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Internal control and deontology

Chapter 7: IT auditing

ASSOCIATIE K.U.LEUVEN

1. Risks and opportunities

- Risks:
  - (-) less oral communication and personal contacts □ errors, misunderstandings, … could arise and exist longer
  - (-) fewer formal registrations
  - (-) small programming errors are repeated frequently thus resulting in large errors
- Opportunities
  - (+) time savings and more efficiency
  - (+) basic controls and checks can be programmed
  - (+) LOG files
  - (+) faster, better (more efficient) management reporting is possible (dashboards, mgt cockpits, etc)

Attention!:

- ✔ Don't forget: reliability of output depends on input ("*garbage in = garbage out")*
- ✔ Seggregation of duties is crucial

2. I/C in an IT environment

Specific internal control aspects:

<u>Responsabilities:</u>

- Who is responsible for the design, development, (testing), implementation and maintenance of the IT systems? □ the **IT department**
- Seggregation of duties is important:
    - Implementation, testing, apporval of new systems
    - Creation of user ID’s and passwords
- – Otherwise: same principles as in a non-automized environment
- IT department should never make changes/alter the system without permission (unilateral)

- Security:
  - Physical security: fire, floods, inappropriate access, ….
  - Technical security: use of passwords, pincodes, etc.
  - What is a good password?:
    - ✔ passwords are personal
    - ✔ Frequently changed
    - ✔ complex (special signs)
    - ✔ Kept in a safe place
    - ✔ Automatic logging of (attempted) access to personal data
  - Security is not a one time effort!
    - ✔ logging and keeping track of access attempts
    - ✔ Privacy policy
    - ✔ Only using legal software versions
    - ✔ Contingency planning– continuïty – reputational damage

3. CAAT's

- Computer Assisted Audit Techniques:
  - Specific audit software (ACL, Idea, …): more powerfull than Excel
  - Usefull for:
    - ✔ retrieving double payments
    - ✔ Retrieving 'gaps' in data
    - ✔ Linking databases
    - ✔ sampling