

AUDIT IN AUTOMATED ENVIRONMENT1) Meaning: (DEFINITION)

where the processes, operations, accounting and even decisions are carried out by using computer systems also known as Information Systems.

Advantages

- Faster speed carried out.
- less prone to human errors.
- process large volume of transactions in less time.
- Brings accuracy in computations and data processing.
- Network capabilities better.

Disadvantages

- Direct data changes.
- lack of adequate segregation
- excessive access (privileged access (super users)).
- Failure to make necessary changes to systems or programs.
- Inaccurate processing of data.

2) RISKS & CONTROLS IN AN AUTOMATED ENVIRONMENT

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Understanding and Documenting Automated Environment.

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Impact of IT Risk on Controls, Substantive procedure and Reporting.

a) Understanding and Documenting Automated Environment:

Understanding IT department is organised, IT activities, the IT dependencies, relevant risks and controls.

Auditors should contain some points for understanding.

- Information system being used.
- Their purpose (Financial or non-financial).
- Location of IT system.
- Inhouse v/s Packaged.

b) Impact of IT risk on controls, substantive procedure & Reporting:

<u>Impact on controls</u>	<u>Impact on substantive</u>	<u>Impact on Reporting</u>
<ul style="list-style-type: none"> - cannot rely on automated controls. - cannot rely on manual controls in IT Department. - control risk is high - need to carry out more substantive audit procedure. - System data and Report should be tested substanti. - very for completeness & accuracy. 	<ul style="list-style-type: none"> - cannot <u>rely</u> on data. - may be need to be tested the programs. - <u>completeness</u> & <u>accuracy</u> of Reports. - <u>more</u> evidence obtained by auditor. 	<ul style="list-style-type: none"> - There is <u>need</u> to communicate with TAYG in accordance with SA 260 and SA 265. - Auditor's required to report on <u>internal controls</u> in accordance with Section 143 of Co Act. - Auditor's report modified in accordance with SA 705.

2) TYPES OF CONTROL IN AN AUTOMATED ENVIRONMENT

1) General IT controls.

- policies and procedures that relate to many applications.
- maintain the integrity of info. and security of data. & commonly includes control over following. (SA 315).

<u>Data Center and Network Operation</u>	<u>Program Change</u>	<u>Access Security</u>	<u>Application system acquisition & develop</u>
production systems are processed to meet financial Reporting Objective.	modified systems continue to meet financial Report. Objective.	access to programs and data is authenticated & authorised.	developed, config-ured and implemented to FRB.

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→ Overall Mgt.	→ Making Changes	→ App. Security	→ Data Conversion
→ Batch jobs	→ Test Changes	→ Data Security	→ Analysis & Design
→ Backups	→ Apply Changes	→ Network Security	→ Construction
→ Documentation	→ Emergency & Minor changes.	→ Physical Security	→ Go-live Decision

2) Application controls :

It include both manual and automated controls that operate business process level.

- Help in ensuring -
- Completeness
 - Accuracy
 - Integrity
- eg: • Edit Check
• Validation of Input data
• Users limit Check.

3) IT-Dependent controls :

Basically depends on manual controls that make some use of data or info. or report produced from IT systems and applications.

- If control performed manually -
- design
 - effectiveness
- depends on reliability of data.

4) General IT control v/s Application Controls:

- Both are interrelated.
- General IT controls are needed to support the functioning of controls, needed to ensure and accurate info.

Use of manual and Automated Elements in Internal controls affects the transactions are initiated, recorded, processed & reported :

Control in Manual System.

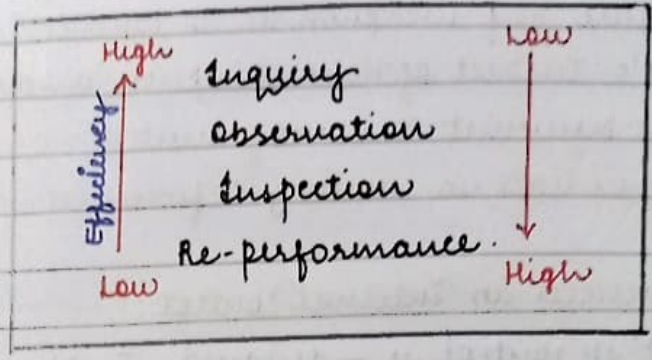
- Approvals.
- Reviews of Transactions.
- Reconciliations.

Control in IT System.

- Automated controls
- limited to Monitoring the function of IT.

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3) TESTING METHODS



four types of audit test.

- Inquiry should always be used in combination with any one of other audit testing. (Alone is not sufficient).
- Reperformance most effective & gives best audit evidence. (very time consuming).
- Combination of Inquiry and Inspection gives most efficient audit evidence.

Methods on testing in an automated environment :

1. Obtain an understanding by doing walkthrough process.
2. Observe how a user process transactions.
3. Inspect the configuration define in application.
4. Inspect the system logs.
5. Inspect the technical and user manual.
6. Carry out a test check.
7. Conduct re-performance using raw source data.

4) ASSESS AND REPORT AUDIT FINDINGS

assessed and Reported to relevant stakeholders including management and TCWG.

- Board Directors
- Audit Committee.

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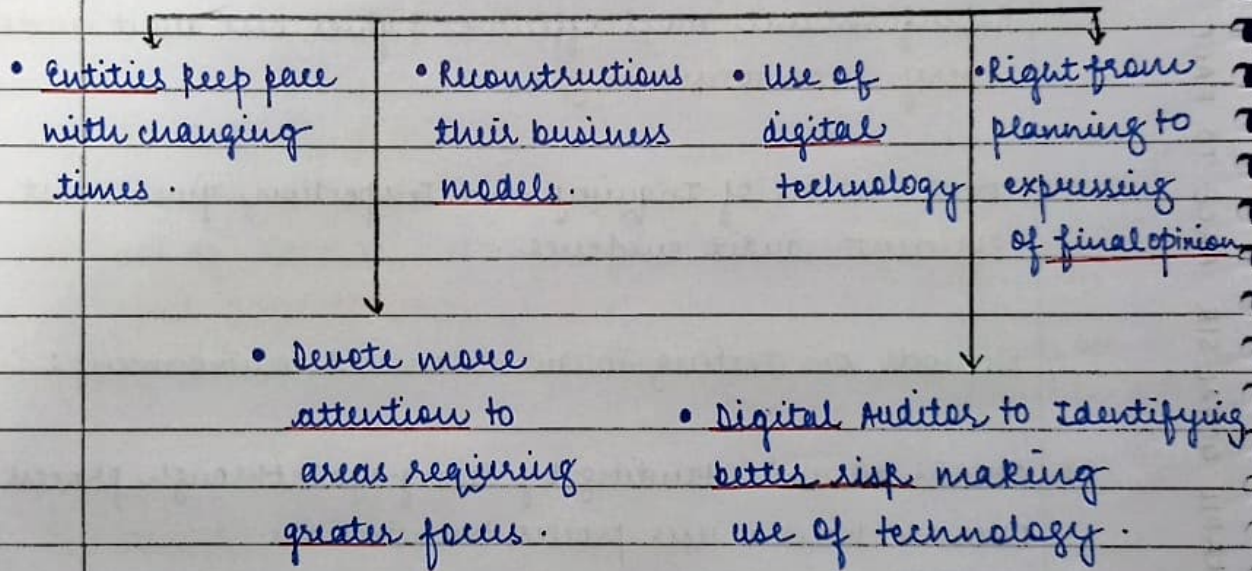
Some points to be considered :

- 1) Are there any weakness in IT control.
- 2) What's Impact of these weakness on overall audit.
- 3) Report deficientist to management ?
- 4) communicate in writing deficiencies.

Deficiencies in Internal control :

exist if control is - designed, Implemented or operated. in a way - unable to prevent or detect & correct misstatement

5) DIGITAL AUDIT



5) DATA ANALYTICS FOR AUDIT

Meaning:

The combination of processes, tools and techniques that are used to tap vast amount of electronic data to obtain meaningful info. is called Data Analytics.

Use of data Analytics.

- a) Check completeness of data.

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- b. Selection of Audit samples.
- c. Re-computation of balances
- d. Re-performance of mathematical calculations.
- e. Control deficiencies.
- f. Fraud investigation.

~~x~~ — x — x — 100% complete NOTES. x — x —

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