CONTENTS

PART 1 SETTING THE STAGE

CHAPTER 1		3
	Executive Highlights, 4 Introduction, 4 A ROAD MAP TO THE BOOK, 5	
	Why This Book Was Written, 5 The Audience for This Book, 5	
	An Overview of the Book, 6 Focal Points of the Book's Philosophy, 10	
	Benefits to Readers, 11 How to Use the Book, 12	
	THE STATE OF THE PROFESSION, 13 The Competitive Climate, 13	
	A Profession under Attack, 15 Thoughts on the Expectation Gap, 17	
	The Standards Overload, 20 The Technological Remedy, 23	
CHAPTER 2	The Updated Audit Appeach and Its Implications, 2 THE INEFFECTIVENESS OF TODAY'S AUDITING	4 26
	Executive Highlights, 27 Introduction, 27	
	The Elusive Nature of Audit Effectiveness, 31 Threats to Audit Effectiveness, 33	
	Examples of Successful Error Detection, 35 Causes for Audit Failures, 38 Specific Audit Deficiencies, 39	
	Summary: Areas for Improvement, 46	
viii		
	Contents	ix
CHAPTER 3	THE EROSION OF AUDIT PRODUCTIVITY Executive Highlights, 48	48
	Introduction, 49 Keeping Current, 51	
	The Question of Audit Productivity, 52 Causes of Diminished Audit Profitability/Productivity:	
	The Firm, 54 Causes of Diminished Audit Productivity: The Engagement, 61	
CHAPTER 4	Summary: Matters for Improvement, 67 THE SELECTION OF AUDIT PROCEDURES	70
OTAL PETT	Executive Highlights, 70 Introduction, 71	
	The Conversion of Management Assertions to Audit Procedures, 73	
	The Perils of Applying Audit Procedures, 80 The Merits of Operational Information, 87	
	The Audit Model Revisited and Updated, 89 Summary, 96	
PART 2 TH CHAPTER 5	HE ADVENT OF TECHNOLOGY TECHNOLOGICAL CHANGE AND ITS IMPLICATIONS	
	FOR AUDITING Executive Highlights, 101	101
	The Winds of Change, 102 Technological Breakthroughs, 104 Software: The State of the Art, 108	
	Software: The State of the Art, 108 The Dark Side of Technology, 120 Public Data Bases, 125	
	Public Data Bases, 125 Summary, 128 THE ARRENAL OF THE TECHNOLOGICAL ALIDIT	120
CHAPTER 6	THE ARSENAL OF THE TECHNOLOGICAL AUDIT Executive Highlights, 130 Introduction, 131	130
	Introduction, 131 Physical Protection of Assets, 133 Computer Access, 137	
	Management Representations, 139 On-Line Data Bases (Public and Private), 140	
	Obtaining an Understanding of the System: Behavioral Interviewing, 170	
x Contents		
	Documenting the Understanding, 172	
	Evaluating Internal Control, 180 Substantive Testing, 181	
CHAPTER 7	Summary, 185 HEIGHTENING THE AUDITOR'S SENSITIVITY TO FRAUD	187
	Executive Highlights, 187 Introduction, 188	
	The Fraud Equation, 191 The Protective Rings, 193	
	Some Negative Aspects of Technology, 201 Professional Skepticism and Sensitivity to Fraud, 202 The Factures Alextness, 211	2
OLIADIED (The Future: Alertness, 211 Summary, 212 BLENDING TECHNOLOGY AND THE UPDATED AUD	DIT
CHAPTER 8	MODEL Executive Highlights, 214	213
	Introduction, 215 The Master Tracking Sheet, 218	
	Understand Inherent Risk, 220 Understand the Client: On-Site, 232 Understand the Control Environment, 237	
	Understand the Control Environment, 237 Understand the System and Control Procedures, 246 Assess Control Risk, 251	
	Conduct Substantive Tests, 254 Summary, 262	
PART 3 CHAPTER	9 CASE STUDY	267
	Executive Highlights, 268 Introduction, 268	
	Understand Inherent Risk, 277 Understand the Client: On-Site, 287	
	Understand Inherent Risk, 277	
	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296	
	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315	
	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316	xi
	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents	xi
CHAPTER 10	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322	
CHAPTER 10	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS	xi
CHAPTER 10	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329	xi
CHAPTER 10	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333	xi
	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341	xi
CHAPTER 10	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY	xi
	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A BOAD MAP TO IMPLEMENTING	xi 322
	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349	xi 322
	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352	xi 322
	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: Software, 357	xi 322
	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: Software, 357 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363	xi 322
CHAPTER 11	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: The On-Line Data Bases, 35 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT	xi 322
CHAPTER 11	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: The On-Line Data Bases, 35 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369	xi 322
CHAPTER 11	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: The On-Line Data Bases, 35 Implementing Technology: Software, 367 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES	xi 322
CHAPTER 11	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 32.5 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: Software, 357 Implementing Technology: Software, 367 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386	xi 322
CHAPTER 11 PART 4 CHAPTER 12	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A BOAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: Software, 357 Implementing Technology: Software, 367 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390	xi 322 342
CHAPTER 11	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: Software, 357 Implementing Technology: Software, 357 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388	xi 322
CHAPTER 11 PART 4 CHAPTER 12	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: The On-Line Data Bases, 35 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390 THE ACCOUNTANT'S ORGANIZATION	xi 322 342
CHAPTER 12 CHAPTER 13	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: The On-Line Data Bases, 35 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390 THE ACCOUNTANT'S ORGANIZATION	xi 322 342
CHAPTER 12 CHAPTER 13	Understand the Client: On-Site, 287 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390 THE ACCOUNTANT'S ORGANIZATION Executive Highlights, 393	xi 322 342
CHAPTER 12 CHAPTER 13	Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: Software, 357 Implementing Technology: Software, 357 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390 THE ACCOUNTANT'S ORGANIZATION Executive Highlights, 393 Introduction, 394 The Market for Ideas, 394 The Organizational Pyramid, 399 The Changing Faces of the Specialists, 400	xi 322 342
CHAPTER 12 CHAPTER 13	Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: Software, 367 Implementing Technology: Software, 367 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390 THE ACCOUNTANT'S ORGANIZATION Executive Highlights, 393 Introduction, 394 The Market for Ideas, 394 The Organizational Pyramid, 399 The Changing Faces of the Specialists, 400 The Realignment of Technical Effort, 403 Human Resource Management, 405	xi 322 342
CHAPTER 12 CHAPTER 13	Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: Software, 357 Implementing Technology: Software, 359 Sommary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Papers and Sectors, 388 Summary, 390 THE ACCOUNTANT'S ORGANIZATION Executive Highlights, 393 Introduction, 394 The Organizational Pyramid, 399 The Changing Faces of the Specialists, 400 The Realignment of Tec	xi 322 342
CHAPTER 11 CHAPTER 12 CHAPTER 13 xii Contents	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers; Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: The On-Line Data Bases, 35 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 983 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390 THE ACCOUNTANT'S ORGANIZATION Executive Highlights, 393 Introduction, 394 The Organizational Pyramid, 399 The Changing Faces of the Specialists, 400 The Realignment of Technical Effort, 403 Human Resource Management, 405 Quality Control and Assurance, 409 Risk Management—Screening Clients, 410 Administrative Matters, 411 Summary, 414	342 369
CHAPTER 12 CHAPTER 13	Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: Software, 367 Implementing Technology: Software, 36	xi 322 342
CHAPTER 11 CHAPTER 12 CHAPTER 13 xii Contents	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING REV TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 Implementing Technology: New Product Lines, 359 Implementing Technology: New Product Lines, 359 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390 THE ACCUNTANT'S ORGANIZATION Executive Highlights, 393 Introduction, 394 The Market for Idees, 394 The Organizational Pyramid, 399 The Changing Paces of the Specialists, 400 The Realignment of Technical Effort, 403 Human Resource Management, 405 Quality Cortorl and Assurance, 409 Risk Management—Screening Clients, 410 Administrative Matters, 411 Summary, 414 PUBLIC POLICY AND AUDITING Executive Highlights, 416 Introduction, 417 The Maiking of Public Policy for Auditing, 419 Related Public Policy Issues, 429	342 369
CHAPTER 11 CHAPTER 12 CHAPTER 13 xii Contents	Understand Inherent Risk, 277 Understand the Client: On-Site, 297 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers; Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 Implementing Technology: Software, 357 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Hequests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390 THE ACCOUNTANT'S ORGANIZATION Executive Highlights, 393 Introduction, 394 The Organizational Pyramid, 399 The Changing Faces of the Specialists, 400 The Realignment of Technical Effort, 403 Human Resource Management, 405 Quality Control and Assurance, 409 Risk Management—Screening Clients, 410 Administrative Matters, 411 Summary, 414 PUBLIC POLICY AND AUDITING Executive Highlights, 416 Introduction, 417 The Making of Public Policy for Auditing, 419 Related Public Policy Issues, 429 The Free Market and Auditors, 430 Foreign Policy and Auditors, 430	342 369
CHAPTER 12 CHAPTER 13 XII Contents	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: Seftware, 367 Implementing Technology: Seftware, 367 Implementing Technology: Seftware, 367 Implementing Technology: Seftware, 367 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390 THE ACCOUNTANT'S ORGANIZATION Executive Highlights, 393 Introduction, 417 The Market for Ideas, 394 The Organizational Pyramid, 399 The Changing Faces of the Specialists, 400 The Realignment of Technical Effort, 403 Human Resource Management, 405 Quality Control and Assurance, 409 Risk Management of Technical Effort, 403 Human Resource Management, 405 Quality Control and Assurance, 409 Risk Management of Technical Effort, 403 Humary, 414 PUBLE (POLICY AND AUDITING Executive Highlights, 416 Introduction, 417 The Marking of Public Policy for Auditing, 419 Related Public Policy and Auditors, 432 Educational Policy and Auditors, 435 Summary, 436	342 369
CHAPTER 11 CHAPTER 12 CHAPTER 13 xii Contents	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Papers Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 Implementing Technology: Seftware, 357 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390 THE ACCUNTANT'S ORGANIZATION Executive Highlights, 416 Introduction, 394 The Market for Ideas, 394 The Organizational Pyramid, 399 The Changing Faces of the Specialists, 400 The Realignment of Technical Effort, 403 Human Resource Management, 405 Quality Control and Assurance, 409 Risk Management—Screening Clients, 410 Administrative Maurance, 409 Risk Management—Screening Clients,	342 369
CHAPTER 12 CHAPTER 13 XII Contents	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 329 The Active Reviewer, 330 Common Working Papers Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 Implementing Technology: The On-Line Data Bases, 35 Implementing Technology: Setware, 367 Implementing Technology: New Product Lines, 359 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 370 The Research Dichotomy, 372 Practice Research, 377 Research Requests, 383 The Future of Audit Research, 386 Research Across Disciplines and Sectors, 388 Summary, 390 THE ACCOUNTANT'S ORGANIZATION Executive Highlights, 416 Introduction, 437 The Making of Public Policy for Auditing, 419 Related Public Policy Issues, 429 Risk Management—Screening Clients, 410 Administrative Matters, 411 Summary, 414 PUBLIC POLICY AND AUDITING Executive Highlights, 416 Introduction, 417 The Making of Public Policy for Auditing, 419 Related Public Policy Issues, 429 The Prace Market and Auditors, 430 Foreign Policy and Auditors, 430 A DISTILLATION OF EXPERIENCE (AND A FORECAST) Executive Highlights, 438 Introduction, 439 Introduction, 439 Introduction, 439	xi 322 342 349
CHAPTER 12 CHAPTER 13 XII Contents	Understand Inherent Risk, 277 Understand the Client: On-Site, 287 Understand the Control Environment, 292 Understand the System and Control Procedures, 296 Assess Control Risk, 307 Allocate Audit Effort, 315 Conduct Substantive Tests, 316 Summary, 321 Contents WORKING PAPERS Executive Highlights, 322 Introduction, 323 Working Papers: Quintessential Communication Medium, 325 The Commandments of the "Yellow Book", 327 Types of Working Papers, 229 The Active Reviewer, 330 Common Working Paper Deficiencies, 333 The Paperless Audit: It Isn't Here Just Yet, 335 Summary, 341 A ROAD MAP TO IMPLEMENTING NEW TECHNOLOGY Executive Highlights, 343 Introduction, 344 The First Step: The Chief Technology Officer, 346 A Strategic Plan for Technological Development, 348 Involvement of All Personnel, 349 The Auditor: The Businessperson, 352 The Implementation Sequence, 352 Implementing Technology: Software, 367 Implementing Technology: Software, 369 Evaluating the Application of Technology, 363 Summary, 365 THE NEW AUDIT IN ITS ENVIRONMENT RESEARCH ACROSS DISCIPLINES Executive Highlights, 369 Introduction, 394 The Organizational Pyramid, 399 The Changing Faces of the Specialists, 400 The Realignment of Technology in the Account of Audit Research, 377 Research Repeated, 377 Research Repeated, 379 Research Across Disciplines and Sectors, 388 Summary, 414 PUBLIC POLICY AND AUDITING Executive Highlights, 416 Introduction, 419 Introduction, 419 Introduction,	xi 322 342 369

DISCOVERY SAMPLING TUTORIAL

INVESTIGATOR'S GUIDE TO SOURCES OF

AUDIT EFFICIENCY, EFFECTIVENESS, AND

PROFITABILITY IMPROVEMENT OPPORTUNITIES

STANDARDS FOR INTERNAL CONTROL IN NEW YORK

459

466

476

485

491

INFORMATION

STATE GOVERNMENT

APPENDIX A

APPENDIX B

APPENDIX C

APPENDIX D

INDEX