

A.I.S. Class 18: Outline

- Learning Objectives for Chapter 11
- Information Systems Auditing
- Group Work for Chapter 11
- CLASSROOM PRESENTATION 4

Learning Objectives for Chapter 11

- After studying this chapter you should be able to:
 - ◆ describe the types of audits and auditors
 - ◆ provide an overview of the audit process for financial statement audits
 - ◆ describe the effects of computerization on the accounting process
 - ◆ briefly describe the audit process for financial statement audits

Learning Objectives for Chapter 11

- ◆ describe the essence and issues concerning the impact of SAS No. 55 on computer auditing
- ◆ describe various computer auditing techniques and how they could be applied in database environments
- ◆ distinguish between auditing around, auditing with and auditing through the computer
- ◆ explain the process of auditing a relational DBMS
- ◆ describe the implications of information technology on computer auditing

Information Systems Auditing

■ Types of Audits

- * External Audits

- * Internal Audits

 - ◆ Operation of Internal Controls

 - ◆ Management or Operational

- * Compliance Audits

Information Systems Auditing

■ Audit Steps

- * Establish Audit Objectives
- * Perform Audit Procedures
- * Evaluate Audit Evidence
- * Develop an Audit Opinion
- * Communicate Audit Results

Information Systems Auditing

■ Effects of Computerization

- * Decreased processing visibility
- * Data only in computer-readable form
- * Loss of visible audit trail
- * Extreme consequence of program errors
- * Lack of common sense
- * Increase in value of average fraud losses

Information Systems Auditing

■ Offsetting benefits

- * Improved prevention
- * Electronic audit trail
- * Computer-assisted audit techniques

Information Systems Auditing

■ SAS 48

* The auditor must assess

- ◆ the extent of computerization of accounting
- ◆ the complexity of computer-based systems
- ◆ the degree to which audit evidence is in computer-readable form only

* and identify

- ◆ computer-based controls

Information Systems Auditing

■ SAS 55 (& 78)

- * Internal Control Structure
- * $AR = IR \times CR \times DR$
 - ◆ AR: Audit Risk
 - ◆ IR: Inherent Risk
 - ◆ CR: Control Risk
 - ◆ DR: Detection Risk
- * Document understanding of internal control structure
- * Assess control risk (and test controls)

Information Systems Auditing

■ Audit approaches and Computer Audit

- * Auditing around the computer
- * Auditing through the computer
 - ◆ Test data
 - ◆ Integrated Test Facility (ITF)
 - ◆ Embedded Audit Module
 - ◆ Mapping
 - ◆ Source code comparison
 - ◆ Parallel simulation
- * Auditing with the computer

Information Systems Auditing

■ Auditing with the computer

- * Utility programs
- * DQL (e.g., QBE in ACCESS)
- * Generalized Audit Software
 - ◆ Data retrieval
 - ◆ Calculations
 - ◆ Edit checks
 - ◆ Reformatting
 - ◆ File operations
 - ◆ Statistics
 - ◆ Reports

Information Systems Auditing

■ Advanced Technology Environments

- * Concurrent auditing
- * Expert systems
- * Audit program generators
- * Audit workpapers
- * PC-based reference software

Group Work for Chapter 11

- Discussion Questions
- Problems 6 & 7

CLASSROOM PRESENTATION

■ Group Project Stage 4