

INTOSAI



# CAATs for Non-Financial Audits

An INTOSAI IT Audit Project

SAI-Oman

April 2004



# Background

- SAI-Oman updated CAATs and Data Downloading Modules of IT Audit Training Courseware
- Existing focus on CAATs for financial audits
- Need for focus on “Use of CAATs for non-financial audits”



# Research Methodology & Output

- Structure
  - Part A
    - » Generic Guidance Material
  - Part B
    - » SAI's approach to using CAATs for Non-Financial Audits (NFA) + illustrative case studies
- First draft in November 2002 (New Delhi)
- Questionnaire on CAATs usage in September 2003 (Oslo)
- Responses from 12 SAIs + Oman incorporated in this document
- Submitted for Committee's approval
  - Prior to forthcoming INCOSAI



# Part A – Continuum for CAATs in Financial / Non-Financial Audits

- Nature of IT Systems
- CAATs Objectives / Requirement Definition
- Level of Standardisation
- Emphasis on Audit Productivity
- Skill Levels
- Development Approach



# Decision on using CAATs for NFA



- Formal cost-benefit analysis should be conducted
- Cost mainly of a fixed nature – set up time
- Factors
  - Additional value provided by using CAATs
  - Repetitive use of CAATs
  - High-priority nature of audit
  - Status of computerisation of core business functions of auditee
  - Manual audit techniques impracticable or too costly



# Availability of Electronic Data

## ■ Situations

- Data not available in electronic format
- Data available in free form/ semi-structured formats

## ■ Choices

- Migrate data into analysable format
- Manually enter data
- Abandon attempt to use CAATs

## ■ Cost-benefit analysis

## ■ Scope of data required



# CAAT Tools for NFA

- Emphasis on flexibility; less-structured
  - Desktop database tools
  - Spreadsheets
  - Decision support tools for large volumes of data
- Change of choice of CAAT tool midway is expensive



# Issues with CAATs Usage

- Free-form nature of data analysis
  - Need for guillotine
- Data quality
  - Correct/ exclude invalid data
  - Supplementary manual tests for ensuring reliability



# Success of CAATs Usage

- Potential audit finding OR
- No material deficiencies / weaknesses OR
- CAATs Failure
  - Auditor cannot
    - » Come up with potential finding, or
    - » Conclude there are no significant weaknesses
- More likely in NFA than Financial Audits



# Skill Requirements

- Skills required
  - Audit and domain skills
  - IT and technical skills
- Ideal case – auditors with CAATs skills
- Alternative – audit team as a whole has audit and technical skills
  - Part-time technical support generally not effective



# Part B Responses

- Austria
- Bhutan
- China
- Canada
- Israel
- India
- Japan
- Lithuania
- Oman
- Poland
- Slovakia
- Sweden
- USA



# Future Action

- Experiences of 13 SAIs included in product
  - SAI-Brazil's response received just now
- Depending on volume of SAI responses on experiences with CAATs usage for NFA,
  - Addendum to Product; or
  - Items / Articles in INTOSAI Journal