

Central Message: Auditing has had to change from “around the computer” to “through the computer” due to sources only being available in electronic form. CAATs and CAATTs improve efficiency and effectiveness of audits. A variety of standards and statements were issued because new guidance was necessary once the growth of IT affected the nature, timing, and extent of audit procedures. Continuous auditing is the key to improving the efficiency and effectiveness of audits.

Author’s Theme: Auditors are advised to use CAATs to gather evidence so that they can increase the efficiency of inspection and analytical review. One of the many statements released on IT, SAS 94, stressed that IT’s impact on internal control is a result of the nature and extent of the system’s complexity rather than the size of the firm, which is why auditing through the computer is important when testing controls. Auditors can pinpoint the risk areas and thus have a better idea of what to inquire when questioning management; improving the quality of the evidence and thus the audit. **Importance:** Advancement in information technology has a direct impact on business

processes and the audit. Increasingly, auditors are required to perform audits in computerized environments; therefore, additional standards are required to ensure that financial statements auditors continue to perform high quality audits. **Conclusion/Opinions:** (1) The author concludes that auditing through the computer is important when testing controls because of the impact IT has on internal control. GAAS field work #2 supports this because the IT system is a part of the entity’s environment, and especially, when it is complex, the auditor must audit through the computer to adequately assess internal control risk. (2) Using CAATs can increase the efficiency of audit procedures. SAS No. 106 indicates that CAATs allow auditors to inspect electronic evidence directly. (3) Auditors should use data analysis from audit software in order to pinpoint the risk areas and gain a better idea of what to ask management. AS # 5 states that risk assessment underlies the entire audit process, including the determination of significant accounts and relevant assertions, selecting controls to test, and determining the evidence necessary.