

A Study on Audit Information Systems improved model based on public internal audit paradigm shift

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Abstract Existing internal audit activities are usually carried out mainly post-caught closer to the known risk or in the fragment inspection of the specimen. In addition, the main focus of the audit has been made with a focus on intellectual and control. Thus there was a side that lack acceptance of the results of the audit and not consistent with the needs of internal customer about it. Therefore, in this study, after analyzing the changes in the paradigm of internal audit of public companies, to try presenting the improvement model of audit information systems that support the trend of recent audit (such as efficiency improvements and consulting of business processes).

Keywords: Internal Audit, Risk, Audit Paradigm, Audit information system, specimen

1 Introduction

Most of trade barriers between countries have been collapsed along with correlation of national economy is being increased in recent rapid changing management environment, and with fast information distribution through SNS the expectation level of customers is increasingly getting higher and more complicated. Therefore, the focus on audit function of domestic public corporation is being changed from the audit of analyzing or disclosure of past transaction practice to futuristic audit so that they can raise overall business ability through business process improvement. Also, the interest of many companies in internal audit is being increased every day, with developed internal audit skills being initiated by many multinational companies advanced to Korea. And the internal audit of public corporation, as an economic subject which operates management activity on behalf of government in achieving governmental policy goals, is a serious task for public corporation and government in its appropriate mission to help it achieve management goal by strengthening its role and ability, considering the importance of its gravity which directly connects to enhancement of national competitiveness and welfare increase of national people. Therefore, in harmony with this flow, this study is going to suggest a new audit information system model matched with information age in which company's major assets are organized

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with intangible knowledge information, as an efficient applying plan of audit resource, based on the point that audit scope and workload are being expanded, but, audit resource is limited, after comparative analysis of operation and audit paradigm conversion of public corporation internal audit system among domestic companies.

2 Related Researches

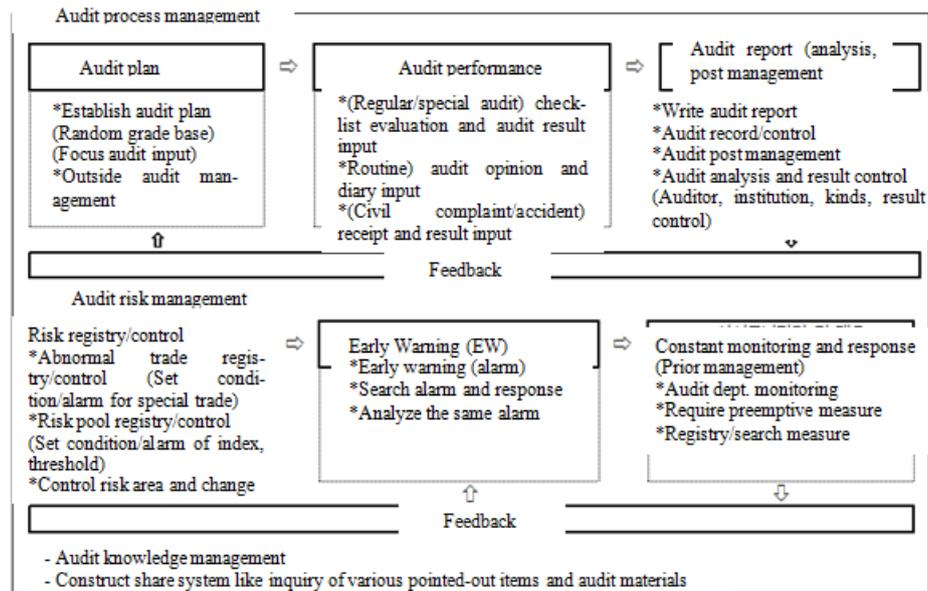
Internal audit is an important part in internal control system which monitors management and business inside an organization in an independent and objective position. In particular, as companies become larger with complicated business, it includes the function to check how instruction and plan of management are being executed and to point out and suggest a solution when the result deviates from such instruction and plan [1]. According to the Institute of Internal Auditors (IIA), it is “an independent and objective assurance and consulting activity designed to improve operation of organization and add value“. It specifies that this activity helps organizations achieve its goal, by applying systematic access in order for organizations to improve and evaluate efficiency in risk management, control and governance course [2].

According to internal audit standard established by U.S IIA (The Institute of Internal Auditors) internal audit is classified by 5 types [1][4]. On the other hand, according to the benchmarking material of IIA, it ‘evaluates conformity of laws/regulations’ for the role of internal auditor, and in case of domestic public corporation, it is 93%, almost identical to 92.4% in foreign companies, and in ‘risk assessment’, it is 67% for domestic public corporation, showing much difference from 93.2% in foreign companies, relatively a very low in interest in risk diagnosis in internal control system. As for the item ‘in-house consultant of business operation improvement’, domestic public corporation was 80%, and foreign companies was 86.3%, and for the item ‘in-house consultant for financial business’, domestic public corporation was 50% and foreign companies were 66.8%. And as for the content of audit business, it shows interest more on revealing of corruption and regulation compliance than foreign companies, and allots very little audit resource to audit on information technology (IT), which means that the role of internal audit focuses on revealing of corruption and regulation compliance, rather than risk management such as internal control risk diagnosis [1][3].

3 Audit Information Systems improved model

Audit information system improved model intended to increase the efficiency, transparency, and timeliness of audit, compared with existing Eye-Check type, by building computer system for entire stages of audit plan, audit performance, and audit report through IT technology, and by introducing a risk scoring system, it can designate preferential target of audit with 3 stages (Low, Medium, High) or 5 stages (1~5 level) according to classification of risk level for the target department. And, it is available to take prompt response measure against abnormal transaction and frequently revealed risk pool by automatic detection and notice through constant monitoring. Also it can share know-how of audit accumulated by auditors, by reflecting Knowledge-

based Audit, a recent audit paradigm. And it can perform audit of the area in which manual audit was impossible, by using Computer Assisted Audit techniques (CAATs) through in-depth analysis on the audit unusual and escaping from existing audit area and specific sign or trend, and introduction of whole audit conception through mass data handling.



4 Conclusions

This study suggested an audit information system improved model upon conversion to a recently evolving risk-based and knowledge management-based audit. A model construction suggested by this study is not a completely new area, but the area which is somewhat recognized and included in audit process. However, it is expected that it will be used in building high quality internal audit execution base which increases the completeness of audit system re-establishment and risk-based audit information system operated by each institution, and promotes innovation of audit process aiming at internal/external customer satisfaction and achieving the goal of organization management.

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