

THE IMPACT OF AUDIT MISSIONS ON THE I.T. DEPARTMENTS OF TARGU-JIU S.N.L.O'S SUB-UNITS

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Abstract

The on - site intervention stage has resulted in field testing of all the auditor's actions, based on the „ On- site intervention done, centered on a fixed schedule”, using various sampling techniques, check lists, tests, interviews and relation notes, items that have constituted audit samples and are the foundation for the FIAP and FCRI documentations, and which will be part of the auditor's report on the „ Organization and functioning of the IT departments in the S.N.L.O sub-units”

Key words: internal audit mission, FIAP, FCRI, S.N.L.O, sub-units audit missions

JEL Classification: M42

1. Introduction

Having a great importance in any organization, the internal audit is an independent and objective activity that ensures the company on the degree of control over all the operations, it guides it for a better fulfillment of the operations and it has a large contribution in giving a plus of value to the entire organization.

Therefore, in order to help the company attain its goals, evaluating the processes that take place in the I.T. department, trough a systematic and methodical approach, the internal audit within S.N.L.O later on offers proposals on how to consolidate its efficiency.

The internal auditors have knowledge of the main risks, of the IT controls and have at their disposal auditing techniques as to carry on with their designated activity, their mission, competences and responsibilities being defined in an official manner through a regulation approved by the Council, in accordance with their standards.

2 . Research methodology

Regarding there search methodology, it will make a presentation so everybody who read this material should be able in an easily way to understand the content of the paper and how it was done.

Research can define a complex search process that aims to final methodological improve of their knowledge, but also of others by identifying new facts and visions. To be successful in researching, one important condition is to bring new information in the investigation.

Scientific research can be defined as a process of knowledge enrichment can be achieved through a careful and objective observation, investigation and experimentation aimed at the identification and interpretation of new information.

This approach follows the scientific literature presenting a brief summary of existing national and international expert in the field.

Our scientific approach is based on descriptive research because we achieved such goals

Case study Order of Employment

In accordance with the Laws no. 672/2002, concerning O.M.F.P's public internal audit, no. 38/2003 of endorsement of the methodological norms regarding the exertion activity of the internal audit, according to the general manager's order no. 1024/2003, through which the norms of the exertion of the activity of the internal audit within public companies and the Internal audit plan for 2011 were approved, thus the internal auditing mission for the I.T. department will take place between 01.06.2011 – 17.06.2011.

The reason for the audit mission is to bring reinsurance regarding the I.T. activity found in S.N.L.O's sub-units and of the conformity with the legislative, respecting the norms, being structured on the following auditable domain:

The organization and functioning of the IT Department

We wish to mention that an audit of the compliance of the manner in which the activity of the IT department in S.N.L.O's sub-units is organized.

The internal auditing team is composed of:

1. Damian Ion;
2. Radulea Geo.

Internal audit Coordinator

NOTICE REGARDING THE START OF THE INTERNAL AUDIT MISSION

To: All S.N.L.O sub-units

From: The Internal Audit Department Coordinator

Concerning the internal audit mission “The organization and functioning of the IT department in S.N.L.O's sub-units”

Destined to all S.N.L.O's sub-unities

According to the Audit Plan for 2011, between 25.01.2011-17.04.2011 a mission is to be developed concerning the theme of 01.06.2011 – 17.06.2011

We will subsequently contact you in order to establish through a jointly agreement the opening meeting concerning the discussion of the diversity of the audit's mission, encompassing:

- presentation of the auditors
- presentation of the main objectives of the internal audit mission
- on the scene intervention program
- the goal of the internal audit mission
- other aspects
-

For a more coherent comprehension of your activity, please make available the following documents, regarding the activity of the information technology: the laws and settlements which apply to your activities, the organizational chart of your directorate, the regulation of organization and functionality, the job description, the written procedures which describe the tasks which have to be fulfilled on your business line, a copy of the activity report, notes, previous audit missions which make a reference to this theme.

If you have any questions concerning the deployment of the mission, please contact mister Popescu Sorin, auditor, the mission coordinator or the head of the internal audit structure.

Best regards,

Date: 10.01.2011

The Internal Audit Department Coordinator

DATA COLLECTION

Audit Mission: The Information Technology
 The audited period: **2008 - 2010**
 Elaborated by: **Damian Ion/ Radulea Geo**
 Counselee: **Decebal David**

Date: 10.01.2011
Date: 10.01.2011

DATA COLLECTION			
DIRECTORATE OF THE INFORMATION TECHNOLOGY	Yes	NO	Observations
Identification of laws and regulations applicable to the audited structure/company	X	-	
Obtaining the organizational chart	X	-	
The attaining of the Organizational and Functionality Regulation	X	-	
Obtaining of the job descriptions	X	-	
Obtaining the written procedures	-	X	It exists only partially
The identification of the responsible personnel	X	-	
Obtaining a copy of the previous Internal Audit rapport	-	X	Previously there have been no internal audit missions attained over the information technology at the level of public entities.

The Checklist
*Objective- The Organization and Operation of S.N.L.O's sub-unites
 I.T Department*

No. crt.	AUDIT ACTIVITIES	Yes	No	OBS.
2.1.	<i>Assessment of the organization and functionality of the IT department:</i>	-	-	
	The validation of the degree of coverage through the procedure of activities regarding the organization and functionality of the IT department:	-	-	
	a. The elaboration and approval of procedures by the apt personnel;	-	-	
	b. The employment of the procedures in the activity in progress;	-	-	
	c. The assessment and systematic actualization of the procedures;	-	-	
	d. The compliance of procedures with the legal framework in force;	-	-	
	e. The determination of the apt personnel's responsibilities on the existence of an adequate procedural framework;	-	-	
2.2.	<i>The attributes' comparison encompassed in the job description with those of the procedures and the assessment of the take over's completeness of these features.</i>	-	-	
2.3.	<i>The assessment of the knowledge on the procedure by the responsible with the fulfillment of the activity</i>	-	-	
2.4.	<i>The appreciation of the procedures' quality by their responsible:</i>			
	a. Do they consider the corresponding procedures?	-	-	
	b. Do they observe the malfunctions that appear during the practical application?	-	-	
	c. There are proposals for products' improvements.	-	-	
	d. The manner of solving the proposals for the procedures' improvement.	-	-	

No. crt.	AUDIT ACTIVITIES	Yes	No	OBS.
2.5.	<i>The organization of the IT department</i>	X		
	a. Confirmation of the organizational chart of the IT department	-	-	
	b. Confirmation of the apt personnel for the approval of the organizational chart	-	-	
	c. The audit's analyses of the IT department's organizational chart:	X		
	- Total number of management positions;	X		
	- Number of management positions occupied with delegation		X	
	- Total number of operating positions	X		
	- Number of vacant operating position		X	
	d. Evaluate the demarches achieved by the IT department for the filing of management positions		X	
	e. Analyze the consequences of the functionality of the IT department through the delegation of head personnel		X	
	f. Evaluate the leadership's preoccupation regarding the filling of the operating positions	X		
	g. The existence of an implementation plan of the necessary measures destined to ensure a good deployment of the activity, in case of a large number of vacant positions.		X	
	h. Analyze the endowment of the department with adequate hard and soft equipment for the deployment of the specific activities as such:	-	-	
	- A sufficient number of personal computers adequately equipped	-	-	
	- A sufficient number of servers	-	-	
	- A sufficient number of auxiliary equipment (printers, copiers, scanners, intra-net/ Internet connections)	-	-	
	- IT adequate programs	-	-	
	i. Verify the existence of a person responsible with the monitoring of the manner of development of the department's specific general objectives	-	-	

Date: 03.06.2011

Internal Auditor,
Damian Ion

Supervisor,
Decebal David

TEST

Audit Mission: IT Audit

Audited period: 2008-2010

The test's object

The organization and functionality of the IT department

The test's objectives:

- The relation between the leadership position- operative

Description of Test

S.N.L.O's IT department has 4 functional services. The sample will be constituted of the entire population, thus 100%, because there are a reasonable number of services.

The assessment consists of verifying at the IT department's level the elements established by the Checklist:

- The analyses of the IT department's organizational chart:
- Total number of leadership positions
- Number of filled management positions
- Total number of operating positions
- Number of vacant operating positions
- Verify all the measures taken by the IT department for the filling of the management positions:
 - Number of organized exams for the filling of the positions
- Number of requests towards the Human Resources department for the organization of the exams

- The consequences of the development of the activities within the IT department through the delegation of the leadership function will be analyzed
- The sum of all requests forwarded by the departments which benefit from the IT services;
- The situation of the IT sub-systems still unimplemented for the planned date.

Analyze the management's preoccupation for the filling of the operating positions;

- Number of exams organized for the filling of the vacant positions
- Number of requests to the Human Resources department for the organization of the exams.

 The existence of an implementation plan of necessary measures destined to ensure the good development of the activities in case of a high existing number of vacant positions.

As a result of the testing activity the Control List, regarding the organization and functionality of the IT department of S.N.L.O's subunits "EC Rosia", has been elaborated.

Findings

After the analyzes of the manner of coverage of the necessity of the human resources of the IT's department, we have come to this finding

Based on the high number of vacancies at this date and the exaggeration of the personnel's usage of the delegation in concern to the exertion of the leadership function, the personnel is obligated to fulfill its duties as a result of the delegation, but also the current obligations of the job, fact which affects the performances which could result from the fulfillment of the main activity.

Furthermore, it is observed that there has not been a daily keeping of the Register of the history and potential of these, which could have effects and consequences; moreover the internal audit activities have been anticipated in order to limit or even eliminate the risks.

Conclusions

Having these in mind a chart will be established so to identify and analyze the problem. (FIAP)

Internal auditor
Damian Ion

Supervisor,
Decebal David

Control List

With regard to the organization and functionality of the IT department

Nr. crt	Tested elements Sample	The analyses of IT department's organizational chart				Evaluate the demarches established by the IT department for filling the vacant positions		Analyze the functionality of the consequences of the IT department with delegated leadership personnel		The existence of the preoccupation for the filling of operating positions		The existence of an implementation plan of the necessary measures meant to ensure the development of the activity in case of the existence of a high number of leadership positions and/or operating vacancy
		Total number of leadership positions	Number of positions occupied with delegation	Total number of operating position	Number of vacant operating positions.	Number of organized exams for the filling of the vacant positions	Number of requests to the Human Resources for operating organization	Number of notifications to the department, beneficiary of the IT services	Number of IT sub-systems unimplemented on time	Number of exams organized for the filling of vacancies	Number of requests to the Human Resources for organized exams	
1.	<i>Editing service and the development of the multimedia application.</i>	3	1	12	4	FIAP		X	X	FIAP	X	FIAP
2.	<i>Data communication service</i>	1	0	9	5	FIAP	FIAP	X	X	X	X	FIAP
3.	<i>Equipment exploitation service</i>	1	0	10	3	FIAP	FIAP	X	X	X	X	FIAP

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Nr. crt	Tested elements Sample	The analyses of IT department's organizational chart				Evaluate the demarches established by the IT department for filling the vacant positions		Analyze the functionality of the consequences of the IT department with delegated leadership personnel		The existence of the preoccupation for the filling of operating positions		The existence of an implementation plan of the necessary measures meant to ensure the development of the activity in case of the existence of a high number of leadership positions and/or operating vacancy
		Total number of leadership positions	Number of positions occupied with delegation	Total number of operating position	Number of vacant operating positions.	Number of organized exams for the filling of the vacant positions	Number of requests to the Human Resources for operating organization	Number of notifications to the department, beneficiary of the IT services	Number of IT sub-systems unimplemented on time	Number of exams organized for the filling of vacancies	Number of requests to the Human Resources for organized exams	
4.	<i>Analyses, projection and programming service</i>	3	2	14	3	FIAP	FIAP	X	FIAP	FIAP	X	FIAP
5.	<i>Computer networks service</i>	1	0	9	2	FIAP	FIAP	X	X	X	X	FIAP
6.	<i>Synthesis-development service</i>	1	0	11	6	FIAP	FIAP	X	X	X	X	FIAP
7.	<i>Technical assistance service</i>	1	0	10	4	FIAP	FIAP	FIAP	X	X	X	FIAP

Internal auditor,
Damian Ion

Supervisor,
Decebal David

CHART OF IDENTIFICATION AND ANALYSES OF THE PROBLEM

Audit mission: *IT Audit*

Audited period: 2008 - 2010

PROBLEM

High number of operating vacancies and a high number of management positions with delegation.

FINDING

As a result of the high number of vacant positions at this moment and the exaggeration of the personnel's usage of the delegation, in concern to the exertion of the leadership position, the personnel is obligated to fulfill its employment duties which are the result of the delegation, but also the current tasks from the main position, fact which affects the performances which issue from the fulfillment of the main activity.

CAUSES

- The lack of a strategy at the level of the public entities for the filling of vacant positions and mostly those of management;
- The lack of procedures for the vacant positions and for delegating the management positions

CONSEQUENCES

- The activities within some departments cannot deploy at the optimal parameters
- From the analyses of this situation within the public structure/ company result frequent delays concerning the implementation of different applications, shortcomings of the final tests at the specified date, the failure to convey the periodical monitoring reports
- It results from practice that the delegated personnel does not always have the same implication level for solving problems which could appear, as the post-holders.

RECOMANDATIONS

The elaboration of written and formalized procedures through the substitution of the vacant positions and the delegation of management functions as well as the establishment of responsibilities for the elaboration and the updating of these procedures.

- The conception of a professional training program for the leadership delegated personnel at the level of a public company.

Elaborated,
Damian Ion

Supervised,
Decebal David

For compliancy
Panoiu Silviu

Thus, we conclude:

The fulfillment of the audit mission implies covering specific procedures and documents on the four stages presented by the general norms.

During the internal audit's preparation stage the documents elaborated by the general norms, some clarifications being made, especially to the manner of development of the Risks' Analyses, the documents' succession, the structure and manner of completing them, the level of appreciation and division of risks, their classification and ranking with the goal of finalizing the procedure, based on which the *On the Scene Intervention Program* will be concentrated, have been elaborated.

The next stage includes the on the scene testing of the audit operations, based on the On the Scene Intervention Program, through the usage of the diverse techniques of sampling, checklists, tests, worksheets, interviews, relation notes, elements which constituted in auditing testimonies and which formed the base for the FCRIs that will be included in the report.

In the elaborating stage of the Internal Audit Report, the aim follows a structuring of it on the *Detailed Thematic of the audit's mission* which is obtained through the procedure of the *Risks' analyses* and the transfer of the FIPAs and FCIRs in a standardized manner so as it could be utilized by the management factors.

- In the stage of following the recommendations besides the documents established by the general norms there have been recommended a few models of documents for the internal and external evaluation of the internal audit activities.

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 - ❖ Legea nr.672/2002
 - ❖ OG nr. 37/2004 și aprobată de Legea 106/2004
 - ❖ **Ordinul Ministerului Finanțelor Publice nr. 38/2003 modificat și completat prin Ordinul Ministerului Finanțelor Publice nr. 423/2004 pentru aprobată Normelor generale de exercitare a auditului public intern**

Partea I din Normele generale de exercitare a auditului public intern, aprobată prin OMFP nr. 38/2003