

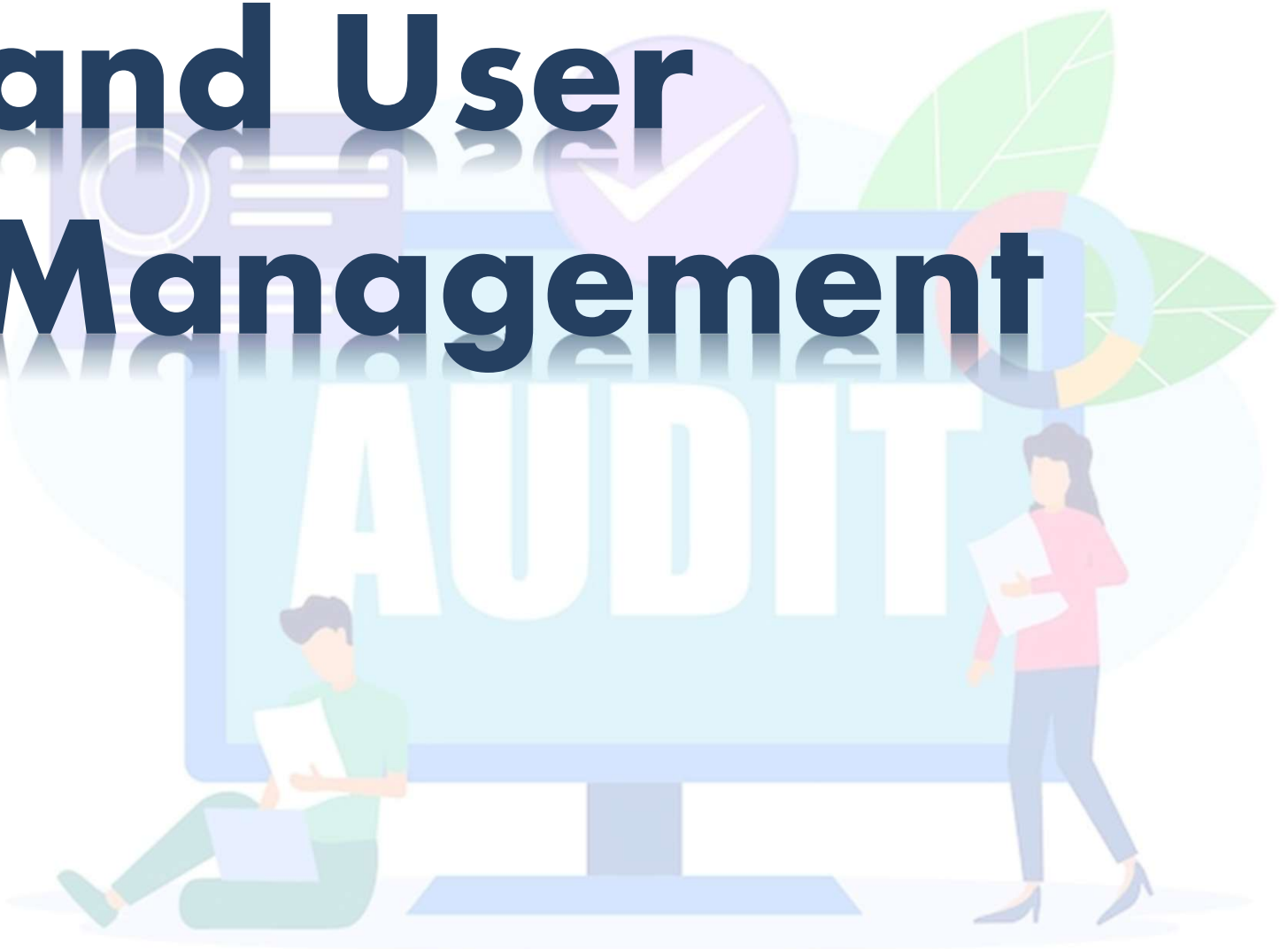
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# IT Audit Checklist for Financial Reporting System

Conducting an [IT audit](#) for [financial reporting System](#) in a [software-based environment](#) is crucial to ensure **accuracy, security, and compliance.**



# Access Controls and User Management



# User Access Rights

**Risk Factor:** Unauthorized access to financial systems can lead to data breaches, fraud, and financial losses.

**Impact on Financial Reporting:** Inaccurate financial statements due to unauthorized changes.

**Control Risk Impact:** High.

**Responsible Parties:** IT security team, system administrators.

## Questions:

- How are user access rights **granted and revoked** for financial systems (sales, expenses, accounting, reporting)?
- Is there proper **segregation of duties** to prevent conflicts of interest?
- Are **strong authentication mechanisms** (e.g., multi-factor authentication) in place to verify user identities?



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# 02

## Authorization and Approval Processes

**Risk Factor:** Lack of proper authorization can result in unauthorized transactions.

**Impact on Financial Reporting:** Unapproved or fraudulent transactions affecting financial statements.

**Control Risk Impact:** Moderate.

**Responsible Parties:** Finance department, business process owners.

### Questions:

- How are **financial transactions approved and authorized** within the organization?
- Is there **documented evidence** of approval workflows, including designated approvers?



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# Data Integrity and Accuracy



# Data Validation and Verification

**Risk Factor:** Incorrect data entry can lead to financial misstatements.

**Impact on Financial Reporting:** Errors in financial reports.

**Control Risk Impact:** Moderate.

**Responsible Parties:** Data entry operators, finance team.

## Questions:

- How is data **validated during data entry** into financial systems?
- Are **data accuracy checks** performed across different modules (e.g., sales reconciled with accounting records)?



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## Data Reconciliation

**Risk Factor:** Unreconciled data can result in discrepancies.

**Impact on Financial Reporting:** Inconsistent financial data across systems.

**Control Risk Impact:** Moderate.

**Responsible Parties:** Finance team, reconciliation analysts.

### Questions:

- How are financial data **reconciled between various systems** (e.g., sales, expenses, procurement)?
- How are **discrepancies resolved** when they occur?



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# Security and Privacy Controls





# Data Encryption and Protection

**Risk Factor:** Unencrypted data is vulnerable to unauthorized access.

**Impact on Financial Reporting:** Breach of sensitive financial information.

**Control Risk Impact:** High.

**Responsible Parties:** IT security team, encryption specialists.

## Questions:

- Is sensitive financial data (e.g., customer details, tax information) **encrypted during transmission and storage**?
- How are **encryption keys managed** to ensure confidentiality?



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## Access Logging and Monitoring

**Risk Factor:** Lack of monitoring can lead to undetected security incidents.

**Impact on Financial Reporting:** Undetected unauthorized access or data manipulation.

**Control Risk Impact:** High.

**Responsible Parties:** Security operations center (SOC), IT administrators.

### Questions:

- Are **access logs generated** for financial systems to track user activity?
- Is **real-time monitoring** in place to detect suspicious activities?



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# Business Continuity and Disaster Recovery



# Backup and Restore Procedures

**Risk Factor:** Data loss due to inadequate backups.

**Impact on Financial Reporting:** Inability to recover critical financial data.

**Control Risk Impact:** High.

**Responsible Parties:** Backup administrators, IT operations.

## Questions:

- How frequently are **backups performed** for financial data?
- Are backups **tested for data integrity and restoration**?



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## Disaster Recovery Plan

**Risk Factor:** Lack of a plan can disrupt financial operations during disasters.

**Impact on Financial Reporting:** Delayed financial reporting or loss of data.

**Control Risk Impact:** Moderate.

**Responsible Parties:** Business continuity team, IT management

### Questions:

- Is there a **documented plan** for recovering critical financial systems during disasters (e.g., server failures, cyberattacks)?



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# Financial Reporting Systems



# Chart of Accounts and General Ledger

**Risk Factor:** Misaligned chart of accounts can lead to reporting errors.

**Impact on Financial Reporting:** Incorrect financial classifications.

**Control Risk Impact:** Moderate.

**Responsible Parties:** Finance team, accounting managers

## Questions:

- Is the **chart of accounts accurately defined** and aligned with reporting requirements?
- How are **journal entries posted** to the general ledger?



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## Financial Close Process

**Risk Factor:** Inefficient closing process can delay financial reporting. (Day-end, Month-end, Year-end)

**Impact on Financial Reporting:** Late submission of financial statements.

**Control Risk Impact:** Moderate.

**Responsible Parties:** Finance controllers, reporting team.

### Questions:

- How is the **month-end and year-end closing process** managed?
- Are **financial statements prepared and reviewed promptly** after each reporting period?



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# Compliance and Regulatory Checks



# VAT and Tax Compliance

**Risk Factor:** Non-compliance with tax regulations.

**Impact on Financial Reporting:** Penalties, incorrect tax reporting.

**Control Risk Impact:** High.

**Responsible Parties:** Tax compliance team, finance managers.

## Questions:

- How does the organization **comply with local tax regulations** related to financial reporting?
- Are **VAT calculations accurate** and reported correctly?



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## Financial Standards and Reporting

**Risk Factor:** Non-adherence to financial standards affects credibility.

**Impact on Financial Reporting:** Misleading financial statements.

**Control Risk Impact:** High.

**Responsible Parties:** Financial reporting team, audit committee.

### Questions:

- Is the organization **adhering to IFRS or other applicable financial reporting standards?**
- How **consistent** are financial reports across different modules?



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# Vendor Management



# Third-Party Software and Services

**Risk Factor:** Unreliable vendors pose security and operational risks.

**Impact on Financial Reporting:** Service disruptions or data breaches.

**Control Risk Impact:** Moderate.

**Responsible Parties:** Procurement team, vendor management.

## Questions:

- How are **third-party vendors** (e.g., cloud providers, software vendors) **assessed for security and reliability**?
- Are contracts reviewed for **data protection clauses** to safeguard financial information?



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# Audit Trail and Documentation



# Transaction Trail

**Risk Factor:** Inadequate audit trail hinders transparency.

**Impact on Financial Reporting:** Difficulty in tracing transactions.

**Control Risk Impact:** Moderate.

**Responsible Parties:** Internal auditors, compliance officers.

## Questions:

- Is there an **audit trail for financial transactions** that allows auditors to trace them from source documents to financial statements?



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# Documentation

**Risk Factor:** Lack of documentation affects process understanding.

**Impact on Financial Reporting:** Incomplete or unclear process documentation.

**Control Risk Impact:** Moderate.

**Responsible Parties:** Business analysts, process owners.

## Questions:

- Is **comprehensive documentation** maintained for financial processes, system configurations, and policies?



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