

PROSPECTS FOR THE DEVELOPMENT OF IT AUDIT THROUGH THE INTRODUCTION OF INFORMATION AND COMMUNICATION TECHNOLOGIES IN THE FIELD OF ACTIVITY OF AUDIT ORGANIZATIONS

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Abstract: *This paper evaluates the role of information technology and how it affects internal audit process in the organization. The study also stresses on the global trend of adopting IT system (software/ hardware) in producing a more controlled environment in delivering the auditing process. It also constitutes on how IT affects internal control (control environment, risk assessment, control activities, information and communication and monitoring) and provides guidelines and best practices in evaluating techniques available to effectively perform auditing tasks internally. It also addresses how technology, Information system (IS) and electronic data processing (EDP) have changed the way organizations conduct its business, promoting operational efficiency and aid decision-making.*

Key words: *Internal audit, audit tools, IT audit, continuous auditing.*

INTRODUCTION

Internal audits are designed to evaluate the effectiveness of an operation's internal controls by first gathering information about how a unit operates, identifying points at which errors or inefficiencies are possible, and identifying system controls designed to prevent or detect such occurrences. Then, they test the application and performance of those controls to assess how well they work. Managers ought to routinely evaluate controls in their department's operations by following the same process. Computers and networks provide most of the information needed for auditing. In order to be effective, auditors must use the computer as an auditing tool, audit automated systems and data, understand the business purposes for the systems, and understand the environment in which the systems operate. The other important uses for computers and networks by auditors are in audit administration. By seeking new uses for computers and communications, auditors improve their ability to review systems and information and manage their activities more effectively. Automated tools allow auditors to increase individual productivity and that of the audit function. By recognizing the importance of emerging environment and requirement to perform audit task effectively, auditors must recognize the key reasons to use audit tools and software, which will be further explored, in later section. The key reasons include:

- (i) On a personal level, learn a new skill.
- (ii) Improve company decision-making using improved data.
- (iii) Increase the efficiency of an audit.
- (iv) Reduce routine tasks to provide more time for creative and business analysis.

(v) Provide improved transparency governance of the organization.

(vi) Identify quantitative root causes for issues.

(vii) Reduce fraud and abuse

(viii) Identify savings in supplier, customer, human resource, computer, and enterprise management.

This paper provides a brief analysis of the main areas where software tools are used in auditing, technology impacts on the auditing profession, audit impacts on emerging business and technology issues, and an example list of information technology products frequently used by auditors.

Research problem From the literature reviews, it appears that the several issues on IT and internal audit have to be addressed and need to be answered. In essence, the research problems are summarized as follows:

1. No specific guidelines are available to ensure information technology impact can be softened through audit best practices.

2. Absence of accounting standards to educate relevant auditors in performing audit task and mitigate organizational risk.

Objectives of the research The objectives of the research are:

1. To identify reasons for lack of guidelines available to best practices.

2. To address and suggest accounting standards to educate and help relevant auditors in performing audit task and mitigate organizational risk.

Scope of study The application of information technology and its impact to internal audit profession is somehow beyond an organizational control. Mismanagement and untested presumption on this impact can be very much precious to the organization and may lead to conflict in achieving effective internal control mechanism. Proper handling of resources, maintaining records, effective communication through adopting technology offered by information technology is critical to ensure completeness of audit process and benefited auditors. This paper focuses on above critical basis and limiting the research scope within functional audit task within an organization - mainly about the tools and techniques used by auditors in audit management and administration.

SURVEY OF LITERATURE

For a better understanding and revisit previous studies on the information technology application to internal audit, literature review is outline as a basis for defining research problem and objective of this paper.

Changing role of auditors David Yang and Liming Guan (2004) discussed on the evolution of auditing in the rapid escalation of technology, which openly contribute to information technology (IT) auditing and internal control standards and guidelines. Technology, information system (IS) and electronic data processing (EDP) have changed the way organizations conduct its business, promoting operational efficiency and aid decision-making. In this essence, and in the case of United States (US) as being explored by the authors, various authoritative bodies, such as the American Institute of Certified Public

Accountants (AICPA) and the Information Systems Audit and Control Association (ISACA), have issued standards to facilitate and provide sufficient guidance to auditors. According to AICPA's SAS No. 3, the objectives of accounting control are the same in both a manual system and an IT system. However, procedures used by an auditor may be affected.

Continuous auditing Zabihollah Rezaee et al. (2001) have discussed on the technological advances in which will change the audit process in near future. The focus of the study is on continuous auditing (CA) and its implications to independent auditors; analyzing internal control in the everchanging IT world; and examine key auditing aspects. The audit process has evolved from the traditional manual audit of an accounting system to the methods of auditing with and through computers. The paperless, electronically, on-line, and real-time application had contributed to continuous auditing methodologies. The authors have explored several auditing application, in which would allow real-time preparation, publication, examination, and extraction of financial information. Realtime accounting (RTA) systems, financial information and audit evidence are available in electronic form and create a new procedure in conducting financial audit. Technological advancements have also increased the importance of internal controls. This has been supported by the Committee of Sponsoring Organizations (COSO) report where indicated that components of the internal control structure are control environment, risk assessment, information and communication, control activities, and monitoring. If adequate control procedures exist in the organization, then the auditor should perform tests of controls to determine the effectiveness of internal control structure, policies and procedures. The authors have also suggested that Independent Auditors to anticipate thoroughly in scrutinize electronic evidences and evaluate its implication to the organization. This can be monitored through a substantive test, which designed to test for conformity of accounting procedures in validating financial statements. The major benefit of utilizing CA can reduce time and costs auditors traditionally spent on manual examination of transactions and account balances. It may also enable auditors to focus more on understanding a client's business and industry, and its internal control structure.

Oversight IT risks Linda Hadden et al. (2003) had explored the role of the audit committee and internal auditors in the IT area and have called for greater audit committee and internal audit involvement in IT risk oversight. The authors have suggested that an organization may be able to achieve more effective IT oversight by tapping into the resources of the audit committee and external auditors to a greater extent. In this essence, audit committee members should take a more active role in overseeing this area. Many companies rely heavily on information technology (IT) and constitute increases in organizational risk. In addressing these risks, three key questions must be answered:

1. Who is qualified to address IT risks?
2. Who is trying to address IT risks?
3. Does there appear to be a good match in terms of who is most qualified to oversee IT risks and who is actually overseeing such risks?

The first question is important because many aspects of IT risks and controls are technical in nature. In many organizations, it is unclear who has the technical expertise to address IT risks. The second question is relevant because a number of governance participants, beyond management, could be involved in IT risk oversight, including the audit committee, internal auditors, and external auditors.

Technology implication Jagdish Pathak (2005) has demonstrates the impact of technology convergence on the internal control mechanism of an enterprise. It is important for an auditor to be aware of the security hazards faced by financial or the entire organizational information system. The author specified the modern auditor as a complex, trained and eclectically educated person since most of the professional audit organizations expect auditors to possess skills not only in the conventional aspects of financial systems but also in the eclectic sphere of knowledge related to the information technology and management, security and forensics, sociology, and professional judgment. International information technology (IT) security standards are identified and used to select the best technical solution for an organization's risk and security problems. Despite the technological benefits brought to security, the technology also directly impacting risk management functions throughout the organization.

Strategic audit planning Strategic scheduling factors are both logical and logistical. For example, known problems with systems development methods, system and program change control, or access controls should be addressed before auditors consider getting involved in individual systems development projects or application system reviews. Weaknesses in key control areas such as access management and change control can also impact the reliability of any information used by auditors and may impact the scope and time required to assess and test controls.

Conclusions This paper barely scratches the surface of information related to auditor uses of technology. It is important to note there is no generic model for technology tools applicable to all organizations. It is also important to recognize the increasing dependence on technology to accomplish and/or support virtually all-auditing activities. Technology topics make up an ever-increasing percentage of the auditor's professional knowledge and skills set. While technology background is important in understanding new developments and directions, it is of little use without continuous acquisition of new knowledge. Effective use of audit technology tools is critical to the success of audit activity, but is only one step toward understanding the changes technology is bringing about in business and the auditing profession. Emerging technologies will continuously change the shape of and approach to business controls, and audit approaches and techniques must change accordingly.

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