

IT Audit Process

Michael Romeu-Lugo MBA, CISA

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Testing

	Compliance Testing	Substantive Testing
Definition	Test of control designed to obtain audit evidence on both the effectiveness of the controls and their operation during the audit period.	Obtaining audit evidence on the completeness, accuracy or existence of activities or transactions during the audit period. (Testing the accuracy and integrity of transactions).
When used	Compliance Testing is used to test General Controls.	Substantive Testing is used to test IS Controls.
Sampling Method	Attribute Sampling	Variable Sampling
Examples	A sample of backup and restore tests for quarter 3 2014.	Sample selected from all customer credit balances greater than or equal to \$1,000.

Subject	CISA Review Manual	Standard	Guideline
Performing an IS Audit	1.5.9 Fraud Detection 1.5.10 Compliance vs Substantive Testing 1.6.11 Sampling	1207 – Irregularity and Illegal Acts	2207 – Irregularity and Illegal Acts
Evidence	1.5.11 Evidence	1205 - Evidence	2205 – Evidence
Sampling	1.5.13 Sampling	N/A	2208 – Sampling
Reporting and Follow-up Activities	1.6 Communicating Audit Results	1201 – Reporting 1202 – Follow-Up Activities	2401 – Reporting 2402 – Follow-Up Activities
Control Self-Assessment (CSA)	1.7 Control-Self Assessment	N/A	N/A

Evidence-Gathering Procedures

Procedure	Comments
Inquiry and Confirmation	<ul style="list-style-type: none">• Least reliable. Consists of interviews usually driven by checklists.
Inspection of Records	<ul style="list-style-type: none">• Paper, computer printouts, plans and reports, etc. Originals are better than copies; system-generated; gathered by auditor.
Inspection of Assets	<ul style="list-style-type: none">• Existence and condition. Verify/record ID, serial#, etc.
Observation	<ul style="list-style-type: none">• Watching a person or system execute the process or transaction
Re-performance	<ul style="list-style-type: none">• Executing again and recording how it happens, not how it <u>should</u> happen.
Re-calculation	<ul style="list-style-type: none">• Carrying out calculations manually or by other independent means recording the results.
Scanning	<ul style="list-style-type: none">• Looking for things that do not belong or do not follow a pattern.

Other Evidence Considerations

- Source, nature and authenticity
 - Written rather than oral
 - From independent sources
 - Obtained professionally rather than by auditee
 - Certified
 - Kept by an independent party
 - The results of inspection and observation
- Identify, cross-reference and catalogue
- Retention, availability and disposal
- Protect from unauthorized disclosure or modification

Testing

- First... Testing

An audit test is a procedure performed by the auditor in order to assess the accuracy of various financial statements and the effectiveness of controls.

Testing

Compliance Testing

- Existence and Effectiveness of controls
- Good for testing General Controls
- Access, Change Management, Log Review, Software Licensing

Substantive Testing

- Integrity and accuracy of transactions
- Good for testing IS Controls
- Account balances, transactional integrity, complex calculations

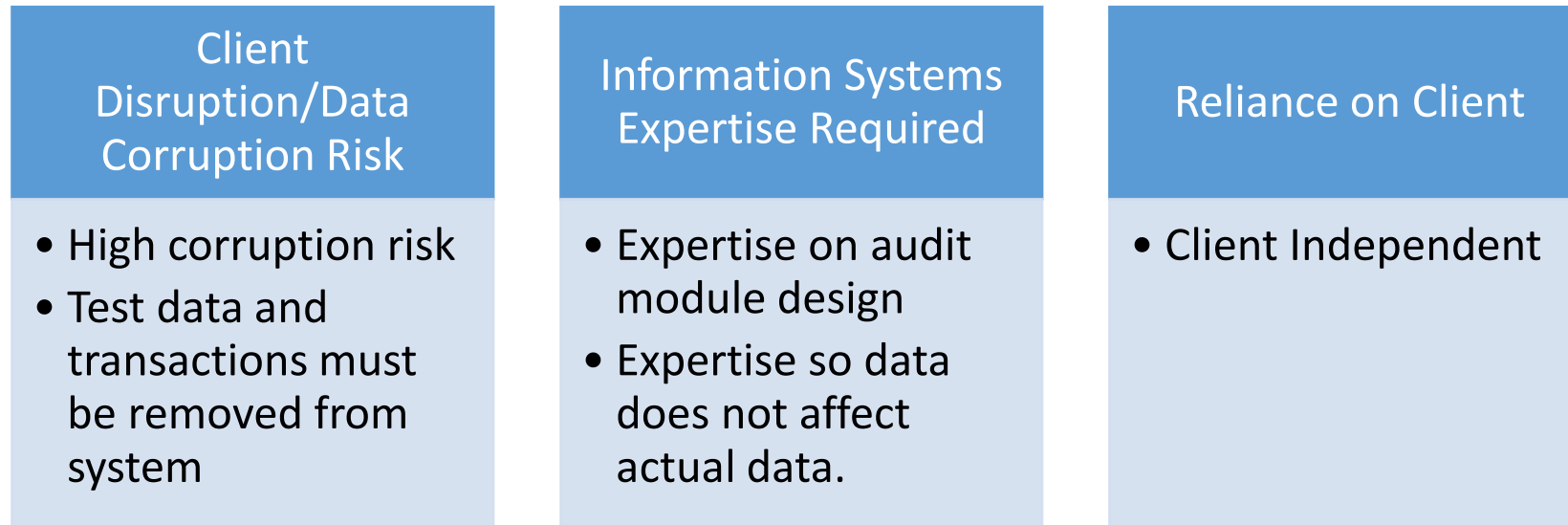
Test Data

Client provides a copy of existing application software. The auditor only gains information as to how this version of the application works

Client Disruption/Data Corruption Risk	Information Systems Expertise Required	Reliance on Client
<ul style="list-style-type: none">• Minimal• Using copy of the application	<ul style="list-style-type: none">• Minimal but...• Requires test data preparation• Requires understanding of internal logic	<ul style="list-style-type: none">• Client provides copy of the application• Is it an exact copy?

Integrated Test Facility (ITF)

The ITF is designed into the application during system development.



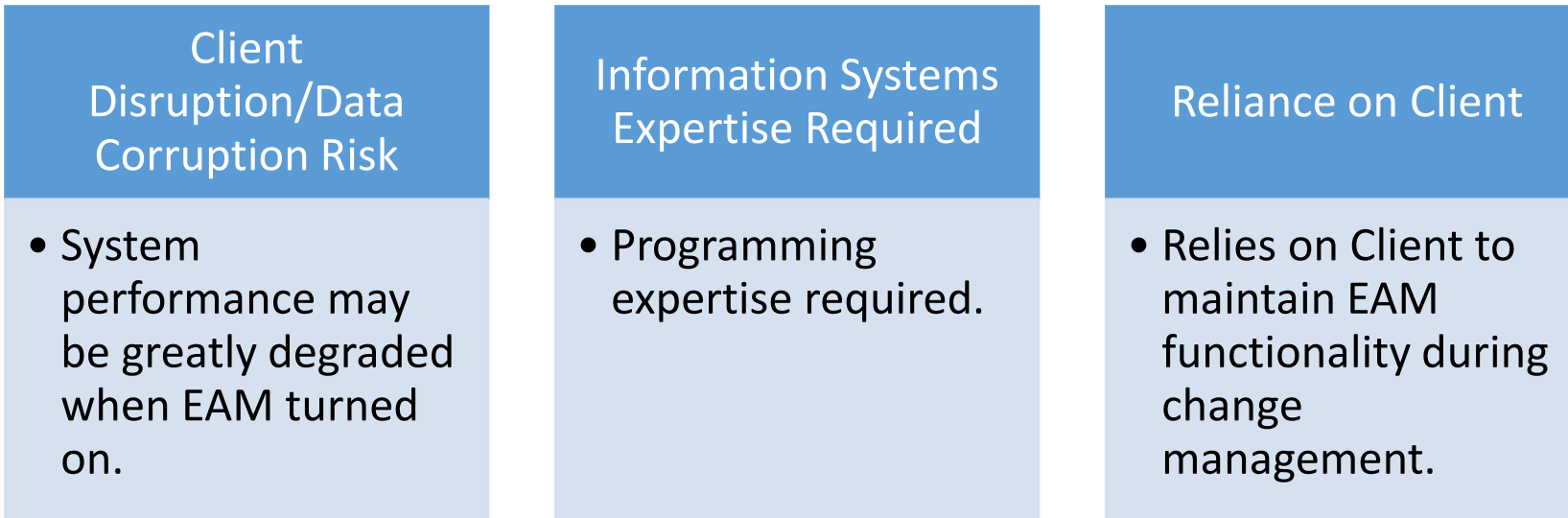
Parallel Simulation

The parallel simulation can run alongside the client's application or can be executed at intervals using accumulated client data.

Client Disruption/Data Corruption Risk	Information Systems Expertise Required	Reliance on Client
<ul style="list-style-type: none">• Minimal – simulation does not affect client processing	<ul style="list-style-type: none">• System complexity dictates the level of expertise required.• Consider using GAS	<ul style="list-style-type: none">• Client Independent

Embedded Audit Module (EAM)

Although due to disruption factors, the auditor may choose to turn the module on and off at different points in time, thus reducing the online effectiveness.



Generalized Audit Software (GAS)

Typically, the client's period-end data are accessed.

Client Disruption/Data Corruption Risk	Information Systems Expertise Required	Reliance on Client
<ul style="list-style-type: none">• Minimal• Processing occurs within the auditor's system	<ul style="list-style-type: none">• Relatively easy to use.• Little background for effective use of GAS• Complex data structures may require client support.	<ul style="list-style-type: none">• Minimal reliance on client

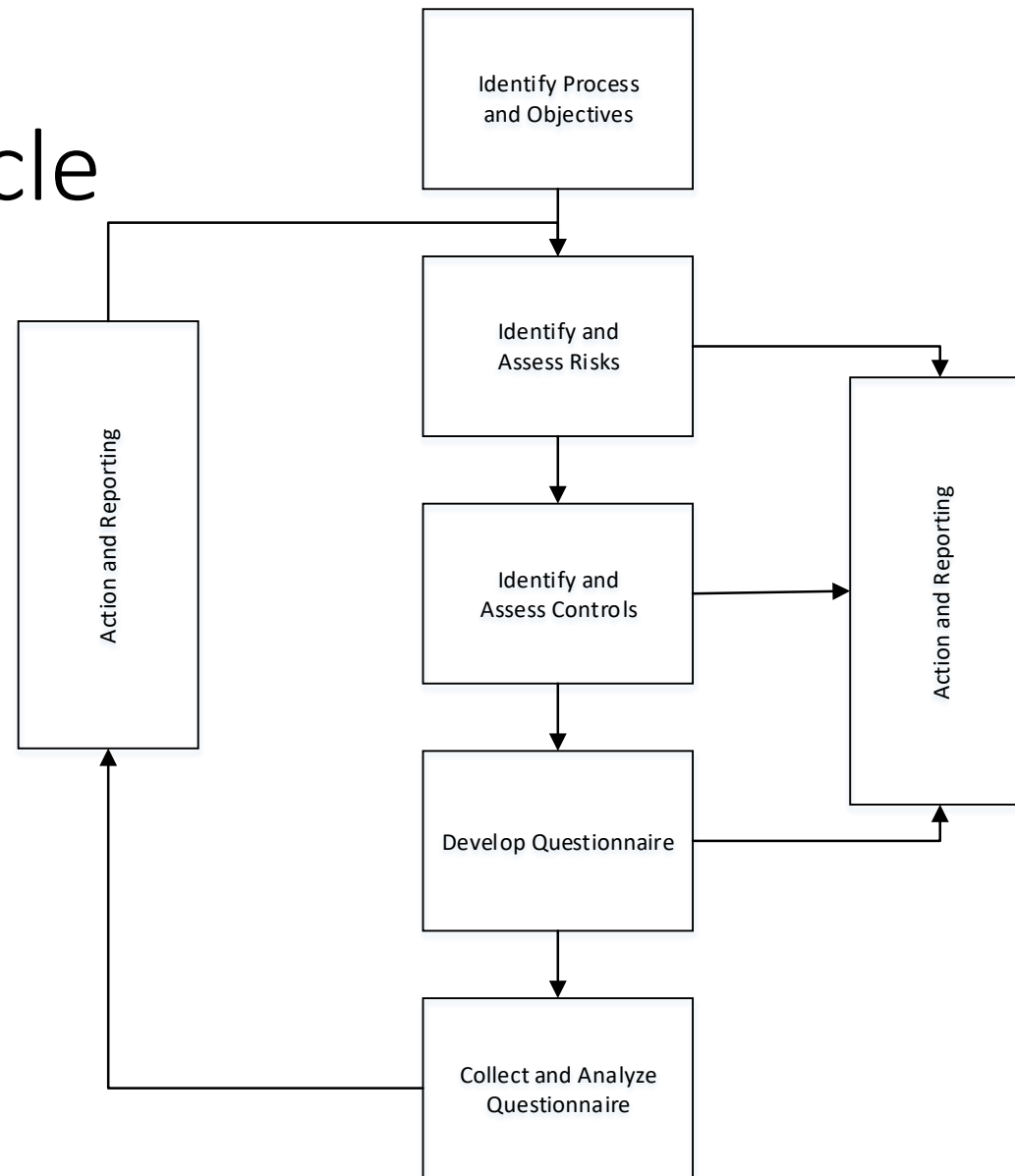
Control Self-Assessment (CSA)

- A management technique that assures stakeholders, customers, and other parties that the internal control system of the organization is reliable.

AND

- It also ensures that **employees** are aware of the risks to the business and they conduct periodic, proactive reviews of control.

CSA - Lifecycle



Control Self-Assessment (CSA)

Benefits



- Empower employees to assess or even design control environment
- Early detection of risk
- More effective and improved internal controls
- Employee Engagement
- Sense of Ownership
- Control Cost Reduction

Disadvantages



- Replace Internal Audit Function?
- Additional Workload
- Damaged employee morale if improvement suggestions not implemented.
- Weak controls may go undetected due to lack of motivation.

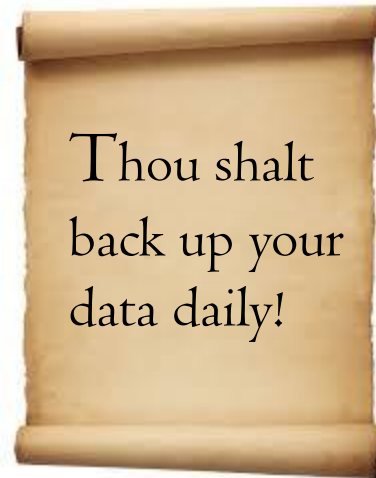
Control Self-Assessment (CSA)

The CSA approach emphasizes management and accountability over developing and monitoring internal controls of an organization's sensitive and critical business processes.

NOT Accountability



Control Self-Assessment (CSA) The Role of the Auditor



Control Self-Assessment (CSA) The Role of the Auditor

