Editorial

John Mitchell

It has been a bad couple of months for the IT assurance industry. First John Ivinson died and now William List has passed away. Willie, as he was always known to his friends was Chairman of this Specialist Group for a seven year period from 1981 to 1988. I had the honour of following in his footsteps and we often shared conference platforms together. Willie was an innovator of the first order with the ability to cut through the fog and reach the heart of any issue. Together with David Brewer he produced the most important paper on control mechanisms in the last ten decade which I published in this Journal in June 2005. Willie was a hard drinking and hard smoking auditor of the old school. He wanted answers and was not going to be diverted by devious misdirection. He was also charming and great company. He had a heart transplant some ten years ago and had been living life on borrowed time since then. Apart from the occasional bad day, when his usual intake of thirty-six pills left him without his usual energy, you would never know that he had undergone such major surgery. He had recently sold his house and was about to move and was having great fun sorting through his archives and deciding what to keep – all of it! Willie has a great sense of humour and loved the following story which he recounted with relish when he was illustrating the law of unintended consequences. A young executive was leaving the office late one evening when he found the CEO standing in front of a shredder with a piece of paper in his hand. "Listen," said the CEO, "this is a very sensitive and important document here, and my secretary has gone for the night. Can you make this thing work?" "Certainly," said the young executive. He turned the machine on, inserted the paper, and pressed the start button. "Excellent, excellent!" said the CEO as his paper disappeared inside the machine. "I just need one copy". Willie would roar with laughter and infect the entire audience. I will miss his incisive mind, his big laugh and his wisdom. The IT assurance profession is greatly diminished by his passing.

On the subject of obituaries I am wondering if we are seeing the early death throes of the Basel II minimum capital requirements for banks, especially as the American Federal Reserve are adopting it! The Americans often come late to the international dinner table and it is worth reviewing a quotation from Federal Reserve Board Governor Randall S. Kroszner. “The improvements in risk management under Basel II will be valuable and important in promoting the resiliency of the banking and financial systems”. Really? This is at just the time when I am wondering whether Basel II is worth the paper it is printed on. Basel II did not save Northern Rock and our tripartite supervisory system (Treasury, Bank of England, Financial Services Authority) failed woefully in sorting out the mess. The first run on a British bank in 150 years is hardly an endorsement of Basel II to protect a bank’s liquidity. I am surprised that neither the Bank of England, the Treasury, the Financial Services Authority, nor financial journalists have yet questioned the efficacy of Basel II. Capital requirements rules state that credit institutions must at all times maintain a minimum amount of financial capital, in order to cover the risks to which they are exposed. The aim is to ensure the financial soundness of such institutions, to maintain customer confidence in the solvency of the institutions, to ensure the stability of the financial system at large, and to protect depositors against losses. We have seen from Northern Rock however, that this underlying principle is fundamentally flawed. The determining factor is not so much how much you have, but how much you can borrow and at what rate. So why the big silence from the supervisory big three? Intense embarrassment perhaps?

You may be wondering what Basel II has to do with computer auditing? Well, its risk based approach assumes that you have at least three years good records of your previous losses, so data integrity is a prime requirement. However, doesn't the FSA keep reminding us that past performance is no guide to the future? Hey, ho, if past performance provides no useful information for dim wits like us to help us select a financial product, what makes it so good for banks when determining their capital reserves? Answers on the back of an envelope please to the Governor of the Bank of England, The Chancellor of the Exchequer and the Chief Executive of the FSA.

In this issue, we have our usual mix of regular contributors ranging from Bob Ashton's *Down Under* column, Mark Smith's *Member Benefits*, a financial update from our Treasurer Jean Morgan and Andrea Simmons of the Security Forum telling us just what a hard working person she is. Not to be outdone, Ross Palmer our Chairman (not a chair you notice), provides a complicated formula to calculate the likelihood of Murphy's law kicking in. As my old friend William List would have said, "if you are not running around like a headless chicken, them you don't appreciate the gravity of the situation". Finally, you will find a missive penned by yours truly dealing with digital forensics.

A happy Christmas to you all and a prosperous, or at least a no redundancies, New Year.