

## **CONTROL TOOLS IN INFORMATION TECHNOLOGY**

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**Abstract:** The article is devoted to current issues of the risk-oriented approach of international audit standards. The article contains explanations and examples, the study of which reveals the features of conducting a risk-oriented audit. The author pays special attention to the procedures for risk assessment in audit.

**Key words:** risk assessment, information technology, material misstatements, audit risks, controls, inherent risk.

### **Introduction**

International Standards on Auditing (ISA) are an important part of the audit sphere of any country that has a significant number of foreign companies on its territory and/or foreign investors are interested in domestic companies.

It is the international auditing standards that allow for the formation of a unified approach in the process of auditing companies from different countries, which enables investors and other interested parties to quickly and most accurately conduct a comparative analysis. In general, ISAs make the audit process unified in terms of its objectives, methodology, techniques used, level of responsibility of auditors and audited entities, and so on.

The requirements of ISA 315 regulate the list of information or the area of knowledge of an audit specialist about the company and actions in the event of detection of possible risks.

Effective and correct processing of information by IT means is possible provided that the following means are used.

#### ***General controls in information technology.***

They can carry out their work in any applications. They are based not only on computer programs, but also on operations carried out "manually".

#### ***Applied control tools.***

Application controls in IT are related to specific software that is used at the business process level. Application controls can be preventive or detective and are designed to ensure the integrity of accounting records.

Typical application controls relate to the procedures used to initiate, record, process, and summarize transactions or other financial data. These controls ensure that transactions are authorized to be made and that they are completely and accurately recorded and processed.

Examples include input validation with the ability to correct input and numerical sequence validation with the ability to manually correct based on deviation reports.

#### ***Business process level controls.***

The essence of such processes is reduced to a certain algorithm of operations, the purpose of which is to achieve a planned result in a specific period of time. Business process management is aimed at operations that are repeated day after day - transaction processing.

There is a generally accepted classification of control tools implemented at the business process level. The first type: preventive tools. The second type: detective tools. Compensatory tools of

control belong to the third type. They are also called targeted tools. An integrated approach and, accordingly, the use of all three types of control tools ensures the minimization of errors. In turn, detective control allows you to identify errors only after they occur. The consequence is the development of a set of measures to correct the consequences that have occurred. Compensatory tools of control are used if it is impossible to use other tools. It is also important to note the guiding elements of control. Their main task is to determine the "trajectory" of achieving the set goals.

The nature of controls at the business process level depends on the application. Differentiation of duties and transaction approval levels, as well as automated controls, are the main components of the company's management system. In turn, automation implies the automatic assignment of business account numbers, preparation and verification of bank settlements, and reconciliation of actual results with the approved budget. Let's take a closer look at the benefits and risks of manual control.

In case of using both automatic and manual control means, it is important to appoint a person responsible for these operations..

For example, a product shipment operation. Several specialists are involved in this process: a warehouse manager, a warehouse manager, IT specialists, and an accountant. It is also important to note the guiding elements of management. Their main task is to determine the "trajectory" for achieving the set goals. Thus, if a discrepancy is detected between the actually shipped goods and the quantity according to the documents, responsibility will extend to all of the above positions.

Accordingly, it will be almost impossible to determine the culprit of the error. This means that it is necessary to appoint one specialist to the position of the responsible person, who will control the entire process of shipping the goods and be responsible for it.

The term "business risk" is interpreted differently in educational literature. However, the authors agree that this definition includes the concept of the risks of material misstatement of financial statements. At the same time, there is a risk of entrepreneurial activity. Its frequent causes are abrupt changes in the external environment, as well as the inability of entrepreneurs to accept these changes and "adapt" to new trends and requirements. Factors that have a significant impact on the changes that occur can be:

- launch of a new product on the market that is not in demand by buyers;
- damaged reputation of the enterprise;
- actions of competitors.

In a situation where the auditor truly understands the existing and potential business risks, the probability of identifying such risks increases. The important fact is that the auditor does not assume responsibility for identifying and incorrectly assessing absolutely all possible business risks.

The sufficiency of information or the scope of knowledge of the subject relates only to subjective professional opinion. The auditor's knowledge is lower than that of the entity's management in the area of the entity's management.

The auditor must record the main points of understanding obtained on each aspect of the subject and its environment. Professional judgment should be used in documenting these matters.

**The documentation** will include:

1. Discuss with the audit team the sensitivity of the entity's financial statements to material misstatement, whether due to error or fraud, and the significant decisions made.
2. Key aspects to understanding the topic related to:
  - Any aspect of the subject described above and its environment;
  - All elements of the system related to internal control;
  - Sources of information that enable a complete picture to be formed of what is happening;
3. Risks of material misstatement at the financial statement and assertion levels.
4. Identified significant risks and assessment of appropriate controls.

### **Conclusion**

When drafting documents, there must be written confirmation of the acceptance by the management of the company of the subject of responsibility for the organization and implementation of the internal control system. Thus, there is no need to prepare new documentation every year. If possible, documents for the previous year are updated to reflect changes and new information.

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