

Country focus: Thailand

In this edition of intoIT we focus on the State Audit Office, and outline the history of public audit in Thailand. Later in the article Ms. Supapan Saritapirak discusses the impact that Computer Assisted Audit Tools and Techniques have made on her work as Financial Auditor of a bank.

History of the Office of the Auditor General of Thailand

The first law governing the audit and control of public finances in Thailand dates from 1875. King Chulalongkorn, the fifth King of the present dynasty, created the Royal Audit Office by Royal Decree. The Office was given independent power and duty over the control of public finance, and was responsible only to the (then) absolute monarch. Since then, the audit of public accounts and financial control of public funds has remained an independent function.



Both the Legislature and the Government are fully aware that it is the independence of the auditing institution and the sufficient safeguard of its power and duty that will assist them to control and perform their financial prerogatives and obligations. Moreover, both bodies have also found that for the auditing institution to perform its role successfully, independence alone is not enough -

the auditing institution also needs conditions in which it may use its independence to discharge its auditing responsibilities properly.

The Audit Council Act (1933) established the Audit Council of Thailand as the agency responsible for auditing government accounts, under the direction of its President. The Act abolished the Department of Audit which had been created in the Ministry of Finance in 1915, and consolidated its powers and duties in the new establishment.

The Audit Council was considered to be fully independent of other executive authority, and solely responsible for setting its own direction and the scope of its audit. Since the end of 1972 the President has reported directly to the Prime Minister, whereas previously he reported only to the Office of the Prime Minister.

The State Audit Act (1979) changed the title of the office to the Office of the Auditor General of Thailand and authorised its scope to be extended beyond financial audits to the assessment of economy, efficiency, and effectiveness; and to audit the assessment and collection of taxes, fees and other incomes of the audited agencies. A further change was made in November 1999 under the new constitution of Thailand, when the office became The State Audit Office of Thailand.

The State Audit Office (SAO) is governed by the State Audit Commission consisting of a chairman and nine members, each appointed by The King on the advice of the Senate. The Commission formulates policy, standards and procedures. The Auditor General is also appointed by the King after prior approval of the National Assembly, and holds office until retirement at the age of 60. The Auditor General conducts and controls all the affairs of the SOA, and the position is a top civil service appointment.

Getting to know CAATs

A decade ago we may not have realised that computers would become such



powerful machines, and provide a means for connecting people throughout the World over telephone lines. Furthermore, the emergence of a user-friendly interface together with higher data processing and storage capacity have persuaded even non-technical users that this electronic machine, the personal computer, is an essential accessory in the home and office.

In Thailand, computers play a vital role in both private and public sectors. In the extremely competitive private sector, businesses are forced to acquire IT systems that fit the organisation if they are to survive. For example, pizza customers have no need to repeat their address details after their first telephoned order, because the store records them and can access them rapidly at any time using the customer's phone number. The public sector also needs effective IT systems to strengthen its ability to keep records and manipulate information, thereby supporting efficient decision-making. Thus, the computer is now an essential tool for enabling both sectors to achieve their business goals.

The widespread implementation of IT in government means that the SAO has, unavoidably, to review its audit approach in line with its resource constraints. For reasons of audit efficiency, the use of CAATs (Computer Assisted Audit Tools and Techniques) needs to be considered in formulating an audit strategy. Accordingly, an IT Audit Unit was established in February 1997 to support our audit teams. Its main responsibilities are to research audit software (we use an audit software package called "Audit

Command Language" or "ACL"), and to train audit staff in its application to their work.

Before learning ACL, I had already developed my perception of CAATTs. CAATTs are not restricted to audit software, such as ACL, but include word processors, spreadsheets, databases, presentation software, electronic working papers, and the Internet and Intranet, etc. Word processing software is a great help in writing reports, but what other techniques assist me to accomplish my financial audit objectives?

I changed my working method from paper - from writing down account code, account description, and dual-year figures for comparison - to typing data into an electronic spreadsheet. This led me to make more use of spreadsheets in other parts of the audit. I requested my client's trial balance in electronic form, and used Microsoft Excel to group the accounts. An advantage is that all balances can be rolled forward to the next accounting period for comparison, while correcting any numbers is easily done because we set the formula in those files. Obviously, we save time - totalling hundreds of 14 digit numbers by program replaces inconvenient manual summarisation - and we can rely on the result of the formula.

A spreadsheet is easy and friendly to use - auditors who have never used one may not appreciate this, but after their first attempt I believe that they will see the potential for further developments. Another aspect of CAATTs is presentations. HTML (Hypertext Markup Language) provides an effective alternative to Microsoft PowerPoint. The idea of using HTML stems from web documents. In addition, the Internet and Intranet lessen communication problems - distance is no longer an obstruction when sending huge amount of data or searching for information.

Following training in ACL, I had to learn about system flowcharts and become proficient in key field identification. We then arranged with the client's programmer for the data that we required to be retained. It is necessary to

develop a broad understanding of the client's data to ensure that it is complete and reliable. This can be done by comparing control total with the client's results. After this verification process, the next step is to extract and analyse the data.

My audited agency is a medium-size Thai bank. We requested an accounts receivable data file. ACL helps my team to classify loan types, classify levels of loan, stratify the population, and compare principal with collateral.

These form parts of our analyzing procedures. In addition, calculating interest and summarising thousands of records valued of billion Baht can be done within a couple minutes. Audit software also allows us to extract or select the specific records that we want to examine further.

For the deposit system, we request 3 major types of deposit for sending confirmation and for reviewing interest calculations. Other data allows us to relate the holding balance on deposit to the collateral in Accounts Receivable.

A further use of ACL is in the audit of the General Ledger. Our client has nearly 200 branches and hundreds of account codes that are combined at its head office. Hence, the General Ledger has a bunch of account codes that takes time to find manually and to check against the trial balance. As a result, we request the General Ledger data file, which we process with ACL. This allows us to summarize sub accounts in the General Ledger to agree with the Trial Balance. Additionally, we can simply reconcile the amount of sub-ledger (account receivable and deposit) to ledger.

Another feature of ACL is that it allows a batch file to be created for future use. A batch collects all commands that we want to run, and the program will automatically process this command set in the next financial period.

There is no doubt about the amount of time that we have saved, and the confidence we obtain from using CAATTs. And unexpectedly, our use of

CAATTs has also allowed us to carry out additional analyses, which we rarely find from manual audit. Nevertheless, there are several points that we need to consider from our use of CAATTs:

- although technology is now user-friendly, we lack staff who are familiar with its use;
- we do not have enough PCs to fully equip our audit teams;
- our audit clients may not be ready for us to use CAATTs, especially using audit software.

At present, we need to share equipment and exchange audit techniques among our audit teams. Managing the knowledge base cannot be overlooked in this era.

We are at an early stage in our use of CAATTs in our work. The world is changing everyday. We cannot stand still and watch its move, but we have to keep developing our strategy in order to benefit both our clients and ourselves.

About the Author



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Ms Supapan joined the SAO in 1994, and currently works in the Government Enterprises

Audit Office. She gained experience in data analysis while working with IT consultants on a World Bank project.

Before joining the SAO she spent three years as a senior auditor with Ernst & Young Ltd (Thailand). Ms Supapan holds degrees in accounting from the University of Memphis, USA, and Thammasat University, Thailand.