Auditing IT

Planning and Supervision
- Auditor should consider how the company processes accounting information during planning – manual, non-complex computer, complex and dominant?
- Availability of data? Reliability of evidence?
- CAAT’s?
- Specialist needed? Special situation – functioning member of the audit team – supervision and auditor AIS expertise.

IT and Inherent Risk
- Can complex and dominant IT affect IR?
  - Complexity / training
  - Data input / review
  - Malfunctions
  - Less human judgment

IT and Fraud
- With complex and dominant IT – fraud risk may be mitigated by IT audit specialist / CAAT’s.
- How?
- Does more information from complex and dominant IT allow for easier earnings mgt?

Effect of IT on Internal Control
- IT has radically changed the five components of I/C. Manual → Automated.
  - Segregation of duties
  - Approvals
  - Reconciliations
  - Monitoring
  - Credit checks
  - System design

Potential benefits of IT:
- Efficiency
- More timely, available, and accurate information
- Passwords – segregation of duties
- Consistency / errors

Potential risks of IT:
- Programming errors
- Built on UC application
- Poor access controls
- Loss of data
- Links to suppliers and customers
- Implementation issues

Why we see IT auditors playing a larger role!
Evidence

- Accounting data / evidence to support the F/S are in electronic form – types?
- EDI with suppliers and customers – change the reliability of corroborating evidence? Available? System change/update?
- Auditing around the system – a no-no. Develop AIS expertise.