

RESEARCH ARTICLE

The Financial Audit in the Context of Information Systems

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Abstract

In the performance of financial audit there is an important amount of information and also their collection in real time, so that the audit work could be carried out with full responsibility on the basis of faithful and true documents. Article compares the data collection for the original and the new audit system, which should help to the effectiveness of the management and control of resources in the public sector.

Keywords: *Financial audit, Financial information system, Local government, Successful implementation of audit.*

Introduction

For effective management in the public sector the quality of financial information is important. The role of public sector accounting is to provide a database of relevant information, necessary for the management of public finances and the need for presenting results of operations of our country within the European Union.

Characteristics of the Financial Audit

The financial audit assesses whether the financial statements in the audited entity correspond to the actual state of assets and liabilities, sources of financing and the management of assets, compliance with the budget of the audited entity. The aim of the audit, is that auditor evaluates whether the data reported in the financial or statistical returns faithfully show the status of the assets and liabilities of the audited entity and the level of management of the assets, as well as the process of budget management. It assesses the level of their accounts, purposive use of financial resources from the state budget, their economical use. [1]

Auditors are required to be able to know all the technologies at a particular time and space and thus they could meet the basic objectives of the audit. To achieve the objective of a financial audit, assessing internal controls, financial, accounting, budgetary and other nature is essential in particular.

This means in practice, that the auditor should assess:

- The level of implementation of the preliminary, ongoing and subsequent financial controls of operations during the accounting processes. Preliminary financial control must be verified for all accounting operations.
- Contents of issuing of the internal management acts in the field of accounting and budgeting from the point of view:
 - In compliance with applicable laws and elimination of risks and illegal practice and compliance with these procedures by responsible employees within the during the accounting process,
 - Levels of adjustment procedures in this document, ie, the extent to set up control mechanisms in these processes enables effective control during the accounting process to control risk would be minimal,
 - Overall work organization and deployment of human resources in the budget and accounting (such as number of employees, their qualification, experience, education and so on.)
 - Systems used in this field and their compliance with applicable law (such as a change of norms). In public organizations within the integration process, this problem is very timely,
 - Truthfulness, clarity, provability, completeness and rationality of accounting records.

In the performance of financial audit is important its extent and the collection of information in real

time in the context of budgeting - accounting. Basic system of information on the reporting of current and future economic phenomena that is found, reflected in the accounts - it is budgeting.

The budget represents:

- Basic financial plan for the creation and use of funds,
- Recruitment plan and spending of funds for a specified period of economic,
- Fund of funds.

It's medium-term economic instrument of financial policy of the state. It is compiled annually for 3 financial years. The budgets of local governments, budgetary and contributory organizations expressed therein autonomy of management, which reflects:

- Financial relationships of the municipal budget to budget organizations,
- Financial relationships to legal and natural persons,
- The financial relations between the budgets of different levels of local government.

Thus, the financial system is based on income and expenditure and therefore not entirely consistent with the accounting system, which is based on the basis of income and expenses. Therefore, there is a need for a comprehensive solution of the budgetary, its modifications, as well as for the administration of the programming budget. Collection and transmission of data from government entities is one of the elements to ensure the effectiveness of the control of expenditure and the possibility of efficient management.

The new project, guaranteed by the Ministry of Finance provides a significant improvement of IT support budgeting for both local self-government bodies without its own information system, as well as for those municipalities that use their own economic system for establishing and managing the budget, the new project improves the functionality of the systems that do not fully cover the responsible staff requirements involved in financial management.

New financial information system (financial information system - local government) from 2015 onwards to replace the current system AZU (automated data collection), which comprise the financial statements FIN 1 - FIN 6 and is Actual

for one year. As FIN statements are part of the final accounts (for accounts), the new system assumes streamlining of data collection and processing and thus time saving. The financial statements (FIN) are prepared through of Ministry of Finance of the Slovak Republic that is establishing the arrangement, content definition, method, date and place of submission of accounting of information and data necessary for the evaluation of performance of general government budget.

Division of the statements is as follows:

- Financial statement, which is a statement of FIN 1 on the implementation of the budget and unbudgeted movements on subject of public administration
- Statistical reports are as follows:
 - Statement FIN 2 on selected data on assets and liabilities of the subject of public administration,
 - Statement FIN 3 of increase / decrease of financial assets and financial liabilities by sector,
 - Statement FIN 4 on the breakdown of financial assets and financial liabilities by sector,
 - Statement FIN 5 on loans, issued bonds, notes and financial leasing entity of public administration,
 - 6 FIN statement on the status of bank accounts and obligations of municipalities, higher territorial units and the budgetary organizations established by municipalities, higher territorial units.

The New Financial Information System for Local Government

The new financial information system for local government is a comprehensive solution to support of the budgetary and its modifications, as well as the administration of the program budget. The project is guaranteed by the Ministry of Finance (MoF) and the Association of Towns and Municipalities (ZMOS), and the system provides a significant improvement in IT support budgeting. If a city, or municipality currently uses its own information system, which fully meets the needs of financial management and administration of the program budget, they will be able to use the automated transfer of data from the old system to the new, by the free application delivery. In this case there will be no duplication of work performed, as they continue to use its information system and interconnection to the new information system will be automated.

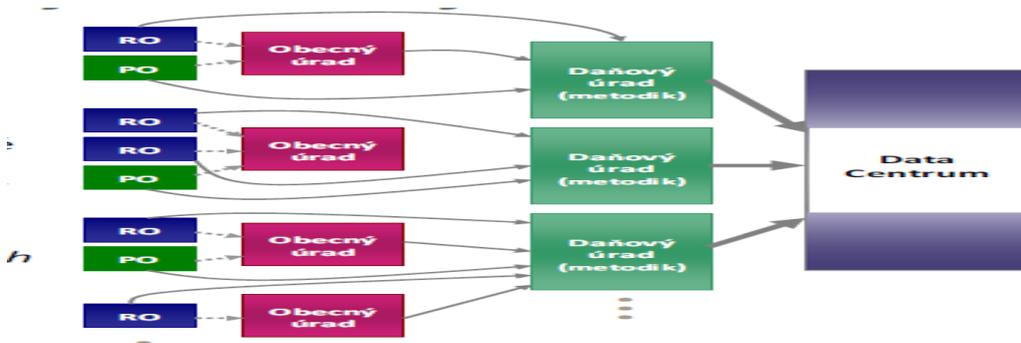


Figure 1: Financial data collection before the implementation of the new information system.

Source: LÍŠKA, M.: Financial information system for local government, [2,p. 6] Collection of budgetary data as a basis for an information system to audit simplified version shown in

Scheme No. and Figure 2, data collection according to the new information system

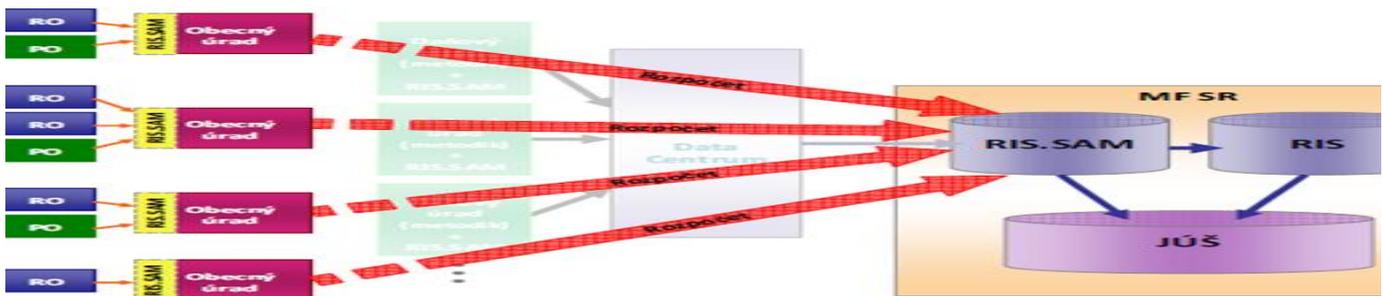


Figure 2: Data collection according to the new information system

Source: LÍŠKA, M.: Financial information system for local government, p. 11

The benefits of this system are formulated as follows:

- Simplifying and clarification of work of budget information for users at all levels of governance,
- Easy to work with a single information system, which does not require specific IT skills
- Maintaining autonomy in the use of existing local economic information systems
- Guarantee of compliance with legislative requirements in budgeting in due time,
- Free incorporation of all the methodological changes in the system,
- Free of charge to connect in to the communicational and technological infrastructure of the Ministry of Finance of Slovak republic and the system itself,
- User support, provided by experts in the Support Center DataCenter of users, the Ministry of Finance of Slovak republic organization, which manages the information systems of public finances and provide support to users,
- Support of program budgeting (creating the program structure, defining objectives, measurable indicators, production monitoring and evaluation reports).

The new information system has several key features that guarantee its suitability for local government:

- Support for budgeting at the city level, municipalities and their subordinate organizations,
- Design and approval of the budget, budget adjustments, recording drawing, program budget,
- Manual entry or import of data,
- Central Administration application integration to third party systems,
- Secure operation through a communication line to KTI Data Centres,
- Outputs for reporting, print reports,
- Clarity, intuitive, user support, free training,
- Common project of MF SR, ZMOS and the Union of Slovak Towns.

The Successful Implementation of Audit

An audit is a systematic process of obtaining an independent evaluation and evidence on tendencies relating to economic transactions and events. Its aim is to assess the degree of consistency between the claims and pre-established criteria, as well as

the distribution of the results with the responsible individuals [3].

The financial audit is the audit of financial statements, namely auditing of financial statements to determine, whether the data in the reports accurately show the condition of assets and liabilities of the audited entity, level of the management of the assets, as well as the process of budget management in this case in state and local government.

As the state and public administration are connected to the state budget, it follows that manage public funds, so it is necessary to carry out a financial audit of these organizations by the State. The basic rule which governs the area of financial audit in Slovakia, is Act no. 540/2007 Z.z. on auditors, audit and supervision of auditing, as amended.[4]

The general principle of the audit is that the audit should be carried out with the approach of professional skepticism. This means that the auditor must be able to recognize that there may be circumstances that could cause that the financial statements will be seriously wrong, or there may be seriously unusual transactions.

In the performance of financial audit it is important its extent. The audit should be planned and performed to obtain sufficient, reliable and relevant audit evidence in terms of achieving the above objectives in an efficient manner. Audit procedures required for the performance of the audit should be in accordance with the requirements of relevant legislation, regulations and, where appropriate, the terms of the audit engagement and requirements in terms of financial reporting.

The auditor is responsible for providing an independent opinion on whether the financial statements give a true and fair view. In addition, the auditor shall consider and report where:

- Accounting entity led accounting records properly and completely.
- Statements do not comply with basic accounting records.
- Auditor obtained all the information and explanations necessary for the completion of the audit.

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- Information published as supporting documentation to the financial statements are not consistent with the information in the financial statements.

Scope of the audit shall be agreed in a written engagement letter, which sets out arrangements for the audit actions as detailed in the International Standards on Auditing Standard 210 'Conditions of Order Sheet'. Engagement letter summarizes responsibility of the auditor, management; the quantity and form of a report to be issued at the end of the audit process.

A thorough knowledge of the organization, the auditor must form the basis for the beginning of each financial audit, together with the knowledge of how they kept accounting records and how they processed transactions in the accounting system. [5]. General principles of audit and audit approaches vary depending on whether the accounting system is computer-based or not, most today's systems are working on the computer base. In the view of ensuring that the audit team identified factors that affect the financial statements and what they should contain, it requires a thorough knowledge of the activities and operations of each organization and governance framework within which they operate. Therefore, public finances represent the complex activities that are income and expenditure process-oriented and it is important to time alignment of the functioning of all processes and costs in terms of control of proactive use of public funds [6, 7].

Conclusion - Open Questions

The issue of control of public funds, new processing system will enhance existing knowledge and experience of data transmission in terms of effective management in local government and its pros expected in these areas:

- Data transfer only electronically
- Saving time (expected saving money)
- A data summary, received in real time,
- prerequisites for fast decision on public funds,
- Increasing the overall efficiency of the management of public funds.

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