

ICA: Concept and Implementation of Internal Control and Audit

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Abstract: Auditing is the process of examination of books, accounts and documents of an organization to review and verify trueness records. It also gives us a belief that the books of accounts are properly maintained and are used according to law. Internal Controls is a topic that has been implemented by most organisations to better separation of duties, low clerical errors, fraud, etc. The manner of conducting businesses have been changed but not substantially, CIS brings functionalities that revolutionizes the way of reducing work and the work load found in the process of auditing an organization which can have records that cannot be analysed a single personal. In this paper we have defined how we have implemented an application that justifies the points put up earlier.

Keywords: misstatements, books, accounts.

I. INTRODUCTION

In recent years, Information Technology has drastically changed the way in which the business is conducted throughout the world. The computerization has played an important role in document information processing, organization control and so on. Auditing in CIS is the process of viewing and checking the misstatements present in the records. There are various methods of evidence collection and evaluation for which the auditor must be knowledgeable enough. The auditing is materialistic and is very much dependent on the historical data and also considers the valuation of the company. For example, if the company is a small scale industry, all types of misstatements matter. Even if there is a misstatement in thousands it will make an impact on company's profits. In the case of the large scale industry sector the company doesn't consider or they tend to avoid the small misstatements. Internal control is about distributing the duties to the employees in the company. By distributing the duties the influence of the client if present decreases and it is a good fact. In this paper we will study the details of internal controls and audit.

II. INTERNAL CONTROLS

Internal control can be described in the case of accounting and auditing as an approach for assuring achievement of an organization's goals in operational effectiveness and efficiency, trustworthy financial reporting, and an agreement with laws, regulations and policies. It consists of a broad concept of internal control which involves everything that controls the risks to an organization.

Internal Controls consist of various policies and procedures which help in achieving the organisation's goals such as,

1) Safeguard company assets: It helps us to achieve well designed duties and prevents the accidental loss or loss from fraud.

2) Ensuring the trustworthiness and integrity if financial data: It ensures that the management is accurate, punctual and entire or complete information, including the accounting records, for planning, monitoring and reporting the business operations.

3) Ensure compliance: It ensures that the company is in compliance with many rules, laws and regulations affecting the operations on business.

4) Promoting effective and efficient operations: It provides an environment where the users can maximize the efficiency and accuracy of their operations.

5) Accomplishment of goals and objectives: It provides a mechanism to manage and monitor the achievement of goals and objectives.

The responsibility is an important term in internal controls which includes managerial responsibility and staff responsibility. The management responsibility can be described as handling the adequate system of internal control by the administrative management. It also consists of assigning of the task or duties to staff members which help in achieving the expectations of an organisation. The staff responsibility can be described by executing the duties assigned by the managerial staff.

III. AUDIT

Auditing is defined as independent examination of books, accounts, documents and receipts of an organization to find out how many the financial statements are true and false. It also ensures that the books of accounts are properly maintained. The auditor examines the statements, obtains the evidence, evaluates it and gives opinion on the basis of his verdict.

Audit can be done in any department. The procedure is done by an auditor, where the company approaches him/her to review the company's financial reports. These financial reports are of the company which contains of various invoices and receipts. All the assets and liabilities

are present in the report and the auditor examines the report according to the laws and regulations. The rules which auditor follows are termed in their commercial way are called as books. These books are referred by the auditor to check the records. According to it rules or books the financial report is generated by an auditor and the opinions are given. An auditor has the authority to give the opinions in the reports, but he cannot accuse or charge someone if there consists some misstatements.

Digitization of Internal Control and Audit will give the auditors an interface and a user friendly environment. This will have a great impact on the procedure. There will be many advantages such as,

- 1) High speed: The information can be generated very quickly in computerised system. A specific report format can be generated for complex reports as it will reduce time consumption. The cut down time will enable the auditor to analyse the reports under high speed operations. With digital evidence in the system it will be easier to find out the misstatements from the reports.
- 2) Low clerical errors: Computer system operations are systematic and sequentially programmed course of action so the errors are reduced. Less error will lead to précised and reliable software which will be extremely time saving.
- 3) Concentration of duties: In manual procedure the auditor needs to deploy individuals for the verification and validation process. This is a tedious task and consists of a lot of paper work which will consume a lot of time. The computerised system will set the activities according to the work and the program will run in parallel and the tasks will get executed in less amount of time and will give accurate results.

IV. IMPLEMENTATION

As the traditional way of working in the audit has many disadvantages like Low speed information generation, Clerical errors, no separation of duties, poor analysis based on numbers only, such problems are to be excluded in CIS environment. We, Implemented this concept with the help of one of the top technologies called Java. We have created a Dynamic Web Application that provides functionality for each type of User in an organisation which uses invoices and receipts as their primary deals.

Internal Controls have been implemented which to the organisation is helped by which the owner / admin can assign the two primary task of Invoice and Receipt Generation to separately or both a specific user of that organisation. This gives the organisation to separate the duties and avoid unnecessary problems like fraud, clerical errors & keep record to evaluate later the details of the generation of the records by user.

The owner/admin (Type of User) is able to select an auditor from a set depending on his choice and by viewing the profiles of different auditors.

The selected auditor gets the functionality to view invoices and receipts that have been recorded in the past years and make the comments on it depending on his/her thoughts of

the records if found inappropriate/anything. Auditor is given a function which give the bivariate analysis of the varies types of receipts such as sales, purchase and the cost bared by company showed in form of receipt for record handling.



Fig 1 A sample bar chart using values that show the amount of Sales done in months the whole year (X-axis – Months, Y-axis - Amount)

As the Auditor’s work is just to check the books of the organisation considering they are right but by reviewing the receipts / invoices the auditor can interview the user who has recorded the specified/specific record. So as to get the reaction of the user on putting up the doubt on issue and make an opinion/comment to such.

Auditor can create report on the web application to give his opinion on the topic so that it can be reported to the owner/admin of the organization. The report can also be uploaded by the auditor if not made use of the functionality to create the report through application. Then it is made available to the admin by change the status of ready to view for the admin by auditor.

Any Web application has a most used benefit that comes in handy where you need to keep a record of access control in the application. The session object used by us in the Java Dynamic Web Application gave us advantage to create functionality to Keep Logs on the Users of how / what / when they have made changes/ created or deleted any records that are to be handled in the organization.

Bivariate analysis and univariate analysis is based on the values that have been data mined, the statistics plays very important roles when it comes to the auditing as Auditor just checks the statistics first and compares it with the year before and then decides what part is to be audited first.

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