

Characteristics of J.C.

Manual & Automated Controls

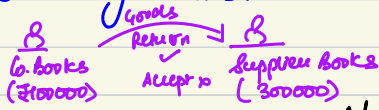
- Relevant for RAP & CAP.
- Affect how transⁿ Initiated, Recorded, Processed & Reported (IRAR).

Controls in

Manual System

Includes procedures like:
Review & Approval of transⁿ

- Reconciliation & follow up of reconciling items.



Automated

procedures to IR, PR transⁿ

J.T. System

Includes combination of automated & manual J.C.

- ⇒ Manual controls may be:
- Independent of J.T.,
 - use IT info. (C)
 - monitor IT fn & handle exceptions.

Manual Controls

More Suitable (freedom → decide)

(where judgment & discretion reqd)

(Transⁿ)

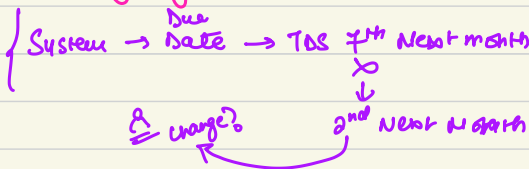
Large, unusual
(C) non-recurring transⁿ

- Cap. Budgeting Decision → N.P.V. → Returns.

(Circumstances)

• where errors difficult to DAP (define, anticipate, predict)

- Changing Circumstances.



Monitoring effectiveness of automated J.C.

IT System
Drs. Ageing Report

check?

Less Suitable

(Transⁿ)

High volume
or
recurring transⁿ
Routine purchases expenses

Errors that can be DAP
Control & Acts.
where control can be designed & automated.

Can be designed & automated. PID/C by automated. aut. controls. [Sops ↓ (limited IT access) customers cr. limits ↓ system fn]

Audit Approach in Audit Env

Risk Assessment

- **गणना** sig. ACS & Disclosures (A.B.C.D.)
 - Quantitative Qualitative (penalty notice (₹) case)
- Fr. Assertions
 - ↓
 - likely sources of misstatements
 - ↓
 - Consider **Risk** from use of IT systems.

Understand & Evaluate (I.C.S.)

- Document → understanding of Business Process using flowchart
Narrative
Record.
 - ↓
 - Prepare Risk & Control matrix.
 - ↓
 - Understand design of controls by doing walkthrough of end to end process.

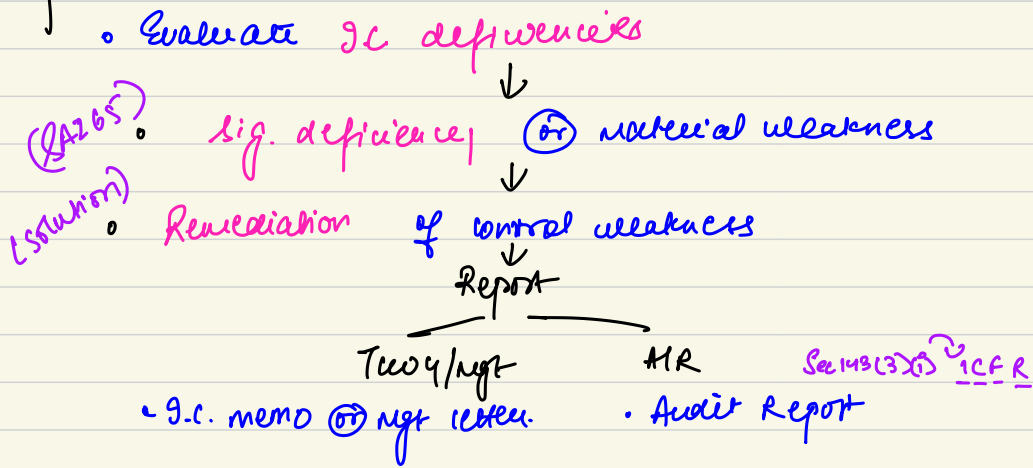
Audit Trail
(payroll sheet → Approve → Disbursement → Accounting)
(prepare)
 - S.O.D. in all processes of Entity.

eg. ITC / Appⁿ controls.

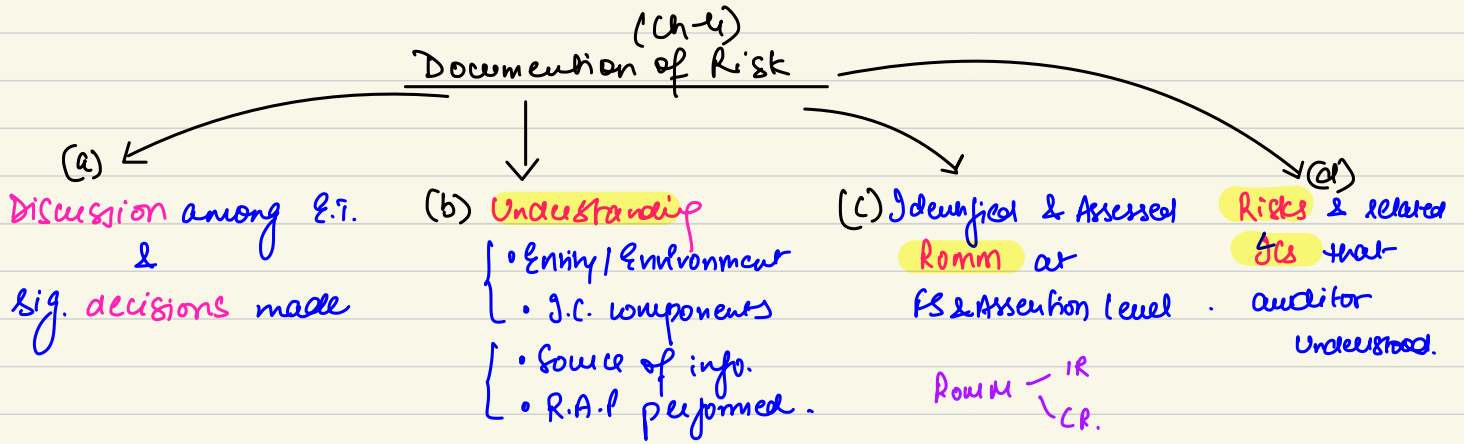
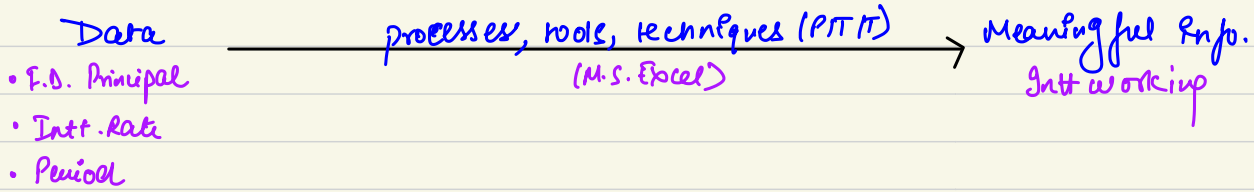
Testing operating effectiveness

- Testing of key reports & spreadsheets. (User Access Reports, Audit Trail Reports etc.)
SOBs.
- NTE of Tol?
 - ↓
 - Sample Testing
 - ↓
 - Assess Reliability of data & completeness of popⁿ
? SAS 30 Appⁿ Reliable
- Competence & Independence of staff doing Tols.

Reporting



Data Analytics (DA)



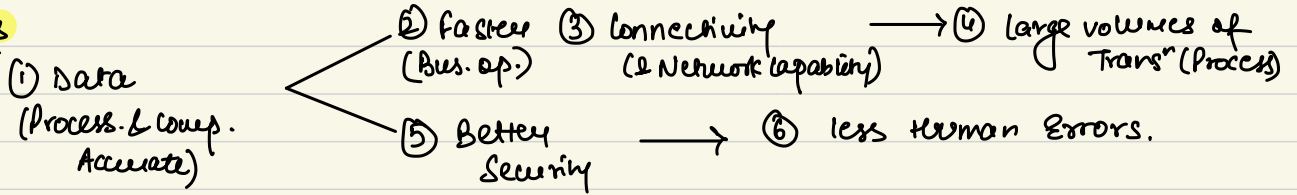
Assessing & Reporting findings

1. Are there any weakness in I.T controls?
↓ (yes)
 2. What's Impact of weakness on audit?
- (Deficiency) (Sig. deficiency)
3. Report deficiency to mgt
(I.C memo or mgt letter)
 4. Communicate S.O. in writing to TCCG.
SA265

Automated Environment

Business Env. where. **A.P.O.D** (Accounting, Processes, Operations & Decisions)
 ↳ using computers / IT systems.

Features



use → E.R.P system → more complex
 → off the shelf etc software → less complex.

Understanding & Documenting (90S APP)

- Interfaces
- Inhouse vs Packaged
- Outsourced Acts
- Info. System
- Architecture
- Purpose (F/NF)
- Persons (CIO/CISO / Admin)

Risks from use of IT systems

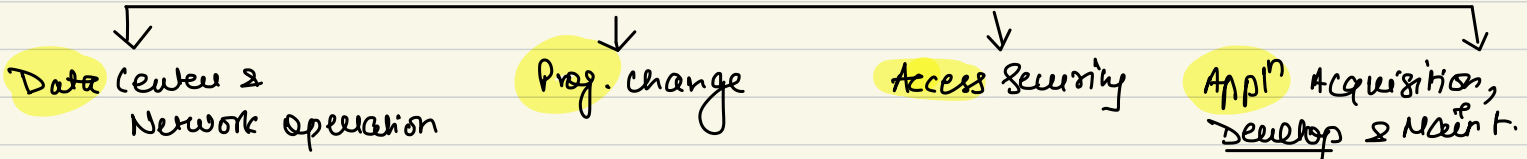
- Inacc. processing / data / Both (system)
- Unauth. changes
- Failure to make changes
- Unauth. access
 - Data changes
 - loss of data.

Impact of IT risks

- Control → help → Addⁿ Audit work.
- Substantive (Data Rel^y → Test Comp. & Accuracy → ↑ Testing)
- Report (Req. requirement → Report on IFRS → Modify)

Types of controls (GRC / Applⁿ / ITDM)

- General IT Controls:
 - P&P → many Applⁿ & support → Pervasive / Inherent
 - Maintain integrity & security of data



Objectives: Prodⁿ System processed Modified system Access (Authorised) System Developed, Configured & Imp.

Acts:

- overall mgt
 - Batch jobs
 - Performance Monitor
 - Backup
- change mgt
 - Request
 - making + Testing
- security mgt
 - P&P
 - PHONE
 - Applⁿ Data
- overall mgt
 - project initiation
 - ↓
 - Analysis & design
 - ↓
 - Construction
 - ↳ Testing &

Recovery from failures (BCP/DRP)

Quality assurance.

② Appⁿ Controls • Automated/Manual → operate at business process level.
• Embedded in IT Appⁿ & ensure CIA of data

↳ Mandatory user checks. (User/Sequence No./Edit/Reasonableness)

③ IT dependent manual controls: manual controls → use data/info/report of IT systems.

Note: 1) GRC & Appⁿ Controls → interrelated
GRC support Appⁿ controls ⊕ Both needed for CIA of info processing.

Testing methods (Inquiry, Inspection, Observation, Reperformance)

① Understand (processing of automated transⁿ) → walkthrough $\begin{matrix} 9 \\ 0 \\ 9 \end{matrix}$

② observe → user transⁿ process? ③ inspect → configuration of appⁿ

Notes: • ↑ Efficient & Effective: Inquiry ⊕ ↑ Effective ↓ Efficient: Reperformance
Best combo (E/E): Inquiry with Inspection.

• factors → decide Appⁿ. (• Risk assessment • Control Env. • Complexity Transⁿ
• Desired level of assurance • History of frauds.
• Document (Tests + Judgments)

Characteristics of GC.
Manual (Review/Approval of transⁿ + Rev. & follow up.)
Automated (procedures → GRIPIR Transⁿ)
IT system (combo of M + A)

Manual
↑ Suitable → ① Low Transⁿ + circum → ② Errors DAP ④ Monitor aut. G-Cs.
↓ Suitable → ① Transⁿ (Volume ↑ + recurring) + ② Errors DAP → PIDIC control + ③ Control Acts. G.C. designed + automated.

Audit Approach (R. & C Assess → Understand & evaluate → TOCs → Report)

Data Analytics (Data → PTT → Info.) → Audit (CAATs)

Perform? • completeness of data? • Re-computation of balances • J.E. Analysis
• Sample selection • Re-calculation (Gnt/1 dep.) • Fraud investigation.

* Assess & Report findings/Exceptions • Any weakness? → Impact?
D → Mgt (Memo/letter)
S.D → TOW

Documenting Risk [Discussion + Decision → Understand → R.O.M.M → Risks & Controls] (E/T) (E/E/S/C)