

# System integrity and validation kudler foods

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This company has established a new accounting information system to assist in all three stores. As part of this system, this firm recommends utilizing audit productivity software to enhance the system already recommended by this firm. Using audit productivity software will decrease the time necessary to audit the accounts as this will now be computerized. This will also increase profitability by decreasing money and time spent in the audit process and Kudler will be able to make alterations to the process more quickly than if audits were handled manually.

Another recommendation by this firm would be the installation of continuous audit software that would continually monitor the data being input into the system. This would increase the effectiveness of auditing the stores. With the continuous audit software, Kudler would be able to follow-up on any abnormalities earlier as this software runs automatically. This would assist Kudler in handling any fraud issues that might arise as well. System Integrity and Validation

Kudler Fine Foods hired this corporation to establish a new electronic data system to handle the accounting and inventory needs of the company. As part of the proposal, this company will recommend ways to audit the information that the system creates. Once the data has been input into the system, audit procedures can take place to ensure the information is correct and that the company is performing well. This company will help Kudler establish audit processes for each area of the business.

As Kudler moves forward with the new automated accounting software as recommended earlier, it is important that an auditing process be established

also. Since the accounting process has been converted to an accounting information system, computerized audit productivity software needs to be established as well. This will increase the productivity and profitability of Kudler because the data used by either internal auditors or external auditors can be more quickly obtained and analyzed than doing the process manually. Kudler will need to determine which software works best for the needs of the company.

Electronic work papers have many features to evaluate which include the importing of data, the analysis of that data, being able to export this data to excel or other formats, and automatically generating the working papers at the conclusion of the audit. All the recommendations for Kudler Foods are to make the company more profitable and automated. Computer assisted auditing techniques (CAATs) “assist auditors in obtaining sufficient, reliable, relevant, and useful evidence to support predefined audit objectives” (Hunton, p.

184). It is important that Kudler audit the accounts even though the company is not a publically held company. As outlined previously, this company recommends different auditing techniques depending on the area being audited, but highly recommends the findings and recommendations audit to ensure that the new system is operating appropriately and the information is accurate. There are 10 key steps in the CAATs system that range from planning and implementation to documenting in the work papers.

With each audit, it is critical that the auditor know what information is being looked for so when the data is accumulated, the auditor will understand the data and know if it is accurate. The auditor will work closely with the

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accounting personnel at Kudler to determine the objective of the audit. Based on the objective, the correct auditing format will be chosen. The ISACA Standards Board has issued guidelines governing the use of CAATs and provides guidance to the auditors. There are two categories of techniques that CAATs is used for.

The first is to validate the application integrity, “ the objective being to determine whether the source code has been compromised, either intentionally or unintentionally” (Hunton, p. 188). Tests might be run with a parallel simulation to determine if the software is working properly. In this situation, the auditor will create a test set of data and run the auditing techniques against that data. If the system creates the expected set of data, then the system is working as it should. The second category is to verify the data integrity.

This technique centers around data extraction and analysis to ensure the data is imported and exported correctly. With using an automated system, Kudler auditors can pull all the information and test for accuracy or abnormalities instead of only being able to pull a sample of the data. These two techniques help to validate the testing that will occur against the real data being reviewed for Kudler Foods. The CAATs is also used to detect any type of fraud that is occurring within the company.

By using an automated accounting system along with the automated auditing system, Kudler has the ability to review 100% of the data and locate duplicates and gaps in the data. By using an automated system, Kudler can not only validate the integrity of the application and data, but also determine what could possibly be missing. A continuous audit technique might be one

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choice to consider for Kudler as it might work well for detecting fraud. A continue audit would be a program that is imbedded within the software that will look for things outside the norm. This would enable Kudler to find erroneous information faster.

According to investopedia (2013), a continuous audit is “ an auditing process that examines accounting practices continuously throughout the year. Continuous audits are usually technology-driven and designed to automate error checking and data verification in real time. A continuous audit driven system generates alarm triggers that provide advance notice about anomalies and errors detected by the system. ” By using the continuous audit, this could be a time saver not only in auditing but in detecting the issues within the system and correcting them more quickly.