosing a module implementation and integration strategy.<br>• To determine whether programming management ensures that programmers follow structured programming conventions.<br>• To check whether programmers employ automated facilities to assist them with their coding work. |
| **Testing** | ♦ Auditors can use interviews, observations, and examination of documentation to evaluate how well unit testing is conducted.<br>♦ Auditors are primarily concerned with the quality of integration testing work carried out by information systems professionals rather than end users.<br>♦ Auditors primary concern is to see that whole-of-program tests have been undertaken for all material programs and that these tests have been well-designed and executed. |

| | |
|---|---|
| **Operation and Maintenance** | ♦ Auditors need to ensure effective and timely reporting of maintenance needs that occur so that maintenance is carried out in a well-controlled manner.<br>♦ Auditors should ensure that management has implemented a review system and assigned responsibility for monitoring the status of operational programs. |

**IV. Auditing Data Resource Management Controls**

- ♦ Auditors should determine what controls are exercised to maintain data integrity. They might also interview database users to determine their level of awareness of these controls.
- ♦ Auditors might employ test data to evaluate whether access controls and update controls are working.
- ♦ ***Auditors might interview the Data Administrator (DA) and Database Administrator (DBA) to determine the procedures used by them to monitor the database environment.***
- ♦ ***Auditors need to assess how well the DA and DBA carry out the functions of database definition, creation, redefinition, and retirement.***

**V. Auditing Security Management Controls**

- ♦ Auditors must evaluate whether security administrators are conducting ongoing, high-quality security reviews or not;
- ♦ ***Auditors need to evaluate the performance of BCP controls. The BCP controls are related to having an operational and tested IT continuity plan, which is in line with the overall business continuity plan and its related business requirements to make sure IT services are available as required and to ensure a minimum impact on business in the event of a major disruption.***
- ♦ Auditors check whether the organizations audited have appropriate, high-quality disaster recovery plan in place or not; and
- ♦ Auditors check whether the organizations have opted for an appropriate insurance plan or not.

**VI. Auditing Operations Management Controls**

- ♦ Auditors should pay concern to see whether the documentation is maintained securely and that it is issued only to authorized personnel.

- Auditors can use interviews, observations, and review of documentation to evaluate -
  - the activities of documentation librarians;
  - how well operations management undertakes the capacity planning ad performance monitoring function;
  - the reliability of outsourcing vendor controls;
  - whether operations management is monitoring compliance with the outsourcing contract; and
  - Whether operations management regularly assesses the financial viability of any outsourcing vendors that an organization uses.

**VII. Auditing Quality Assurance Management Controls**

- Auditors might use interviews, observations, and reviews of documentation to evaluate how well Quality Assurance (QA) personnel perform their monitoring role.
- Auditors might evaluate how well QA personnel make recommendations for improved standards or processes through interviews, observations, and reviews of documentation.
- Auditors can evaluate how well QA personnel undertake the reporting function and training through interviews, observations, and reviews of documentation.

### 3.6.5 Auditing The Application Control Framework

Based on the evaluation of management controls over the IS functions in an organization, auditors might decide to evaluate application system further. In case the external auditors have evaluated the reliability of management controls, the next step is to determine the adequacy of application controls. From various concerns that an auditor might have while auditing the application controls over the IS functions, some key areas that they should pay attention to while evaluating application controls at each level in an organization are provided below:

***I. Auditing Boundary Controls***

- ***Auditors need to determine how well the safeguard assets are used and preserve data integrity.***

- ***For any application system in particular, auditors need to determine whether the access control mechanism implemented in that system is sufficient or not.***
- ***Auditors need to ensure that careful control must be exercised over maintenance activities, in case of hardware failure.***
- ***Auditors need to address three aspects to assess cryptographic key management -***
  - ***How keys will be generated?***
  - ***How they will be distributed to users?***
  - ***How they will be installed in cryptographic facilities?***
- ***Auditors need to understand which approach has been used to implement access control so that they can predict the likely problems they will encounter in the application systems they are evaluating.***

***II. <u>Auditing Input Controls</u>***

- ***Auditors must understand the fundamentals of good source document design so as to analyze what and how the data will be captured and by whom, how the data will be prepared and entered into the computer systems and how the document will be handled, stored and filed.***
- ***Auditors must be able to examine the data-entry screens used in an application system and to come to judgement on the frequency with which input errors are likely to be made and the extent to which the screen design enhances or undermines effectiveness and efficiency.***
- ***Auditors must evaluate the quality of the coding systems used in application system to determine their likely impact in the data integrity, effectiveness, and efficiency objectives.***
- ***Auditors need to comprehend various approaches used to enter data into an application system and their relative strengths and weaknesses.***
- ***Auditors need to check whether input files are stored securely and backup copies of it are maintained at an offsite location so that recovery remains unaffected in case system's master files are destroyed or corrupted.***

***III. <u>Auditing Communication Controls</u>***

- ***Auditors shall adopt a structured approach to examine and evaluate various controls in the communication subsystem.***

- ***Auditors need to collect enough evidence to establish a level of assurance that data transmission between two nodes in a wide area network is being accurate and complete.***
- ***Auditors need to look whether adequate network backup and recovery controls are practiced regularly or not. These controls may include automatic line speed adjustments by modems based on different noise-levels, choice of network topology, alternative routes between sender and receiver etc., to strengthen network reliability.***
- ***Auditors must assess the implementation of encryption controls to ensure the protection of privacy of sensitive data.***
- ***Auditors must assess the topological controls to review the logical arrangement of various nodes and their connectivity using various internetworking devices in a network.***

***IV. <u>Auditing Processing Controls</u>***

- ***Auditors should determine whether user processes are able to control unauthorized activities like gaining access to sensitive data.***
- ***Auditors should evaluate whether the common programming errors that can result in incomplete or inaccurate processing of data has been taken care or not.***
- ***Auditors should assess the performance of validation controls to check for any data processing errors.***
- ***Auditors need to check for the checkpoint and restart controls that enable the system to recover itself from the point of failure. The restart facilities need to be implemented well so that restart of the program is from the point the processing has been accurate and complete rather than from the scratch.***

***V. <u>Auditing Database Controls</u>***

- ***Auditors should check for the mechanism if a damaged or destroyed database can be restored in an authentic, accurate, complete, and timely way.***
- ***Auditors should comprehend backup and recovery strategies for restoration of damaged or destroyed database in the event of failure that could be because of application program error, system software error, hardware failure, procedural error, and environmental failure.***

- ***Auditors shall evaluate whether the privacy of data is protected during all backup and recovery activities.***
- ***Auditors should check for proper documentation and implementation of the decisions made on the maintenance of the private and public keys used under cryptographic controls.***
- ***Auditors should address their concerns regarding the maintenance of data integrity and the ways in which files must be processed to prevent integrity violations.***

***VI. Auditing Output Controls***

- ***Auditors should determine what report programs are sensitive, who all are authorized to access them and that only the authorized persons are able to execute them.***
- ***Auditors should review that the action privileges that are assigned to authorized users are appropriate to their job requirement or not.***
- ***Auditors must evaluate how well the client organizations are provided controls in terms of alteration of the content of printer file, number of printed copies etc.***
- ***Auditors should determine whether the report collection, distribution and printing controls are well executed in an organization or not.***

# 3.7 DATA RELATED CONCEPTS

## 3.7.1 Database Models

Databases can be organized in many ways, and thus take many forms. A Database Model is a type of data model that determines the logical structure of a database and fundamentally determines in which manner data can be stored, organized and manipulated. Let's now look at the database model hierarchy given as under:

- **Database:** This is a collection of Files/Tables.
- **File or Table:** This is a collection of Records, also referred as Entity.
- **Record:** This is a collection of Fields.
- **Field:** This is a collection of Characters, defining a relevant attribute of Table instance.
- **Characters:** These are a collection of Bits.

This hierarchy is shown in the Fig. 3.7.1:

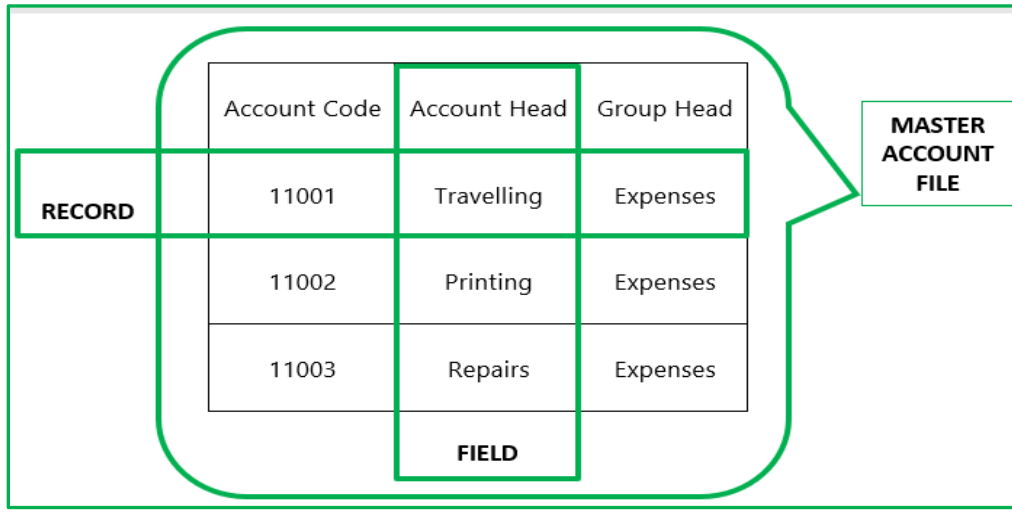



**Fig. 3.7.1: Hierarchy of Data**

Some prominent database models are provided in the Table 3.7.1 below.

**Table 3.7.1: Database Models**

| Hierarchical Database Model | Network Database Model | Relational Database Model | Object Oriented Data Base Model(OODBM) |
|---|---|---|---|
| Records/Nodes are logically organized into a hierarchy of relationships in an inverted tree pattern. | This structure views all records in sets; wherein each set is composed of an owner record and one or more member records. | This allows collection of records in a tabular structure where each record contains some fields defining the nature of the data stored in that table. A record is one instance of a set of fields in a table. Main terms used in this model are **Relation** defined as a table with columns and rows; Named columns of the table as **Attributes** | It is based on the concept that the world can be modeled in terms of objects and their interactions. This provides a mechanism to store complex data such as images, audio and video, etc. |

| | | | |
|---|---|---|---|
| | | **(fields)** and **Domains** as set of values the attributes can take. | |
| The top parent record that "own" other records is called **Parent Record/ Root Record** which may have one or more child records, but no child record may have more than one parent record. | The network model implements one-to-one, one-to-many, many-to-one and the many-to-many relationship types. | All relations adhere to some basic rules - First, the ordering of columns is immaterial in a table. Second, there cannot be identical record in a table. And third, each record will contain a single value for each of its attributes. | In this, the data is modeled and created as objects. It combines different aspects of object-oriented programming language into a DBMS like complex data types, multi valued attributes (e.g. address field can have many values like house number, location, zip code etc.). |
| Each node is related to the others in a parent-child relationship. Thus, the hierarchical data structure implements one-to-one and one-to-many relationships. Refer Example 3.6. | The network model can represent redundancy in data more efficiently than in the hierarchical model. Refer Example 3.7. | A relational database contains multiple tables, with all the tables connected by one or more common fields. For each table, one of the fields is identified as a **Primary Key**, which is the unique identifier for each record in the table. If the primary key of one table is used in another table to access the former, it is called **Foreign Key**. Popular examples of relational | OODBMS helps programmers make objects which are an independently functioning application or program, assigned with a specific task or role to perform. Refer Example 3.9. |

| | | | |
|---|---|---|---|
| | | databases are Microsoft Access, MySQL, and Oracle. Refer Example 3.8. | |

**Example 3.6:** Consider an equipment database shown in Fig. 3.7.2 that has building records, room records, equipment records, and repair records. The database

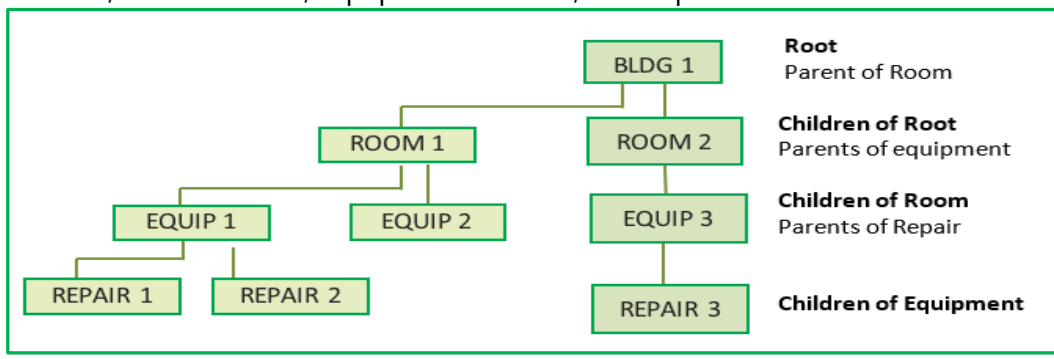



**Fig. 3.7.2: Hierarchical Database Model**

structure reflects the fact that repairs are made to equipment located in rooms that are part of buildings. Entrance to this hierarchy by the DBMS is made through the root record i.e., Building. The building records are the root to any sequence of room, equipment, and repair records. Room records are the parents of equipment records and at the same time, Room records are also children of the parent record, Building. There can be many levels of node records in a database.

**Example 3.7:** Suppose that in our database, it is decided to have these records - Repair Vendor (RV) records for the companies that repair the equipment, Equipment Records (ER) for the various machines we have, and Repair Invoice (RI) records for the repair bills for the equipment. Suppose four Repair Vendors have completed repairs on equipment items 1,2,3,4,5,6,7 and 8. These records might be logically organized into the sets shown in Fig. 3.7.3. Notice these relationships:

- **One-to-One relationship:** RV-1 record is the owner of the RI-1 record.
- **One-to-Many relationship:** RV-2 record is owner of the RI-2 and RI-3 records.
- **Many-to-Many relationship:** Many ER can be owned by many RI records. RV-3 record is the owner of RI-4 and RI-5 records, and the ER-7 is owned by both the RI-5 and RI-6 records because it was fixed twice by different vendors.
- **Many-to-One relationship**: Equipments 7 and 8 are owned by RI-6 because the repair to both machines were listed on the same invoice by RV-4.

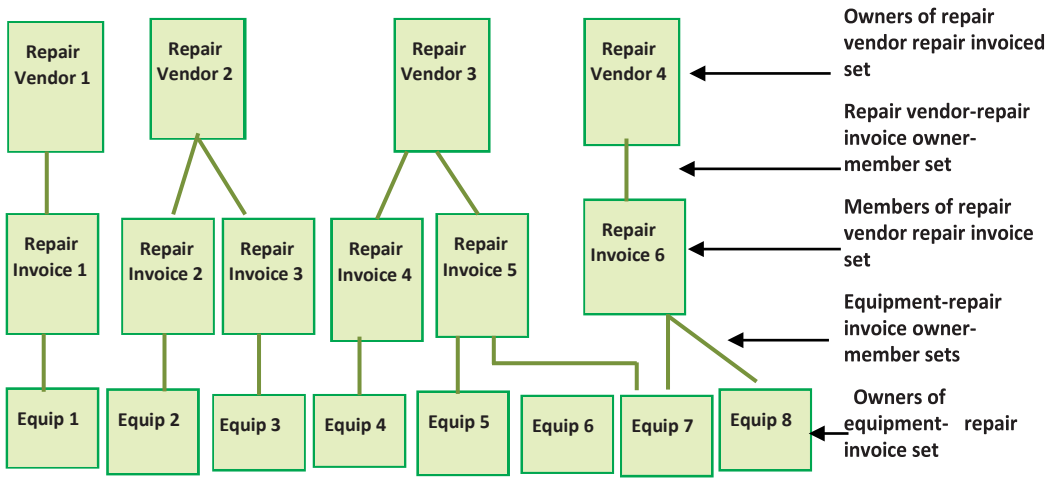



**Fig. 3.7.3: Example of Network Database Model**

- Equipment 6 record does not own any record now because it is not required to be fixed yet.

**Example 3.8:** A company manufactures black and blue ball pens and stores its data using relational database wherein the data is stored in table structures defined below in table 3.7.2.

**Table 3.7.2: Description of Example 3.8**

| **Table 1: Product_table** that contains the detail of all products. Each product is assigned a unique code represented as Prd_code in the table. | | | **Table 2: Invoice_table** has the description of invoices. Invoice table has Invoice_code, Quantity(Qty) and total amount (Total_Amt) with respect to products sold. Each invoice has unique number as Invoice_code. | | | |
|---|---|---|---|---|---|---|
| **Prd_code** | **Description** | **Price** | **Prd_code** | **Invoice_code** | **Qty** | **Total_Amt** |
| P001 | Black pen | ₹ 50 | P001 | 2304 | 10 | ₹ 500 |
| P002 | Blue pen | ₹ 70 | P002 | 2306 | 20 | ₹ 1400 |

Both tables Product_table and Invoice_table have a relationship through the common attribute - Prd_code. Prd_code is the Primary (unique) key in Product_table and it acts as key of relationship (foreign key) with Invoice_table. For a specific Invoice_code, the description of product and price can be retrieved from Product_table.

**Example 3.9:** Refer the Fig. 3.7.4. The light rectangle indicates that 'Engineer' is an object possessing attributes like 'date of birth', 'address', etc. which is interacting with another object known as 'civil jobs'. When a civil job is executed commenced, it updates the 'current job' attribute of the 'Engineer' object, because 'civil job' sends a message to the latter object.

Objects can be organized by first identifying them as a member of a class/subclass. Different objects of a particular class should possess at least one common attribute. The dark rectangles indicate 'Engineer' as a class and 'Civil Engineer' and 'Architect' as both subclasses of 'Engineer'. These subclasses possess all the attributes of 'Engineer' over and above each possessing at least one attribute not possessed by 'Engineer'. The line intersecting particular object classes represents the class of structure.

Secondly, objects can be identified as a component of some other object. 'Engineer' is components of a 'Civil Job Team' which may have one to more than one number of member(s). An 'Engineer' may not be a member of the 'Civil Job Team' and may not be a member of more than one team. The dotted line intersecting particular object classes represents the part of structure. Apart from possessing attributes, objects as well as possess methods or services that are responsible for changing their states. Like the service 'Experience' as a Civil Engineer or Architect for the object 'Engineer' calculates how much experience the engineers of these particular two subclasses have as professionals.

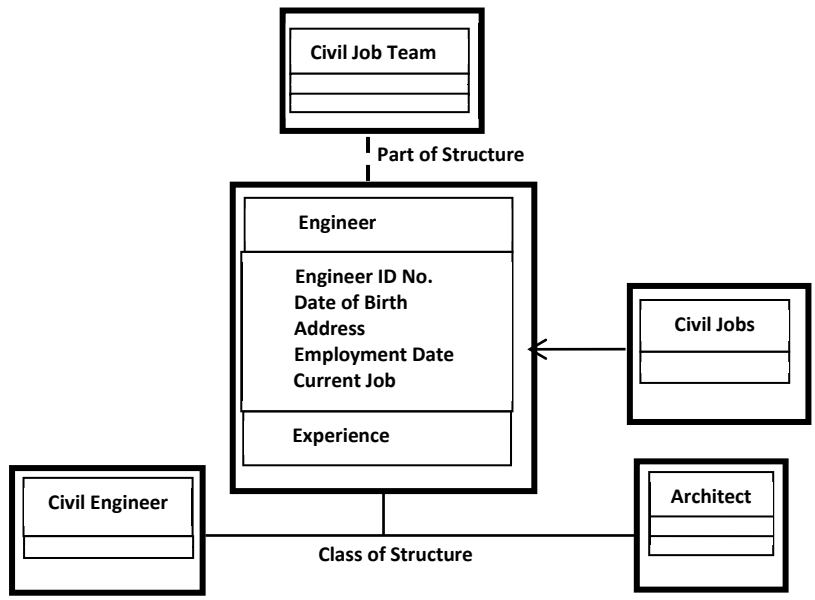



**Fig. 3.7.4: An object-oriented database design**

### 3.7.2 Big Data

A new buzzword that has been capturing the attention of businesses lately is Big Data. The term refers to such massively large data sets that conventional database tools do not have the processing power to analyze them. For example, Flipkart must process over millions of customer transactions every hour during the Billion Day Sale. Storing and analyzing that much data is beyond the power of traditional database-management tools. Understanding the best tools and techniques to manage and analyze these large data sets is a problem that governments and businesses alike are trying to solve. This is an interesting space to explore from a career perspective since everything is nothing more than data. In fact, we are nothing more than data points in databases on various companies.

Some examples of industries that use big data analytics include the hospitality industry, healthcare companies, public service agencies, and retail businesses.

**Benefits of Big Data Processing are as follows:**

(a) **Ability to process Big Data brings in multiple benefits, such as-**

- Businesses can utilize outside intelligence while taking decisions.
- Access to social data from search engines and sites like Facebook, Twitter is enabling organizations to fine tune their business strategies.
- Early identification of risk to the products/services, if any.

(b) **Improved customer service**

- Traditional customer feedback systems are getting replaced by new systems designed with Big Data technologies. In these new systems, Big Data and natural language processing technologies are being used to read and evaluate consumer responses.

(c) **Better operational efficiency**

- Integration of Big Data technologies and data warehouse helps an organization to offload infrequently accessed data, this leading to better operational efficiency.

### 3.7.3 Data Warehouse

As organizations have begun to utilize databases as the centre piece of their operations, the need to fully understand and leverage the data they are collecting has become more and more apparent. However, directly analyzing the data that is needed for day-to-day operations is not a good idea; we do not want to tax the

operations of the company more than we need to. Further, organizations also want to analyze data in a historical sense: How does the data we have today compare with the same set of data of last month, or last year? From these needs arose the concept of the data warehouse. The process of extracting data from source systems and bringing it into the data warehouse is commonly called **ETL**, which stands for **Extraction, Transformation**, and **Loading**. The process is described below and shown in the Fig. 3.7.5:

- In the first stage, the data is **Extracted** from one or more of the organization's databases. This stage involves extracting the data from various sources such as ERP systems used, databases, flat files including plain text files, Excel spreadsheet etc.
- In the second stage, the data so extracted is placed in a temporary area called **Staging Area** where it is **Transformed** like cleansing, sorting, filtering etc. of the data as per the information requirements.
- The final stage involves the **Loading** of the transformed data into a data warehouse which itself is another database for storage and analysis.
- The information loaded on to the data warehouse could further be used by different data marts which are nothing but databases pertaining to specific departmental functions like Sales, Finance, Marketing etc. from where the information is used for further reporting and analyzes to take informed decision by the management.

However, the execution of this concept is not that simple. A data warehouse should be designed so that it meets the following criteria:

- It uses **non-operational data**. This means that the data warehouse is using a copy of data from the active databases that the company uses in its day-to-day operations, so the data warehouse must pull data from the existing databases on a regular scheduled basis. Relevance and nature of the data in the data warehouse depend on the time the jobs are scheduled to pull data from the active databases.
- The data is **time-variant**. This means that whenever data is loaded into the data warehouse, it receives a time stamp which allows for comparisons between different time periods.
- The data is **standardized**. Because the data in a data warehouse usually comes from several different sources, it is possible that the data does not use the same definitions or units. For example- Events table in a our Student Clubs database lists the event dates using the mm/dd/yyyy format (e.g.,

01/10/2013). A table in another database might use the format yy/mm/dd (e.g.13/01/10) for dates. For the data warehouse to match up dates, a standard date format would have to be agreed upon and all data loaded into the data warehouse would have to be converted to use this standard format.

❖ There are two primary schools of thought when designing a data warehouse: **Bottom-Up** and **Top- Down**.

- The **Bottom-Up Approach** starts by creating small data warehouses, called Data Marts to solve specific business problems. As these data marts are created, they can be combined into a larger data warehouse.
- The **Top-Down Approach** suggests that we should start by creating an enterprise-wide data warehouse and then, as specific business needs are identified, create smaller data marts from the data warehouse.

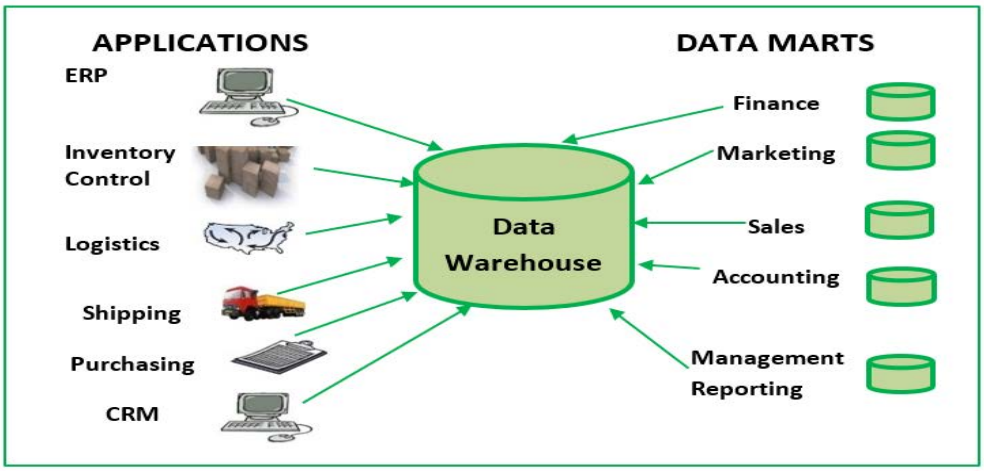



**Fig. 3.7.5: Centralized view of Data Warehouse**

❖ **Benefits of Data Warehouse**

Organizations find data warehouses quite beneficial for several reasons

- The process of developing a data warehouse forces an organization to better understand the data that it is currently collecting and, equally important, what data is not being collected.
- A data warehouse provides a centralized view of all data being collected across the enterprise and provides a means for determining data that is inconsistent.
- Once all data is identified as consistent, an organization can generate one version of the truth. This is important when the company wants to

report consistent statistics about itself, such as revenue or number of employees.

- By having a data warehouse, snapshots of data can be taken over time. This creates a historical record of data, which allows for an analysis of trends.
- A data warehouse provides tools to combine data, which can provide new information and analysis.

### 3.7.4 Data Mining

Data Mining is the process of analysing data to find previously unknown trends, patterns, and associations to make decisions. It involves extracting useful data as per the requirement from a collection of raw facts. To start with, one can use the simplest yet powerful tool, Microsoft Excel for data mining. Other examples of data mining tools include Oracle Data mining, R-language etc. Generally, data mining is accomplished through automated means against extremely large data sets, such as a data warehouse. The examples of data mining are- an analysis of sales from a large grocery chain that might determine that milk is purchased more frequently the day after it rains in cities with a population of less than 50,000; The analysis of the popularity of a particular recharge scheme introduced by the telecommunication provider among people of a specific age group, gender and the peak call hours' location wise; A bank may find that loan applicants whose bank accounts show particular deposit and withdrawal patterns are not good credit risks; A baseball team may find that collegiate baseball players with specific statistics in hitting, pitching, and fielding make for more successful major league players.

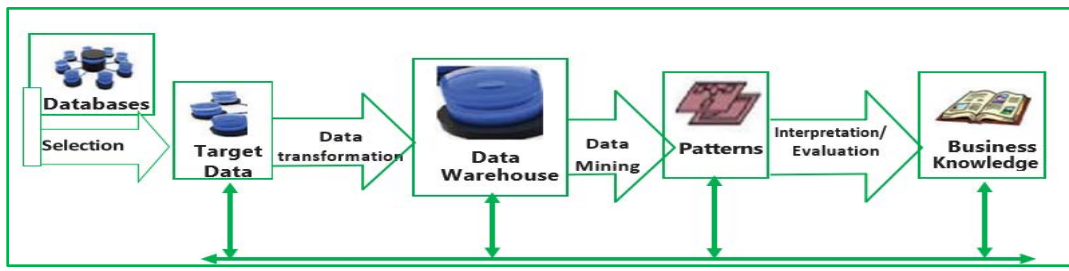



**Fig. 3.7.6: Steps involved in Data Mining**

The steps involved in the Data Mining process are as follows (Refer Fig. 3.7.6):

a. **Data Integration:** Firstly, the data are collected and integrated from all the different sources which could be flat files, relational database, data warehouse or web etc.

b. **Data Selection:** It may be possible that all the data collected may not be required in the first step. So, in this step we select only those data which we think is useful for data mining.

c. **Data Cleaning:** The data that is collected are not clean and may contain errors, missing values, noisy or inconsistent data. Thus, we need to apply different techniques to get rid of such anomalies.

d. **Data Transformation:** The data even after cleaning are not ready for mining as it needs to be transformed into an appropriate form for mining using different techniques like - smoothing, aggregation, normalization etc.

e. **Data Mining:** In this, various data mining techniques are applied on the data to discover the interesting patterns. Techniques like clustering and association analysis are among the many different techniques used for data mining.

f. **Pattern Evaluation and Knowledge Presentation:** This step involves visualization, transformation, removing redundant patterns etc. from the patterns we generated.

g. **Decisions / Use of Discovered Knowledge:** This step helps user to make use of the knowledge acquired to take better informed decisions.

In some cases, a data-mining project is begun with a hypothetical result in mind. For example, a grocery chain may already have some idea that buying patterns change after it rains and want to get a deeper understanding of exactly what is happening. In other cases, there are no pre-suppositions and a data-mining program is run against large data sets to find patterns and associations. Table 3.7.3 provides the basic differences between Database, Data Warehouse and Data Mining.

**Table 3.7.3: Differences between Database, Data Warehouse & Data Mining**

| DATABASE | DATA WAREHOUSE | DATA MINING |
|---|---|---|
| This stores real time information. For example-In a telecommunication sector, the database stores information related to monthly billing details, call records, minimum balance etc. | This store both the historic and transactional data. For example- In the same telecommunication sector, information in a data warehouse will be used for product promotions, decisions relating to sales, cash back offers etc. | This analyses data to find previously unknown trends. For example- In the same telecommunication sector, information will be analysed by data mining techniques to find out call duration with respect a particular age group from the entire data available. |

| | | |
|---|---|---|
| It's function is to record. | It's function is to report and analyse. | It's function is to extract useful data. |
| Examples include MySQL, MS Access. | Examples include Teradata, Informatica. | Examples include R-Language, Oracle data mining. |

## 3.8 ORGANIZATION STRUCTURE AND RESPONSIBILITIES

Organizations require structure to distribute responsibility to groups of people with specific skills and knowledge. The structure of an organization is called an **Organization Chart**. Organizing and maintaining an organization structure requires that many factors be considered. In most organizations, the organization chart is a living structure that changes frequently, based upon several conditions.

**Short and long-term objectives:** Organizations sometimes move departments from one executive to another so that departments that were once far from each other (in terms of the organizational chart structure) will be near each other. This provides new opportunities for developing synergies and partnerships that did not exist before the reorganization (reorg). These organizational changes are usually performed to help an organization meet new objectives that require new partnerships and teamwork that were less important before.

- **Market conditions:** Changes in market positions can cause an organization to realign its internal structure to strengthen itself. For example, if a competitor lowers its prices based on a new sourcing strategy, an organization may need to respond by changing its organizational structure to put experienced executives in-charge of specific activities.
- **Regulation:** New regulations may induce an organization to change its organizational structure. For instance, an organization that becomes highly regulated may elect to move its security and compliance group away from IT and place it under the legal department, since compliance has much more to do with legal compliance than industry standards.
- **Available talent:** When someone leaves an organization (or moves to another position within the organization), particularly in positions of leadership, a space opens in the organization chart that often cannot be filled right away. Instead, senior management will temporarily change the structure of the organization by moving the leaderless department under the control of someone else. Often, the decisions of how to change the organization will

depend upon the talent and experience of existing leaders, in addition to each leader's workload and other factors. For example, if the director of IT program management leaves the organization, the existing department could temporarily be placed under the IT operations department, in this case because the director of IT operations used to run IT program management. Senior management can see how that arrangement works out and later decide whether to replace the director of IT program management position or to do something else.

### 3.8.1 Roles and Responsibilities

The topic of roles and responsibilities is multidimensional; it encompasses positions and relationships on the organization chart, it defines specific job titles and duties, and it denotes generic expectations and responsibilities regarding the use and protection of assets. Several roles and responsibilities fall upon all individuals throughout the organization. Some of them are discussed below:

- **Owner:** An owner is an individual (usually but not necessarily a manager) who is the designated owner-steward of an asset. Depending upon the organization's security policy, an owner may be responsible for the maintenance and integrity of the asset, as well as for deciding who is permitted to access the asset. If the asset is information, the owner may be responsible for determining who may access and make changes to the information.
- **Manager:** A manager, in the general sense, is responsible for obtaining policies and procedures and making them available to their staff members. They should also to some extent responsible for their staff members' behavior.
- **User:** User is an individual (at any level of the organization) who uses assets in the performance of their job duties. Each user is responsible for how s/he uses the asset and does not permit others to access the asset in his/her name. Users are responsible for performing their duties lawfully and for conforming to organization policies.

These generic roles and responsibilities should apply across the organization chart to include every person in the organization.

### 3.8.2 Job Titles based on Responsibilities

A **Job Title** is a label that is assigned to a job description. It denotes a position in the organization that has a given set of responsibilities and which requires a certain level and focus of education and prior experience.

In an organization, **Executive Management** includes executive managers, the senior managers and executives who are responsible for developing the organization's mission, objectives, and goals, as well as policy. Executive managers are responsible for enacting security policy, which defines (among other things) the protection of assets. Executive managers set objectives and work directly with the organization's most senior management to help make decisions affecting the future strategy of an organization. Table 3.8.1 describes in detail the functioning of Executive Management in organization.

**Table 3.8.1: Executive Management in an organization**

| | |
|---|---|
| **CIO (Chief Information Officer)** | This is the most senior executive in an organization who works with IT and computer system to support orgnizations' goals. |
| **CTO (Chief Technology Officer)** | The CTO is usually responsible for an organization's overall technology strategy. Depending upon the purpose of the organization, this position may be separate from IT. |
| **CSO (Chief Security Officer)** | A CSO is responsible for all aspects of security, including information security, physical security, and possibly executive protection (protecting the safety of senior executives). |
| **CISO (Chief Information Security Officer)** | This position is responsible for all aspects of data-related security that includes incident management, disaster recovery, vulnerability management, and compliance. |
| **CPO (Chief Privacy Officer)** | This position is found in organizations that collect, store and protect sensitive information for large numbers of persons. |

Fig. 3.8.1 provides an illustrative overview of positions that report to CIO in general.

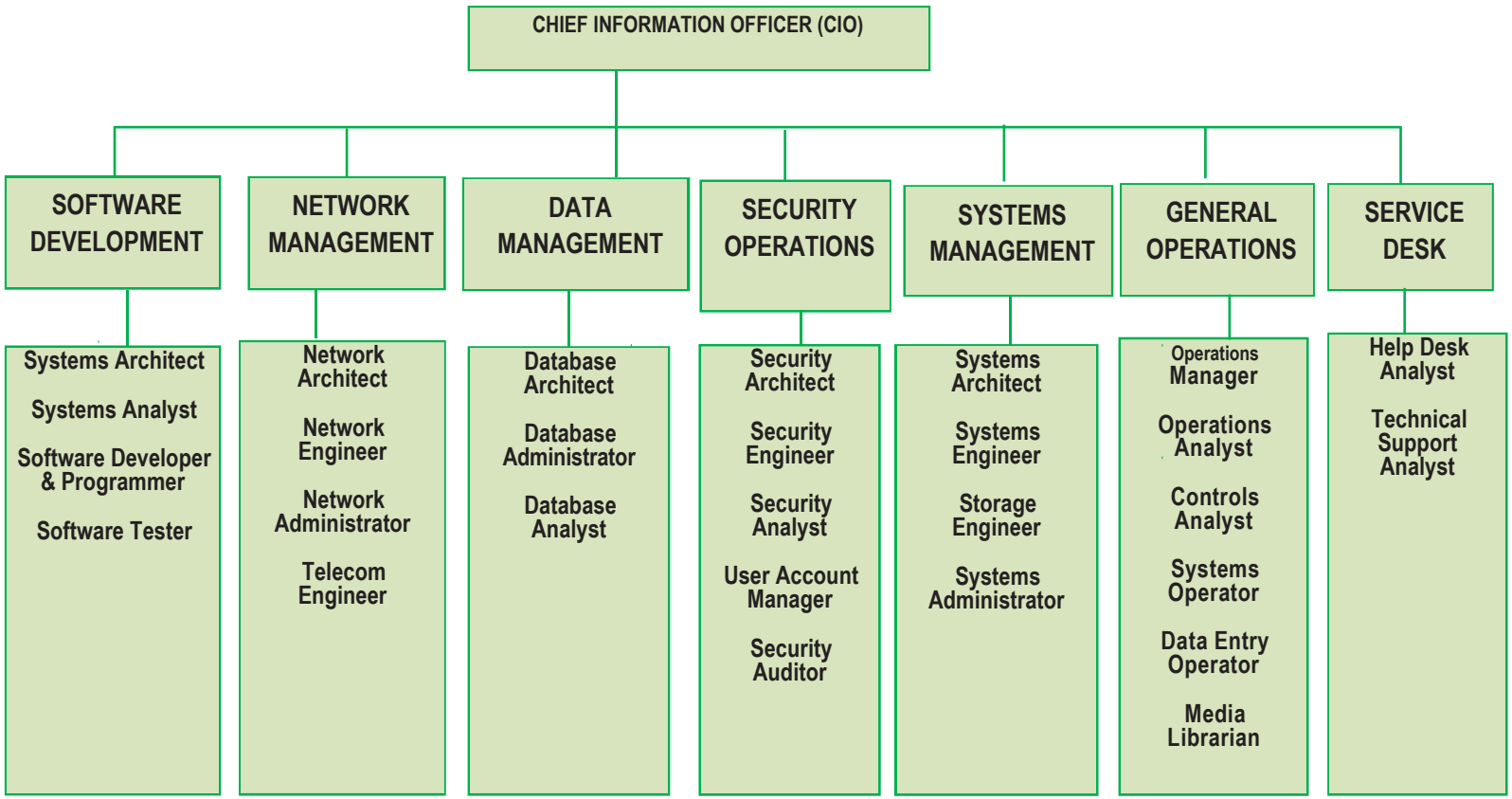



**Fig. 3.8.1: Positions under CIO (illustrative)**

**(a) Software Development:** Positions in software development are involved in the design, development, and testing of software applications. Based on that, Table 3.8.2 describes the various positions in software development.

**Table 3.8.2: Positions in Software Development**

| Systems Architect | Systems Analyst | Software Developer & Programmer | Software Tester |
|---|---|---|---|
| This position is usually responsible for the overall information systems architecture in the organization. This may or may not include overall data architecture as well as interfaces to external organizations. | A systems analyst is involved with the design of applications, including changes in an application's original design, develop technical requirements, program design, and software test plans. In cases where organizations license applications developed by other companies, systems analysts design interfaces to other applications. | This position develops application software. In organizations that utilize purchased application software, developers often create custom interfaces, application customizations, and custom reports. | This position tests changes in programs made by software developers. |

**(b) Data Management:** Positions in data management as shown in Table 3.8.3 are responsible for developing and implementing database designs and for maintaining databases.

**Table 3.8.3: Positions in Data Management**

| | |
|---|---|
| **Database Architect** | This position develops logical and physical designs of data models for applications as well as an organization's overall data architecture. |
| **Database Administrator (DBA)** | This position builds and maintains databases designed by the database architect. The DBA monitors the databases, tunes them for performance and efficiency and troubleshoots problems and also ensures that data is protected from unauthorized access by making it available only to users as per the job roles. |

| | |
|---|---|
| **Database Analyst** | This position performs tasks that are junior to the database administrator, carrying out routine data maintenance and monitoring tasks. |

**(c) Network Management:** Positions in network management are responsible for designing, building, monitoring, and maintaining voice and data communications networks, including connections to outside business partners and the Internet.

- **Network Architect:** They are involved in the creation of plans and overall layout of the communication network focusing on the aspect on information security as well.
- **Network Engineer:** This position builds and maintains network devices such as routers, switches, firewalls, and gateways.
- **Network Administrator:** This position performs routine tasks in the network such as making minor configuration changes and monitoring event logs.
- **Telecom Engineer:** Positions in this role work with telecommunications technologies such as data circuits, phone systems, and voice email systems.

**(d) Systems Management:** Positions in systems management are responsible for architecture, design, building, and maintenance of servers and operating systems. Various positions in system management are shown in Table 3.8.4.

**Table 3.8.4: Positions in Systems Management**

| Systems Architect | Systems Engineer | Storage Engineer | Systems Administrator |
|---|---|---|---|
| This position is responsible for the overall architecture of systems (usually servers), both in terms of the internal architecture of a system, as well as the relationship between systems and design of services such as authentication, e-mail, and time synchronization. | This position is responsible for designing, building, and maintaining servers and server operating systems. | This position is responsible for designing, building, and maintaining storage subsystems. | This position is responsible for performing maintenance and configuration operations on systems. |

**(e) General Operations:** Positions in operations are responsible for day-to-day operational tasks that may include networks, servers, databases, and applications.

- **Operations Manager:** This position is responsible for overall operations that are carried out by others. Their main functions include planning, operations process, strategy, staffing of resources as per their skill sets, performance monitoring and improvement along with establishing operations shift schedules.
- **Operations Analyst:** This position may be responsible for the development of operational procedures; examining the health of networks, systems, and databases; setting and monitoring the operations schedule; and maintaining operations records.
- **Controls Analyst:** This position is responsible for monitoring batch jobs, data entry work, and other tasks to make sure that they are operating correctly.
- **Systems Operator:** This position is responsible for monitoring systems and networks, performing backup tasks, running batch jobs, printing reports, and other operational tasks.
- **Data Entry operator:** This position is responsible for keying batches of data from hard copy sources.
- **Media Librarian:** This position is responsible for maintaining and tracking the use and whereabouts of backup tapes and other media.

**(f) Security Operations:** Positions in security operations are responsible for designing, building, and monitoring security systems and security controls, to ensure the confidentiality, integrity, and availability of information systems. Refer Table 3.8.5 given below:

**Table 3.8.5: Positions in Security Operations**

| | |
|---|---|
| **Security Architect** | S/he is responsible for the design of security controls and systems such as authentication, audit logging, intrusion detection systems, intrusion prevention systems, and firewalls. |
| **Security Engineer** | S/he is responsible for designing, building, and maintaining security services and systems that are designed by the security architect. |

| | |
|---|---|
| **Security Analyst** | S/he is responsible for examining logs from firewalls, intrusion detection systems, and audit logs from systems and applications and issuing security advisories to others in IT. |
| **User Account Manager** | S/he is responsible for accepting approved requests for user access management changes and performing the necessary changes at the network, system, database, or application level. in larger organizations, the user account management is performed in security or even in a separate user access department. |
| **Security Auditor** | S/he is responsible for performing internal audits of IT controls to ensure that they are being operated properly. |

**(g) Service Desk:** Positions at the service desk are responsible for providing front line support services to IT and IT's customers.

- **Help desk Analyst:** This position is responsible for providing front line user support services to personnel in the organization.
- **Technical Support Analyst:** This position is responsible for providing technical support services to other IT personnel, and perhaps also to IT customers.

## 3.9 SEGREGATION OF DUTIES

Information systems often process large volumes of information that is sometimes highly valuable or sensitive. Measures need to be taken in IT organizations to ensure that individuals do not possess sufficient privileges to carry out potentially harmful actions on their own. Checks and balances are needed, so that high-value and high-sensitivity activities involve the coordination of two or more authorized individuals. The concept of **Segregation of Duties (SoD)**, also known as Separation of Duties, ensures that single individuals do not possess excess privileges that could result in unauthorized activities such as fraud or the manipulation or exposure of sensitive data.

The concept of segregation of duties has been long-established in organization accounting departments where, for instance, separate individuals or groups are responsible for the creation of vendors, the request for payments, and the printing of checks. Since accounting personnel frequently handle checks and currency, the principles, and practices of segregation of duties controls in accounting departments are the norm. For example-the person approving the purchase orders should not be allowed to make payment and pass entries in the books at the same time.

### 3.9.1 Segregation of Duties Controls

Preventive and detective controls should be put into place to manage segregation of duties matters. In most organizations, both the preventive and detective controls will be manual, particularly when it comes to unwanted combinations of access between different applications. However, in some transaction-related situations, controls can be automated although they may still require intervention by others.

### 3.9.2 Some Examples of Segregation of Duties Controls

- **Transaction Authorization:** Information systems can be programmed or configured to require two (or more) persons to approve certain transactions. Many of us see this in retail establishments where a manager is required to approve a large transaction or a refund. In IT applications, transactions meeting certain criteria (for example, exceeding normally accepted limits or conditions) may require a manager's approval to be able to proceed.
- **Split custody of high-value assets:** Assets of high importance or value can be protected using various means of split custody. For example, a password to an encryption key that protects a highly-valued asset or sensitive data can be split in two halves, one half assigned to two persons, and the other half assigned to two persons, so that no single individual knows the entire password. Banks do this for central vaults, where a vault combination is split into two or more pieces so that two or more are required to open it.
- **Workflow:** Applications that are workflow-enabled can use a second (or third) level of approval before certain high-value or high-sensitivity activities can take place. For example, a workflow application that is used to provision user accounts can include extra management approval steps in requests for administrative privileges.
- **Periodic reviews:** IT or internal audit personnel can periodically review user access rights to identify whether any segregation of duties issues exist. Care should also be taken to ensure that the access privileges are reviewed and updated with the changing job roles. The access privileges for each worker can be compared against a segregation of duties control matrix.

When SoD issues are encountered during a segregation of duties review, management will need to decide how to mitigate the matter. The choices for mitigating a SoD issue include -

- **Reduce access privileges:** Management can reduce individual user privileges so that the conflict no longer exists.

- **Introduce a new mitigating control:** If management has determined that the person(s) need to retain privileges that are viewed as a conflict, then new preventive or detective controls need to be introduced that will prevent or detect unwanted activities. Examples of mitigating controls include increased logging to record the actions of personnel, improved exception reporting to identify possible issues, reconciliations of data sets, and external reviews of high-risk controls.

## ILLUSTRATION 3.1

In 2017, XYZ Systems had shifted to the SQL Server Relational Database Management System from the previously used IBM Information Management System which used a hierarchical database model to create a well-organized database to store organizational data.

On acquiring a good number of global clients and keeping in view the increased number, complexity of the overseas transactions and the management's need for periodic performance analysis; XYZ Systems planned to leverage the benefit of data warehouse whereas the research team suggested the implementation of Big data. However, XYZ Systems did not implement suitable security controls and hence recently faced data security breach which led to the unauthorized manipulation of certain confidential data. This resulted in XYZ Systems paying a substantial amount as compensation and loss of a major client.

Consequently, XYZ Systems has now implemented varied controls starting from strict password management to high level access controls and monitoring mechanism ensuring that there are no further data security issues.

**Answer the following Questions:**

1 The XYZ Systems initially used IBM Information Management system which used a hierarchical database model. Which type of relationship is not supported by such database model?

(i) One-to-One

(ii) Many-to-One

(iii) One-to-Many

(iv) None of the above

2 The XYZ Systems recently shifted to the SQL Server DBMS from the IBM Information Management system that it previously used. Under which aspect, the SQL Server differs from IBM Information Management System?

(i) One-to-one relationship

(ii) One-to-many relationship

(iii) Relational Database structure

(iv) None of the above

3 Which among the following is not an advantage of the SQL Server DBMS?

(i) Data Sharing

(ii) Data Redundancy

(iii) Program and File consistency

(iv) None of the above

4 To ensure that the communication between their private network and public network is secured, one of the step taken by XYZ Systems are to install firewall. The installation of firewall is _____type of control.

(i) Preventive

(ii) Corrective

(iii) Detective

(iv) None of the above

5 XYZ Systems made its access privileges more stringent so as to prevent unauthorized users gaining entry into secured area and also minimum entry granted to users based on their job requirements. Which of the following Logical Access control covers this aspect?

(i) Operating System Access Control

(ii) Network Access Controls

(iii) User Access Management

(iv) Application and Monitoring System control

6 Based on the risk assessment by the audit team, the management of XYZ Systems decided to specify the exact path of the internet access by routing the internet access by the employees through a firewall and proxy. This is referred to as_____.

(i) Encryption

(ii) Enforced Path

(iii) Call Back Devices

(iv) None of these

**SOLUTION**

| Question No. | Answer | Question No. | Answer |
|---|---|---|---|
| **1** | (ii) Many-to-One | **2** | (iii) Relational Database structure |
| **3** | (ii) Data Redundancy | **4** | (i) Preventive |
| **5** | (iii) User Access Management | **6** | (ii) Enforced Path |

## ILLUSTRATION 3.2

Bianc Computing Ltd. has implemented a set of controls including those with respect to security, quality assurance and boundary controls to ensure that the development, implementation, operation and maintenance of information systems takes place in a planned and controlled manner. It has also ensured that logs are designed to record activity at the system, application, and user level.

Along with the implementation of controls and maintenance of logs, it has approached a leading firm of IS auditors to conduct a comprehensive audit of its controls. Within the organization also, it has opened new job roles and has hired people with the required skill sets for the same.

**Answer the following Questions:**

1 The team of network engineers of Bianc Computing Ltd. recommended certain controls to be implemented in the organization to bridge the rate of data reception and transmission between two nodes. Which types of controls are being referred to here?

(i) Link Controls

(ii) Flow Controls

(iii) Channel Access Controls

(iv) Line Error Controls

2 Which control is used to ensure that the user can continue working, while the print operation is getting completed? This is known as _____.

(i) Printing Controls

(ii) Spooling File Control

(iii) Spoofing File Control

(iv) Print-Run-to Run Control Totals

3 Bianc Computing Ltd. has also opened up new job roles and has hired persons with the required skill sets for the same as given below.

| Job Role | Person Responsible |
|---|---|
| 1. Developing logical and physical designs of data models | (a) Operations Manager |
| 2. Providing front line user support services | (b) Security Analyst |
| 3. Staffing of resources for upcoming projects. | (c) Database Architect |
| 4. Examining logs from firewalls, and providing security advisories | (d) Help Desk Analyst |
| 5. Performing maintenance and configuration operations on systems. | (e) Systems Analyst |
| 6. Build and maintain network devices such as routers, switches etc. | (f) System Administrator |
| 7. Developing technical requirements, program design, and software test plans | (g) Network Engineer |

Identify the right match to the job roles assigned and the responsible persons for the job role.

(i) 1(c), 2(d), 3(a), 4(b), 5(f), 6(g), 7(e)

(ii) 1(d), 2(b), 3(c), 4(g), 5(f), 6(a), 7(e)

(iii) 1(e), 2(b), 3(c), 4(g), 5(a), 6(f), 7(d)

(iv) 1(g), 2(f), 3(e), 4(d), 5(c), 6(b), 7(a)

**SOLUTION**

| Question No. | Answer | Question No. | Answer |
|---|---|---|---|
| **1** | (ii) Flow Controls | **2** | (ii) Spooling File Control |
| **3** | (i) 1(c), 2(d), 3(a), 4(b), 5(f), 6(g), 7(e) | | |

# SUMMARY

In the present contemporary world, apart from change the thought-provoking terminology is business which is a driving force behind change and how to insight into trade is a dynamic called integration. Organizations of the 1990 were concentrated on the re-engineering and redesign of their business processes to endorse their competitive advantage. To endure in the 21st century, organizations have started paying attention on integrating enterprise-wide technology solutions to progress their business processes called Business Information Systems (BIS). Now, every organization integrates part or all of its business functions together to accomplish higher effectiveness and yield. The thrust of the argument was that Information Technology (IT), when skillfully employed could in various ways differentiate an organization from its competition, add value to its services or products in the eyes of its customers, and secure a competitive advantage in comparison to its competition.

Although information systems have set high hopes to companies for their growth as it reduces processing speed and helps in cutting cost but most of the research studies show that there is a remarkable gap between its capabilities and the business-related demands that senior management is placing on it. We learnt how any enterprise to be effective and efficient must use Business Process Automation (BPA), which is largely aided by Computers or IT. Information systems, which forms the backbone of any enterprise comprises of various layers such as: Application software, Database Management Systems (DBMS), System Software, Operating Systems, Hardware, Network Links and People-Users.

This Chapter has provided an overview on the importance of information systems in an IT environment and how information is generated. There has been a detailed discussion on Information System Audit, its need, and the method of performing the same. Chapter outlines the losses that an organization may face, incase, it does not get it audited.

# TEST YOUR KNOWLEDGE

## Theory Questions

1. Information System Model is responsible to convert the data into information which is useful and meaningful to the user. Explain all steps involved in Information System Model. **(Refer Section 3.2)**

2. Briefly discuss the components of Computer based Information Systems.

**(Refer Section 3.3)**

3. Discuss the term 'Operating System' and various operations performed by it.

**(Refer Section 3.3.2 [Point II])**

4. Database Management Systems (DBMS) is a software that aids in organizing, controlling and using the data needed by the application program However, there are many advantages and disadvantages associated with it. Discuss them.

**(Refer Section 3.3.3)**

5. Discuss Boundary Controls under the Application Control Framework in detail. **(Refer Section 3.4.3B[I])**

6. Discuss Corrective Controls with the help of examples. Also, discuss their broad characteristics in brief. **(Refer Section 3.4.1[Point C])**

8. Describe the term Preventive Controls and provide suitable examples. Also, discuss their broad characteristics in brief. **(Refer Section 3.4.1[Point A])**

9. Discuss in brief the following terms:

   (i) Snapshots **(Refer Section 3.5.2)**

   (ii) Audit Hooks **(Refer Section 3.5.2)**

10. Recognize various factors influencing an organization towards control and audit of computers. **(Refer Section 3.5.1)**

11. Data warehouse and Data Mining are terms related to better management of information to enable quicker and effective decision-making in organizations. Critically evaluate the statement. **(Refer Section 3.7.3 & 3.7.4)**

12. Explain the concept of Segregation of Duties (SoD) controls and its examples. **(Refer Section 3.9.1)**

13. An internet connection exposes an organization to the harmful elements of the outside world. As a network administrator, which Network Access controls will you implement in the organization to protect from such harmful elements? **(Refer Section 3.4.2[C-III])**

14. A company XYZ is developing a software using the program development life cycle methodology and applying control, phases in parallel to the development phases to monitor the progress against plan. Being an IT developer, design the various phases and their controls for program development life cycle. **(Refer Table 3.4.5)**

15. Discuss the key activities which require special attention for auditing the user access provisioning. **(Refer Section 3.6.3[(b - I)]**