

**MBA – INFORMATION TECHNOLOGY
MANAGEMENT (MBAITM)**

00064

Term-End Examination

December, 2014

MBM-024 : IT SYSTEMS CONTROL AND AUDIT

Time : 3 hours

Maximum Marks : 100

Note :

- (i) *Section I is **compulsory**.*
 - (ii) *In Section II, Q 4 is **compulsory**; answer any **four** questions from remaining.*
 - (iii) *Assume suitable data wherever required.*
 - (iv) *Draw suitable sketches wherever required.*
 - (v) *Italicized figures to the right indicate maximum marks.*
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SECTION I

1. Read the following scenario and give answers of the following questions :

A company has its presence in 17 countries in the world. It has already implemented ERP which integrates the operations across all the 17 countries. Recently, the company has acquired another 4 companies in 2 more countries. Now, the company wants to analyse the integration of the existing IT processes with the newly acquired companies. As an implementation member, answer the following :

- (a) What should be the audit perspective ?
Justify. 5
- (b) What controls will have to be audited ?
Explain. 5
- (c) What should be the contents of the Audit Report ? 5

2. You are the staff of an external audit firm that audits small-size to medium-size financial institutions. You have received a copy of a letter from the finance department director. The letter indicates replacing the existing minicomputer with 20 desktop computers, connecting these computers with the local area network and converting all its applications to run on the new platform. You are alarmed with the "radical" move and its audit implications. As a result, you go to the partner in-charge to request time to investigate the proposed change. The partner in-charge hesitates when you make your request. She explains that she believes you should not become involved at this stage because it will affect the firm's independence. She concedes there might be problems with the changes proposed. However, she asks you to prepare a brief report for her.

Answer the following questions :

- (a) Write a report to the partner outlining some of the controls and audit problems. 5
- (b) Will the new platform affect the inherent risk associated with the client's applications? 5
- (c) Does the auditor require knowledge in network systems to audit the proposed system? 5

SECTION II

3. (a) Define the concept of control. Why must auditors accept controls as a system? 3+5=8
- (b) There are two types of remedial measures that can be used to increase controls over the Data Administrator (DA) and Database Administrator (DBA) :
- (i) administrative controls
- (ii) technical controls
- Explain the nature of set of controls, and give an example of each. 6
4. (a) Draw a flowchart of IS Audit Plan. Explain the steps in detail. 8
- (b) Why is it important that auditors be capable of evaluating the quality of top management in relation to the information system function? 6
5. (a) Explain the concept of Database Audit and list the steps in Database Audit. 9
- (b) Briefly explain why a change to the database definition might present difficulties for a user who wants to access data contained in the accounting audit trail that exceeds over a long period of time. 5
6. Explain in detail about how the following software cost estimation techniques differ :
- (a) Expert Judgment vs. Analogy. 7
- (b) Top-down estimation vs. Bottom-up estimation. 7

7. The accounting department of a small company is responsible for payment of creditors. It receives a copy of purchase order issued, receiving document when the goods arrive and the vendor invoice. All documents are date-stamped upon receipt and filed securely. When the receiving document and the vendor's invoice arrive, a clerk matches details and checks the accuracy of items and computations of the documents. A second clerk then checks the voucher and sends supporting documents to a manager who examines them before signing the cheque.

Answer the following questions :

- (a) List the control objectives for all the operations. 5
- (b) Prepare a control matrix in which column shows causes of loss and row shows the controls in existence to reduce the expected loss. 5
- (c) How well do the controls allow control objectives to be accomplished ? 4
8. (a) Write any two differences between system effectiveness and system efficiency. Why is the information systems auditor concerned with both the system effectiveness and efficiency ? 2+4=6
- (b) Briefly explain the nature of political approach to information systems development. If the political approach is used, when is it important to have user involvement in the Design Process ? When is it important to have face-to-face negotiations and compromise ? 4+4=8