

Chapter 15

COMPUTER ASSISTED AUDIT TECHNIQUES

1. Technique types

These are two types of computer assisted audit techniques, or CAAT:

- Audit programs
- Test data

The techniques can add greatly to audit efficiency and effectiveness. For example, audit programs can very quickly read thousands of records, examining each according to the criteria set by the auditor. Test data can be used to investigate the operation of accounting programs that could not be easily tested in any other way.

1.1 Audit programs

Audit programs are used to examine and interrogate clients' accounting data. The auditor will have a program which can read the clients' files. That program can be used for the following:

- To select a sample of transactions to investigate.
- The samples could be automatically stratified.
- The program might be set to identify odd transactions or balances. For example, credit balances on a receivables ledger, or inventory which hasn't moved for some time.
- It could also re-perform calculations. For example it is important to check that the sum of the receivables accounts add up to the balance shown in the nominal ledger and hence in the financial statements.

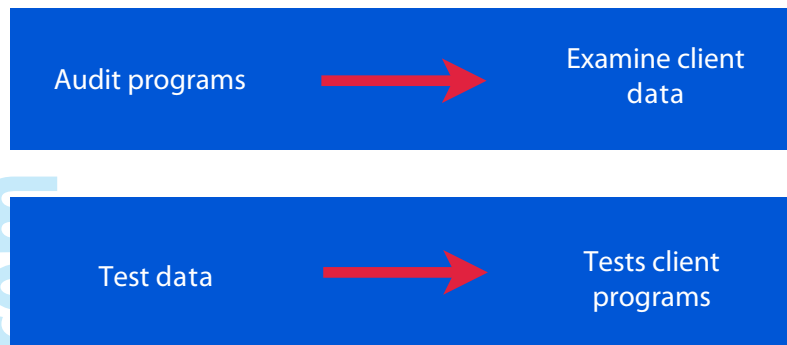
1.2 Test data

Test data is used to investigate the operations of client programs. The auditor chooses data and this is processed by the client's programs. This enables the auditor to check whether or not the client's programs are operating correctly and as expected, and whether or not the various controls which were supposed to be present are actually operating. For example what happens if a dispatch entered for a zero quantity, or for a non-existing product, or for a non-existing customer, or a dispatch which would raise the balance on the debtor's account to above the credit limit. Test data is specially chosen data to check that the controls are present. There would be some normal items, some unusual items and some extreme or unexpected items.

The auditor should predict what the client's program should do and then compare those predictions with what the client's program actually produces.



A problem with test data is that the auditor is processing artificial false transactions into the client's system and many clients dislike that. Therefore it is usual for test data to be what's known as 'dead test data'. This means that it is not actually used on the client's file but is used on the copy of the client's file but using the client's programs.



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