Contents

Case Studies		XV
Preface		xvii
Acknowledgn	nents	xxi
CHAPTER 1	CAATTs History	1
	The New Audit Environment	2
	The Age of Information Technology	3
	Decentralization of Technology	3
	Absence of the Paper Trait	4
	Do More with Less	4
	Definition of CAATTs	5
	Evolution of CAATTs	6
	Audit Software Developments	7
	Historical CAATTS	8
	Test Decks	8
	Integrated Test Facility (ITF)	9
	System Control Audit Review File (SCARF)	9
	Sample Audit Review File (SARF)	9
	Sampling	10
	Parallel Simulation	10
	Reasonableness Tests and Exception Reporting	11
	Traditional Approaches to Computer-Based Auditing	12
	Systems-Based Approach	12
	Data-Based Approach	15
	Audit Management and Administrative Support	19
	Roadblocks to CAATT Implementation	20
	Summary and Conclusions	24
CHAPTER 2	Audit Technology	27
	Audit Technology Continuum	27
	Introductory Use of Technology	27

Contents

28
29
3(
31
32
32
34
35
35
37
38
39
39
40
40
44
45
48
49
50
51
52
54
56
56
57
57
57
59
60
51
51
52
53
54
54
57
58
59
72
74

Contents		xi
	Stages of Continuous Auditing	77
	Continuous Auditing Template	79
	Sarbanes-Oxley	80
	Important SOX Sections	81
	The Role and Responsibility of Internal Audit	83
	Risk Factors	84
	Detecting Fraud Determining the Exposure to Fraud	85 86
	SOX Software	88
	Assessment of IT Controls and Risks	90
	Defining the Scope	92
	GAIT Principles	93
	Governance, Risk Management, and Compliance (GRC)	94
	Internal Audit's Role in the GRC Process	97
	Identifying and Assessing Management's Risk	
	Management Process	99
	Assessment of Internal Control Processes	100
	GRC Software	101
	Summary and Conclusions	102
CHAPTER 3	CAATTs Benefits and Opportunities	103
	The Inevitability of Using CAATTs	103
	The New IM Environment	105
	The New Audit Paradigm	105
	Expected Benefits	108
	Planning Phase—Benefits	109
	Conduct Phase—Benefits	112
	Data Analysis	112
	Increased Coverage	112
	Better Use of Auditor Resources	115 116
	Improved Results Reporting Phase—Benefits	116
	Administration of the Audit Function—Benefits	117
	Reduced Costs	119
	Increased Performance	120
	Increased Time for Critical Thinking	122
	Recognizing Opportunities	124
	Transfer of Audit Technology	126
	Summary and Conclusions	127
CHAPTER 4	CAATTs for Broader-Scoped Audits	129
	Integrated Use of CAATTs	129
	Value-for-Money Auditing	134

xii		Contents
	Value-Added Auditing of Inventory Systems	134
	Data Analysis in Support of Value-Added Inventory	
	Auditing	135
	Inventory Management Practices and Approaches	136
	Possible Areas for Audit-Suggested Improvements	138
	Audit and Reengineering	144
	Audit and Benchmarking	148
	Summary and Conclusions	152
CHAPTER 5	Data Access and Testing	153
	Data Access Conditions	153
	Mainframe versus Minicomputer versus	100
	Microcomputer	154
	Portability of Programs and Data	154
	Limitations to Using the Microcomputer	155
	Processing Speeds	155
	Single Tasking	156
	Inability to Deal with Complex Data and File	
	Structures	156
	Client Facilities	157
	Auditor's Microcomputer-Based Facilities	158
	Data Extraction and Analysis Issues	159
	Accessing the Data	160
	Data Storage Requirements	161
	Analysis of Data	162
	Risks of Reiying on Data—Reliability Risk	163
	Reliance on the Data	164
	I'nowledge of the System	165
	Assessment of the Internal Controls	166
	New Topology of Data Tests	167
	Reducing Auditor-Induced Data Corruption	168
	Potential Problems with the Use of CAATTs	169
	Incorrect Identification of Audit Population	169
	Improper Description of Data Requirements	171
	Invalid Analyses	172
	Failure to Recognize CAATT Opportunities Summary and Conclusions	173 174
CHAPTER 6	Developing CAATT Capabilities	177
	Professional Proficiency: Knowledge, Skills,	
	and Disciplines	177
	Computer Literacy: Minimal Auditor Skills	178

Contents

xiii

	Ability to Use CAATTs	180
	Understanding of the Data	181
	Analytical Support and Advice	182
	Communication of Results	184
	Steps in Developing CAATT Capabilities	184
	Understand the Organizational Environment/Assess	
	the Organizational Culture	184
	Obtain Management Commitment	185
	Establish Deliverables	186
	Set Up a Trial	186
	Plan for Success	186
	Track Costs and Benefits	187
	Lessons Learned	187
	Organize Working Groups Computer Literacy Working Group CAATT Working Groups Information Systems Support to Audit	188
	Computer Literacy Working Group	189
	CAATT Working Groups	190
	T P	191
	Assure Quality	195
	Quality Assurance Methodology	196
	Preventive Controls for CNATTS	197
	Detective Controls for CAATTs	198
	Corrective Controls for CAATTs	199
	Quality Assurance Reviews and Reports	200
	Summary and Conclusions	200
CHAPTER 7	Challenges for Audit	203
	Survival of Audit	203
	Audit as a Learning Organization	204
	Knowledge Acquisition	204
	Information Dissemination	205
	Information Interpretation	205
	Organizational Memory	205
	New Paradigm for Audit	206
	Computer-Assisted Audit Techniques	206
	Computer-Aided Audit Thought Support	207
	Auditor Empowerment	208
	Access to Microcomputers and Computer Networks	209
	Access to Audit Software—Meta-Languages	209
	Universal Access to Data	210
	Access to Education, Training, and Research	210
	Skills Inventory	212
	Needed versus Actual Skills	212
	Required versus Actual Performance	215

XIV		Contents
	Auditor Skills for Using CAATTs	216
	IS Auditor Skills	216
	Training Programs and Requirements	217
	Conceptual Training	217
	Technical Training	218
	Training Options	218
	In-house	218
	Professional Associations	218
	Educational Institutions	219
	Computer-Based, Video-Based, and Web-Based	210
	Training Summary and Conclusions	219
	Summary and Conclusions	220
Appendices	The Internet—An Audit Tool The Internet	223
APPENDIX A	The Internet—An Audit Tool	225
	The Internet	225
	Connecting to the Internet	225
	General Internet Uses	226
	Useful Sites for Auditors	229
	Examples of Audit-Related Internet Usage	230
APPENDIX B	Information Support Analysis and Monitoring	
	(ISAM) Section	231
APPENDIX C	Information Management Concepts	235
ADDENIALLY D	Audi Cofee and Free leasting Criteria	2/1
APPENDIX D	Audit Software Evaluation Criteria	241
	General Capabilities	241
	Reporting Capabilities	241
	Graphics Capabilities	242
	Mathematical Functions	242
	File Manipulation Capabilities	242
	Record Definition Capabilities	242
	File Type Capabilities	242
	Programming Capabilities	242
	Support	243
	Other Capabilities	243
References		245
Index		249