

Impact of Electronic Audit on Internal Control Quality

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Abstract

Accounting Information frameworks are pervasive in today's business, bearing out a great share of its operational capacities. Subsequent to their survey and appraisal is important and proper programming apparatuses are presently accessible, this paper asks: Do evaluators utilize the accessible innovative instruments? What are the challenges they are facing? Is there going between to encourage ease of habit. Through a cross sectional case-based field study contrasting four engagements in a noteworthy review firm, this paper finds that the calibers of the review group decide the levels of innovation appropriation. Be that as it may, quality combination between innovation support groups and reviewers might enhance ease of function and thus expand innovation appropriation.

Keywords: *audit tools, audit engineering, usability audit*

Introduction

The capacity of mechanical devices, and the dynamic digitization of business, has switched the way other reviews are gone. The expanding pervasiveness of bookkeeping data frameworks has made it essential improve the examiner's toolset and to incorporate specific groups to assess those frameworks all through the outside inspection. Dowling [1], takes a gander at the factors that determine the fitting use of innovative instruments; and Dowling and Leech [2] think about the review emotionally supportive networks utilized as a part of five major review firms. In this paper, then again, we concentrate on apparatus utilization and their weather. We additionally examine what are the difficulties found in framework execution and apparatuses to encourage

convenience. These questions are examined through a cross sectional case-based field study looking at four review engagements. The accompanying area surveys the writing, the following segment talks about the process, and the final two areas address discoveries and conclusions.

Conditions that favor usage of technology

In this section we see at the determinants of innovation is. At that stop, by directing meetings with review groups, we ask why accessible innovative devices are not used. Further investigation prompts proposals concerning instruments to enhance the levels of economic consumption.

Manager's attitudes, feelings and social surroundings

"Commonly clients don't depend on choice guides notwithstanding, while doing as such would enhance the nature of the choice" [3]. For any mechanical device to be received in a review engagement, the review supervisor must trust that its usage will give some level of taste. In whatever case, examiners are frequently careless in their judgments and trust that they needn't bother with the

apparatus, and will receive it just in the event that it affirms their judgment [4]. Various studies have inspected the determinants of data innovation utilization. Karahanna et al. [5] Present the accompanying key builds in the advancement choice procedure:

1. Innovation's perceived attributes,
2. Individual's attitude and beliefs, and
3. Correspondences got by the person from his/her social surroundings about the advancement (subjective standard). These measures are kept in line by the individual's convictions about what their companions anticipate from them.

Thusly, when review directors don't take in the required learning around another apparatus and/or don't understand its advantages, the pawn may be obtained if there is substantial weight by associates or bosses. Dowling studies 569 reviewers of expansive and medium estimated review firms, and finds prove that expectation to apply a framework expands the fitting function. She also finds that apparent regularizing weight and examiner's mentality impact suitable evaluator's

framework utilization. And so again, the absence of data near the apparatus may persuade the reviewer that s/he ought to depend on another confirmation. Arnold and Sutton express worries that they went along with utilization of a smart choice guide may lessen inspectors' aptitudes in the area of the choice guide. They urge that the canny choice guide ought to end up an electronic partner; thus that while people don't decide on choices with the use of a pathfinder, the choice guide gets criticism and continues up a dialogue that constantly provides the chief some assistance with arriving at a last judgment. Karahanna et al. Propose "disposition toward embracing (or keeping on utilizing) an IT instrument is created by the individual's remarkable convictions about the outcomes of receiving (keeping on utilizing) the device (behavioral convictions) and judgment of these results." The attitude was additionally found to impact the examiner's aim to use a framework suitably. In this fashion, if review administrators are not innovation adopters, their sentences and states of mind, and also their impression of the lineaments of the instrument, may prevent them from seeing it

as an electronic companion. Moved over the significance of states of intellect for the reception of new review apparatuses, and the way that inspectors weren't not innovation adopters, it is important to strike a middle person between the pawn and the critique group to make the essential exhortation, input and dialog. Price, quality and time The different components that act upon the ease of usage of any instrument are those identified with venture administration, experienced as the Iron Triangle: cost, quality and time. Klomlan and Coward recommend that sociological variables might be more imperative in clarifying mental acknowledgment of advancements, while financial variables might be more critical in clarifying their utilization. No legal document will be received if examiners see the expenses to exceed the advantages. In this phase, an arbiter might likewise lessen the expense of choice by helping directors to ace the apparatuses. Thusly our examination inquiries are:

RQ1: Do review groups utilize the accessible innovation devices?

RQ2: What are the troubles they find in utilizing them?

RQ3: How would we be able to coordinate go between into the inspection groups to promote ease of habit?

Methodology

We conduct a cross-sectional case-based field study contrasting four review engagements in an expansive review form. Our contextual investigations are both open and exploratory. In that sense, they portray the first condition of the innovation reception by review groups. Second, they investigate variables that influence innovation reception by review groups, for example, evaluator group qualities, joint effort and preparing, and issues in respect to programming utilization and client information access. Since PC utilization is right now pervasive, it is imaginable that the view of clients of mechanical devices has become not so much frightful but rather more certain. These factors might have changed the determinants of ease of usage specified in the writing looked into.

The characterizes a contextual analysis as an exact inquiry to study the true statements in its connection, and states that the contextual analysis' one of a kind quality is its capability to wield an assortment of proof

(records, relics, meetings and perceptions) and to distinguish missing develops. An exploratory study uses a technique that backings the building and advancement of theory rather than strategies coordinated to testing speculations. Lillis and Mundy attempt to shut the hole between contextual investigations and overviews by indicating out focal points of cross-sectional field concentrates on. Therefore, it is sensible to utilize a cross-sectional study with four distinctive review engagements to think about contrasts in reception of innovation among groups. Despite the fact that encounters were the essential wellspring of data, we also gathered data from a few discs, including working papers. The review groups talked with (10 interviewees altogether) work of an expansive outside review firm and were selected from a pool determined from the earlier by one of the company's accomplices. Since we were keen on reception challenges and empowering influences, we chose vast engagements in diverse commercial ventures to assess any uncommon problems in selection because of industry related components. The meetings were led by two scientists by means of up

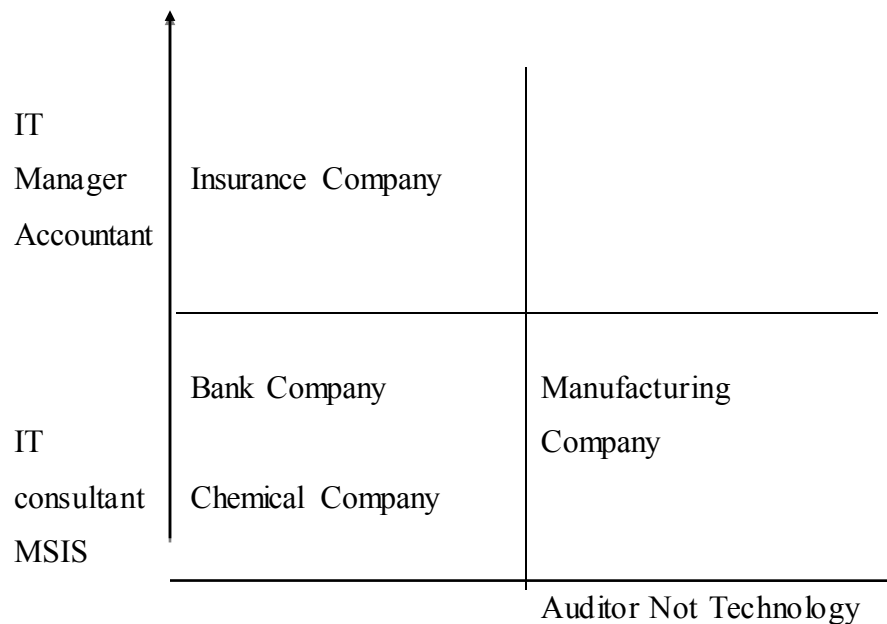
close and personal sessions when conceivable, or phone calls. The general inquiries concentrated on determinants of innovation reception and bunch connections. We used a semi-organized methodology, starting with an arrangement of inquiries that was handing out as suggested by the circumstances of the encounters. The encounters were taped and interpreted.

Characteristics of the different teams interviewed

The legal and IT advisors met had diverse foundations. While some of them had Masters degrees in Information Science,

others began their vocations in bookkeeping, and got to be occupied with IT subsequent to being prepared by the review firm. A portion of the review directors were keen on testing new mechanical apparatuses; they applied the product themselves, and went to instructional meetings when new devices found to be accessible (innovation adopters). Others were more hesitant to try new devices (not innovation adopters). Image 1 shows the business of the establishment being inspected and the attributes of the review supervisor and supporting group experts.

Figure 1: The attributes of the review supervisor and supporting group experts



Auditor Technology Adopter

Adopter

Cushing and Loebbecke's [13] spoke to the revaluation procedure in six primary exercises:

1. Pre-engagement
2. Arranging
3. Consistence testing
4. Substantive testing
5. Assessment details and coverage
6. Consistent exercises

Amid the first year of an engagement, the review procedure is unique in relation to consequent ones, because of an absence of learning of the customer's operations and the need to check extra data (e.g. Starting parities of records). None of the groups met were in the first year engagement. Afterwards, we reject first year exercises from the examination and concentrate on the arranging stage. These exercises include acquiring information about the line, preparatory estimation of materiality, survey of inward controls, and improvement of review system. Subsequent to the talked with groups were included in repeating reviews, every single of the examiners had past learning about the business and assessed materiality. On the other hand, the assembling organization had changed its ERP framework, which required additional

work. This issue was comprehended by including the measurable group, as will be talked about later in point of interest. With a specific end goal to survey interior controls, the reassessment form, possesses an organized path to deal with use support groups. Build 2 introduces this structure. Inspectors in this firm, take after review arranging formats with particular inquiries regarding the engagement that decides the need of including strength groups, for instance, PC review or measurable. At the point when regarded fundamental, the IT support group checks application controls of the customer's frameworks before the review group begins its evaluation. This check is more intensive when there are changes in the frameworks or controls for the earlier year. In one case the controls are found out, and the bolster IT

group reports their outcomes, the role of this group differs over the dates. The backup of

the criminological group requires spending plan and a solicitation from the review chief.

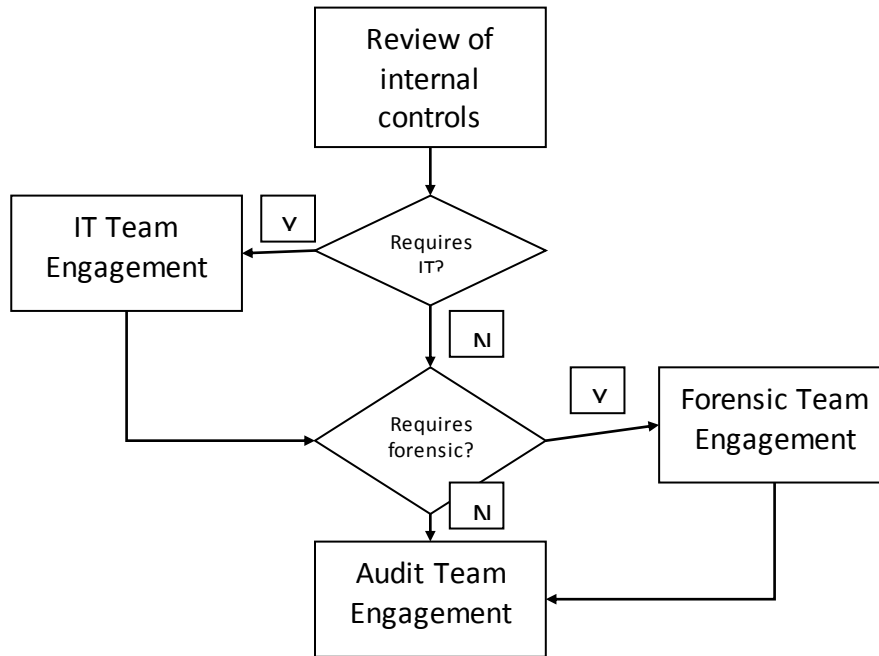


Figure 2- Audit teams participation in a typical audit

Table 1 delineates the business sort, review engagement attributes, and key programming utilization data for the four target firms.

Industry	Insurance	Chemical	Manufacturer	Bank
ERP system used	ORACLE	SAP	ORACLE	SAP
Characteristics of the conflict	Some vicinity year-round. Bolster IT group	IT Support group checks the inner controls before	The organization exchanged	Review group finds their work encouraged by the

	checks inside controls and works with evaluators all through the recapitulation.No dependence on the organization's inner controls; they create their own particular tests.	they commence the inspection. Reviewers don't ask for backing of specialized groups on account of their aptitude with review programming.	ERPs in this point.	client having an ERP framework since all the data is in the same source.More consistency in the data.
Use of word processor and spreadsheets.	YES	YES	YES Review supervisor at times inclines toward manual reports.	YES
Utilization of email and electronic record exchange	YES	YES	YES	YES
Utilization of review programming for data	YES J Diary extraction performed by the	YES Information extraction performed by the	YES Information extraction performed by	YES Information extraction performed by the customer with

extraction.	customer with script gave by examiners. Examiners utilize their own portable PCs..	customer with script gave by inspectors. The review group utilizes own portable workstations.	the customer with script gave by examiners.	script gave by evaluators.
Use of audit software for SOD	YES Information extraction done by the customer with script gave by examiners. The review group utilizes own laptops. Used as a constituent of a pilot SOD.	NO	NO	YES Different guideline based mistakes. Supervisors would not depend on the outcomes. Attempt not to hope to use later on. On the off chance that the inner review utilized it, they would determine their work just in the case that they could outline dangers with the monetary explanations dangers they are agonizing over. Can produce the same answer with different apparatuses.

Usage of software by forensic team	Not mentioned at all.	YES To test manual exchanges in their own server.	YES The review group connected with sound. They depend more on scientific than on any gimmick they can use themselves.	YES
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Determinants of technological tools adoption

The met review administrators are CPAs with a bookkeeping college degree and a normal of 4 years with the revue form. At the period when employed, they are not necessitated to have past frameworks learning. On the other hand, the firm has escalated preparing programs, and obliges inspectors to finish the relating module (s) before employing a special tool. At the period when new programming is introduced, it is transmitted to the examiners by means of electronic mail. Reviewers are allowed to opt whether to have the merchandise.

We establish that the exercise of those instruments relies on upon the attributes of the evaluator furthermore on the internalization of the backing groups. In the case that the evaluator is occupied with innovation, when those instruments are exhibited, s/he enlists in preparing or gets data about the advantages it would convey to the inspection. At the period when the evaluator is not an innovation adopter, utilization of new apparatuses is driven by the supporting group (IT). This relationship in the middle of IT and review directors is by all accounts more grounded than the basic recommendation of new mechanical instruments. The following tables present:

- In one of the groups, where the IT consultant had a bookkeeping foundation,

his workplace was more coordinated with the review group, and he teamed up to innovate and further access to the accessible instruments. He seemed to understand better what the inspector wanted and how to get to the apparatuses valuable by encouraging the entrance to them.

- In the other three establishments where the IT advisor had considerable experience with Information Science, the investiture of the bolster group was restricted to examining the customer's controls. In this circumstance (reviewer innovation adopter and support group with no review foundation), the review groups were more hesitant to utilize new instruments and restricted their utilization to spreadsheets, word processors, email and electronic exchange of accounts and records. At the dot when the review directors were innovation adopters, despite the fact that they had taken of the contents of the new apparatuses, the ware was not received because of the cost (time needed to actualize it effectively) and disposition (feeling that the results would not change regarding discoveries).

- When the review director was not an innovation adopter, he didn't respond to messages reporting new instruments and demonstrated no enthusiasm for deciding the favorable circumstances it would take. Despite the fact that this review administrator utilized spreadsheets, word processor, email and electronic exchange of books, he communicated his inclination for written by hand reports and text file

Reported issues faced by the audit teams

- All the review groups were worried with customer accumulation of the data. The path that the customer is amidst the data extraction process causes worry to the review groups, every one of the interviewees would incline toward autonomous information access
- One sample of the issues review administrators confronted identifies with the usage of review programming in administrative systems. Both groups met in this industry (insurance agency and bank) began applying the product to test for isolation of obligations (SOD). In this particular illustration, the skill in execution differed by the

relationship between the IT support group and the review group. The standard tenets installed in the product are proper for assembling organizations. Thusly, troubles were found when the reports demonstrated several infringement of SOD that were only identified with assembling rules.

- In the insurance agency, where the review chief was an innovation adopter and the IT expert had bookkeeping foundation, both groups got together in making the critical principles and examining the infringement to figure out which of them were because of genuine inward control insufficiencies. The murder was a win and they desire to expand the utilization of the product to different territories later on.
- In the monetary foundation, and so again, the review chief was an innovation adopter, yet the IT specialist had no bookkeeping foundation and little contribution in the review engagement. he review group connected the standard tenets, discovering many pointless infringement. Since there was

no IT association, they got themselves overpowered. They wound up shunning the product and depending on other confirmation. It presents the estimation that the IT expert was unconscious of the reviewers' needs, or that the review supervisors did not imagine that IT was required, since they could employ the devices without anyone else. Therefore, the critique group did not expose the product supportive, and opted not to use it once more. The review group trusts that particular measures (a custom-made methodology) would improve the outcomes and comfort of usage of the product, yet they don't think the exertion is good since they take in different distinct options to obtain the same effects. This finding connects the low degree of ease of use with expense and disposition factors.

Perspectives for the hereafter

Vasarhelyi et al. [15] used the adjusted Delphi system to anticipate the impact of modern changes in examining in the succeeding ten years, which will decide how the recap will be done and the level of training required for evaluators. One of the

key breakthroughs in that study is the need to go from the present testing based review of a model that incorporates constant observing of all exchanges, mistake reporting and immediate response. They talk around that the onward motion of such a review will diminish the time essential in picking out the risks, since outside inspectors will depend along the study of inner examiners, and permit more opportunity for illumination of the effects. They likewise imagine the use of XBRL-designed information to inspect comparative dangers among customers in the same job, and the use of assets such as sensors, biometrics and voice acknowledgment as apparatuses for assessing proof. In this way, the imagined review without bounds depends on modern devices, and obliges access to quality data.

Toward the close of the meetings, we received some info about what transform they require and how they imagine review sooner rather than afterward. Their answers can be dressed in the accompanying years:

1. Receive access to the customer's information autonomously. They cover that

measures must be conducted to guarantee the security and protection of the data. The interviewers don't anticipate that it will be anything but hard to win, even so they describe it as unitary of the principle concerns and an initial step important to ensure quality information with the mechanization of review imagined.

2. The improvement and upgrade of electronic working papers. As talked about in the general appropriation of programming, this need is identified with the innovative advancement of the chief. The executive program with minimal enthusiasm for invention, for example, finds that the entire group makes better results when they ask to peruse and chip away at the newspaper. His mechanical needs are constrained to exchange documents. By and large, in any instance, supervisors think that its accommodating to have electronic working papers to promote the creative activity, survey, stockpiling and exchange of records.

3. Training is supposed to be suitable by every one of the interviewees. However, they would acknowledge more formal

correspondences about accessible mechanical devices and additionally the applications, and focal points.

Seeing how they imagine review later on, the situation is like the one described in the previously stated study. All directors concede to the significance and regale of constant control, observing of all substitutions. On the other hand, in spite of the fact that they anticipate it will be performed, they believe it will require investment, since systems are currently concerned about the money related emergency and along these lines hesitant to create new ventures.

CONCLUSIONS

The audit service of ERP system makes the following possible: recording the events in a network-wide audit trail, detecting misuse or unauthorized activity, reviewing patterns of access and the access histories of individuals and objects, discovering attempts to bypass the protection mechanisms and discovering extended use of privilege that occurs when a user changes identity. The result of the

research suggests that the use of the new technologies will raise the quality of auditing system in the organizations. There is vast scope in research conducted about the ERP system and its impact on internal control. In our research we focused more on effect of ERP system on auditing time, cost and price. Auditors should also be properly trained about the ERP system as well as the accounting both. For effective and efficient auditing in the ERP environment, auditors should obtain an understanding of the systems, business processes, control environment, risk-response activities and internal control systems.

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