ONCEPTION OF ORGANIZATIONAL PREREQUISITES OF INTERNAL AUDIT IN THE PROCESS OF INSTITUTIONALIZATION OF INFORMATIVE ECONOMY

Abstract:

The article deals with systematization and analysis of the conceptual approaches to the development of control under current conditions. The author theoretically grounds the necessity of practical introduction of the system of internal audit to the management of the enterprises of a holding type and determines the directions of realization of «continuous» model of audit (AuditBot) at the enterprises through the intercommunication with the special software with due regard to restructuring of management structures in the conditions of informative economy. The author also investigates the question of the operative exposure of problem situations with the purpose of their solving, that requires the mobility of the Internal Audit Service in forming of the information about the degree of risks while carrying on business in an electronic environment. The choice of the most effective methods and technologies of the internal audit are influenced by the certain goals taking into account the activity type of a holding, environmental conditions and peculiar risks.

Background. Swift changes can be observed in the technologies of reception, transmission and treatment of the information, that gives an opportunity to the enterprises of a holding type to perfect the
technology of realization of operations, collecting of data, and also strengthens the requirement for standardization of management methods of information streams. Hereinafter, it is taken into account in the process of carrying-out of an analysis and control of the efficiency of the made-up decisions and revelation of tendencies.

**Analysis of recent publications.** Using the terminology of the institutional direction in the economic science, credit, as a base institution of financial markets, is intensively developing, and largely needs the formal specification in the world. The development of audit as a form of control itself is the display of institutional function of credit. As D. North notes, «systematic investment in the expansion of skills and knowledge, and also their application for the purpose of economic development conduces to the dynamic evolution of economy that generates changes in the list of institutional descriptions»\(^1\).

The approaches to the study of control depend both on the state of scientific thought in this area and on the level of practical application of the monitor system, that, in its turn, is determined by the socio-economic development of national economy.

Definiteness in the category of audit as a form of control will allow to trace its interconnections with mathematical, culturological, legal and other scientific fields, relying mainly on the interdisciplinary methodology. It will do possible the effective use of the developments of other sciences and scientific knowledge for the optimization of internal audit on the whole, for the understanding of its system character.

Human resources and their skill development play the key role in the transition to the universal informative society. Such society needs not only people with general computer skills who would easily use information technologies in the various everyday activities but also

---

technical specialists and experts.

Co-operating with the state through a portal or substructures, managing subjects would get possibility to simplify and optimize the internal processes. If government bodies substitute the paper technologies of work by electronic ones, they will seriously give the enterprises to understand, that it is necessary to transfer to digital basis of business operations. In addition, the internet is ideal means to present as good as possible any city, region or country for bringing in foreign investments.

A government must act as a helper, organizing on-line reference business-books and informative clearing houses or, create technical web-systems, which help suppliers and customers to find each other in the whole sectors and industries of economy. The influence of a state in the process of institutionalization of informative economy, according to A. Supiot, «suggests to differentiate adjusting and regulation, as two sides of one process, which have different maintenance»

The purpose of the article is the study of the theory, methodology and practice of internal audit in the process of institutionalization of informative economy. The foundation of the institutional approach is the statute that audit activities have certain institutional registration and should be examined with due account for the influence of different social, legal, political, economic and other institutes.

In a general view institutes are a totality of rules and norms of an informal character, by means of which the basic limitations and forms of realization of social activity are defined.

The necessity of application of institutional methodology to the research of public audit activities is determined by the fact that the development of internal audit assumes the institutional registration of

the processes of the professional adjusting, first of all inside of a public accountant concord.

**The main material.** The development of information technologies (IT), their deployment in the systems of financially-economic management of enterprises opens possibilities for the realization of a fundamentally new model of audit for holdings – the model of «continuous audit». The principle, which lies in the basis of the realization of this model, is simple enough: the software of the financial additions which are used functions in intercommunication with the special software that realizes the functions of continuous audit (such systems are named «AuditBot»).

So, John Fogarty, the national director on insurance of auditing firm Deloitte & Touche, considers that «the access of public accountants to the information of their clients is regulated due to the development of IT. It raises chances in the revelation of swindle, increases the role of public accountants in the evaluation of management of risks and means of control, allows to analyse more precisely, investigate and design results with the purpose of revelling possible financial problems. It will give public accountants an opportunity along with collecting of the facts of disparity of registration data to have the possibility to study the efficiency of internal means of control more substantially and, that is more credible, to transfer to such a model where the control will become the direct object of audit. Moreover, the development of IT and the forms of on-line work of accounting systems will give public accountants the possibility to transfer to the continuous audit, carry out the permanent verification of transactions and reveal the violation of the set rules»³.

AuditBots will examine every operation conducted in the modules of MIS for compliance with the specially set rules and limitations. These rules must be programmed in advance, for example by the internal or external public accountants of a holding. If the program of continuous audit reveals the violation of the set rules, it informs the top management by means of a warning report.

Public accountants are possible to participate in committees and conferences of a managerial apparatus, without the right of voting and decision-making. An expert in the audit of investments participates in the committee meetings in investments; the leader of the service – is the permanent invited member of the board. It allows public accountants to be engaged in the process of discussing and decision-making. In the course of conducting an audit of corresponding processes they don’t have to squander time on the analysis of problem areas. It promotes the efficiency a public accountant’s work, does his estimations more professional and reasonable. The use of AuditBots will allow to replace the traditional financial verifications, which are usually carried out at the end of a month, a quarter or a year, by a permanent control, the realization of which, however, does not eliminate the possibility of the realization of a single-time complex verification which can be carried out at any appointed time.

A new paradigm determines a continuous audit as a model which allows a public accountant to give the continuous estimation of a controlling risk by means of the permanent stream of the analytical auditing information on a selected subject. It is envisaged that in the correctly organized and technically provided environment of continuous risk management the discreteness of auditing projects and reports will approach a zero, and speed of updating and volume of information – to endlessness. Consequently, the optimization of the seven types of temporal and resource losses in audit is envisaged, and namely: of the
time of expectation of information gathering, of the delay and violation of terms, of information analysis, of the process of audit, of results, errors and additional work.

Providing of authenticity of financial information at enterprises under conditions of functioning of ERP- systems (Enterprise Resource Planning) requires the use of the fundamentally new approaches to the audit of financial information, whereby the verification of its authenticity is carried out by way of verification of operational efficiency of internal audit departments. It allows carrying out the continuous monitoring of the whole process of organizing of the financial information for forming of the financial statements which are used.

The model which deserves attention is that of triple-passage defence. According to it managers of the first line bear responsibility for the means and methods of control. The second line is responsible for risk management and EMS (Element Management System). It represents managers who manage financial and operating risks, and different supervisory committees.

Internal audit presents the third line of defence, the task of which is the verification and control of the first and second lines. Internal audit does not depend on the second line, but at the same time the general result of their work is providing of the integrated model of safety and firmness of management system of a holding.

According to the model of COSO Internal Control - Integrated Framework the internal control system consists of 5 interconnected components, each of which concerns all categories of business goals:

- control environment;
- risk assessment;
- control activities;

---

4 Sarbanes-Oxley Act of 2002 (July 30, 2002) // Public Law № 107-204, 107th Congress of the USA.
The model of COSO was especially important, as the emphasis in it is laid on the responsibility of the enterprise management for the state of control. Internal control is the process carried out by the highest structural level of a holding by means of achievement of such aims:

- the expediency and financial efficiency of work;
- the authenticity of the financial reporting;
- the observance of laws and requirements of regulation organs.

In October, 2004 a new design of COSO was published – a model of risk management of a holding by the Committee of Sponsoring Organizations of the Treadway Commission. It united in itself both the components of the system of internal audit and components of the system of risk management (Fig.1).

![Diagram](image)

Figure. 1. The organization of the system of internal audit with the use of the COSO model

Within the framework of Section 404 of the Sarbanes Oxley Act
which operates in the USA [4] the aim of any project must be providing of the authenticity of submitting of the financial reporting. A risk is an event or a condition which can negatively affect the abilities of an organization to prepare the timely and reliable financial reporting. The estimation of risks is inseparably associated with the above-described process of the estimation of the quantity of work on the project.

**Conclusions.** Other conditions being equal internal audit is more justified at the vertically and horizontally integrated holdings, which require the use of the ERP class systems and possess large financial resources, difficult functional and operating structures of management, and, accordingly, have high risks.

In the report at the United Nations Conference on Trade and Development in regard to informative economy it is marked that «technological progress and innovations are long-term motive forces of the economic growing»⁵. On condition of global economy which assists in the development of innovative activity in a technological sphere, in the countries which are developing, it is important to lay strong bases for forming of their potential concerning acquisition and generating of knowledge and technologies in favour of the use of the possibilities. They are opened due to globalization, and contribute to the solution of the global problems which arise.

The mechanisms of the internal balance of interests substantially depend on the state of the environment. Moreover, it is possible to assume that the balanced system of corporate management can exist only in the presence of the balanced and resistant environment. At these terms, such mechanisms, as organization and adjusting of audit activities, in the process of institutionalization of informative economy

---

are the mechanisms of fine adjusting.

Consequently, the creation of possibilities for wide distribution of EISS in key industries is an essential factor for the successful development of the system of internal audit in the process of institutionalization of informative economy.

Bibliography:


Sarbanes-Oxley Act of 2002 (July 30, 2002) // Public Law № 107-204, 107th Congress of the USA.