



CHINA

# CNAO's Pre-audit Investigation Guideline for IT Audit

In December 2007 the National Audit Office of China formulated a pre-audit investigation guideline for IT audit, as one part of the Chinese Government Auditing Standards System.

The National Audit Office of the People's Republic of China (CNAO) attaches great importance to the pre-audit investigations of IT audit projects. Prior to preparing audit implementation programmes, according to the nature and scale of the audit project, the audit team is required to arrange competent staff to know about the information of auditees. Therefore CNAO has formulated this Pre-audit Investigation Guideline for IT Audit.

This Guideline can be used in pre-audit investigations where:

- The auditee has computerised its accounting or other main business systems;
- The audit team are carrying out an Information Systems, E-Governance or IT performance audit.

The CNAO requires auditors to pay attention to the substantial changes brought to the audit institutions and the auditees by the application of information technologies. So the target of the pre-audit investigations on IT Audit is to make the audit implementation programs prepared by the audit teams and audit institutions meet the needs of audit in an IT environment. According to the Guideline, auditors involved in the pre-audit investigations should have appropriate IT knowledge and skills. If necessary, professional IT staff from CNAO's IT Centre or external IT specialists could be invited to join the audit team.

Pre-audit investigations can be implemented through consultation, group interview, questionnaires and surveys, information/data inquiry, on-the-spot inspection and visiting related organisations.

Through the pre-audit investigations, auditors should obtain basic information as follows:

**Firstly**, the information systems used by auditees, including: the method and time of acquisition, operating system, database management system, application software versions, hardware configuration, data processing flow, interaction with other information systems, data output type and format, system controls and security policies. Tests could be carried out in the Auditee's information system during the pre-audit investigation, only when the normal operation of the target information system is ensured.

**Secondly**, Auditee's electronic data, including: data storage medium; data volume measured by gigabyte (GB); the compliance level of output data to the Chinese National Standard, whether the data could be collected successfully by audit software such as Auditor Office (AO); the capability of auditees to support the auditors' data-collecting processes; the preliminary check for the authenticity and applicability of the data during the pre-audit investigation.

**Thirdly**, the dependence of auditees' business flow on information technologies, including the degree of impact on the continual operation of auditees; the popularity of information systems. Auditors can review the dependence indicators by sampling during the pre-audit investigation.

**Fourthly**, IS management and management styles, including: the legal requirements for the IS in use; the position of the IT Centre in the organisation chart; segregation of duties between IS managers and users;

the setting of major control points and posts. Auditors can review the management structures by sampling during pre-audit investigation.

**Fifthly**, the environment under which the IT audit is carried out, including: the facilities and network environment provided by auditees, the equipment and facilities that audit teams should prepare; the software supplied by auditees, the software to be prepared by the audit teams; assessment of the security impact to both auditors and auditees under the IT environment of auditees.

The process of pre-audit investigations and information collected should inform:

- Audit objectives;
- Audit contents and priorities;
- Audit items, which could have significant influence on audit objectives;
- Significance level and audit risks;
- Organisational manners and working methods under IT environment;
- Computer equipment and environment necessary for audit and their solutions;
- The number and skills of IT professional staff needed in the audit team;
- Estimated audit working time span and budget.

If, based on the preliminary result of pre-audit investigation, the audit team believes auditee's information system has weakness and may significantly influence the authenticity and integrity of the electronic data, the team can recommend that an information system review be added to the audit implementation programmes. ○



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