**Assignment #3 Takeaways**

4/16/2014

**Control types:**

* Primary/key controls: management can mainly rely on to mitigate the risks.
* Secondary/mitigation/complementary/compensation controls
  + By itself can’t satisfy control objectives
  + Multiple secondary controls work together may mitigate the risk (e.g. logging and effective log review)
* Redundant controls (same function as primary control; costly, only used for mission critical areas)

**Control objectives:**

The goal that control activities supposed to achieve – C.I.A

**Control description vs. process description**

**Some group wrote defect controls in the control description**

No need to test operating effectiveness if design of the control is inadequate

**Audit steps are NOT management procedure**

**Sample methodology and sample rationale**

* Automated control vs. sample
* Manual – estimate control frequency

**Testing techniques:**

inquiry; observation; sampling; re-performing

**Key elements of effective testing:**

* Possible, practical and supportable e.g. data/information should be available
* Meaningful evidence to support the conclusion – control activities are either effective or not effective
* Represent adequate coverage (sampling)
* Replicable – can be re-tested

**Thing to consider while developing testing procedures:**

* What’s the control objective
* What will the test prove
* How many controls can satisfy the control objective?
* What information, documents and reports are available for testing?

**Therefore, auditors should:**

1. Organized when writing test steps
2. Always keep the objectives in mind and understand the control
3. Be sure all information needed is available and have all facts upfront

**Lastly, documentation is equally important**

Leadsheet-> purpose; source; date; auditor

**Substantive test ->** usually to detect errors in financial statements or account balance