

# Key Trends in Auditing Today

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**Abstract-** Traditionally, audits were mainly associated with gaining information about financial systems and the financial records of a company or a business. However, recent auditing has begun to include non-financial subject areas, such as safety, security, information systems performance, and environmental concerns. With nonprofit organizations and government agencies, there has been an increasing need for performance audits, examining their success in satisfying mission objectives. As a result, there are now audit professionals who specialize in security audits, information systems audits, and environmental audits. In cost accounting, it is a process for verifying the cost of manufacturing or producing of any article, on the basis of accounts measuring the use of material, labor or other items of cost. In simple words the term, cost audit, means a systematic and accurate verification of the cost accounts and records, and checking for adherence to the cost accounting objectives. An audit must adhere to generally accepted standards established by governing bodies. These standards assure third parties or external users that they can rely upon the auditor's opinion on the fairness of financial statements, or other subjects on which the auditor expresses an opinion.

**Index Terms-** Auditing, cost, business, financial, mission.

## I. INTRODUCTION

Traditionally, audits were mainly associated with gaining information about financial systems and the financial records of a company or a business. However, recent auditing has begun to include non-financial subject areas, such as safety, security, information systems performance, and environmental concerns. With nonprofit organizations and government agencies, there has been an increasing need for performance audits, examining their success in satisfying mission objectives. As a result, there are now audit professionals who specialize in security audits, information systems audits, and environmental audits. In cost accounting, it is a process for verifying the cost of manufacturing or producing of any article, on the basis of accounts measuring the use of material, labor or other items of cost. In simple words the term, cost audit, means a systematic and accurate verification of the cost accounts and records, and checking for adherence to the cost accounting objectives. An audit must adhere to generally accepted standards established by governing bodies. These standards assure third parties or external users that they can rely upon the auditor's opinion on the fairness of financial statements, or other subjects on which the auditor expresses an opinion.

### What is the definition of Audit-review

Almost every organization, whether private corporations, public company or public institution, or even a non-profit

organization, required by law to prepare annual reports on its financial operations. Such reports are intended to help owners or managers in organizations to implement operational solutions on the basis of correct decisions, then that enable creditors to evaluate credit requests, to provide individuals with information for making investment decisions. The accounting profession recognizes that different actors have different accounting needs. Based on these differences, the accounting profession has developed standards that enable a range of services that in terms of financial reporting. Usually it involves three different services. Each is designed to be a different way to meet the needs. The first service is a compilation that is useful for small organizations in the private property in need of assistance in the preparation of financial statements. The second service is called the review and it can deal with organizations that must submit their financial statements to third parties, such as, for example, creditors and regulatory agencies. The third and most extensive services has been revised. The revision is suited for organizations that need to offer higher levels of security to external parties.<sup>1</sup>

### The purpose of International Standards on Auditing

International Standards on Auditing (ISA) are professional standards for the performance of financial audit of financial information. These standards are issued by International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB). The purpose of this International Standard on Auditing ISA is to establish standards and provide guidance on:<sup>2</sup>

1. Agreeing the terms of the engagement with the client,
2. The auditor's response to a request by a client to change the terms of an engagement to one that provides a lower level of assurance.

### Differences between the objectives of audit and review

Among the objectives of the audit of financial statements in accordance with generally accepted audit standards and objectives of inspections according to the statements of standards for accounting and auditing services, there are significant differences. The audit should provide a reasonable basis for our opinion on the financial statements as a whole. Review does not provide a basis for such an opinion, including not understanding the structure of internal control and risk control assessments, tests of accounting records and obtaining evidence from

<sup>1</sup> Putin Mohammed, Review and monitor the accounts of theory to practice, The Office of Publications Gamaah Aldzair, 2005

<sup>2</sup> <http://www.ifac.org/system/files/downloads/a008-2010-iaasb-handbook-isa-200.pdf>

inspection, observation or confirmation or other procedures within the framework of the audit.

### Key trends in auditing today

Based on the growing demands of global organizations as well as new expectations of investors and boards in recent years, a five important trends:<sup>3</sup>

1. Change the role of internal auditors and expanding the scope of the audit,
2. Assessment of the quality of operations,
3. Accountability and transparency
4. Moving to a revision on the basis of risk,
5. Upgrading infrastructure audit in accordance with technological progress.

Internal audits in organizations has evolved from the financial audit. The traditional functions of audit: audits of operations, systems audits, fraud investigations and audits of special project became less important than urgent needs of regulatory compliance and business process optimization. Today, looking properly structured internal audit function which affects not only legislation but also operational. The role of an internal auditor is now changed from mere financial reporting to the control of risk management, priorities, objectives and activities, eliminate complexity and redundancy, ease of doing business, as well as the protection and enhancement of shareholder value.

Management and the Audit Committee, rely on internal audit to provide assurance and trust in the organization in the form of assessing the effectiveness and efficiency of the performance functions and quality. In today's environment there is a need for greater cooperation and a strong relationship between the auditor and the audit at all levels. The trend is moving towards the development of a structure that facilitates a healthy environment that will encourage the free flow of information in regard to all matters of auditing and auditor. The organization must be structured in a manner that ensures that responsibility is not limited to the Audit Committee.

In recent years, internal auditors devote their time, energy and resources, primarily towards harmonization activities. Now is the time for internal auditors to review their activities and improve the expectations of stakeholders in the framework of the audit based on risk. Risk management organization and fraud thus gain an advantage during the audit, especially because these risks can greatly affect the organization. Activities relating to fraud detection and audit IT security are the today focus of internal audit.<sup>4</sup>

Large organizations with complex audit requirements, which include not only financial audits but also audits, assessments and inspections related to operations, quality, safety, trade and information technology, have led to improvements in the technology infrastructure that is used to perform the audit. More used integrated management audits on Web-based systems. Technological progress makes it possible to simplify and

strengthen the internal audit function so that it brings strategic value and reduce its operating costs. The expected benefits are improved data transparency, shared environment and decision-making.

## II. CONCLUSION

The role of audit in public finance is an integral part of the institutional framework to support good governance and the implementation of financial policies of one country and eradicate poverty. Social protection programs and other targeted programs of poverty eradication in developing countries are characterized by their limited access to resources. In this context, the role of public auditors in monitoring the use of resources is essential. A good auditor will greatly contribute to social development by limiting corruption and strengthen accountability of state organs.

In most democracies, legislative oversight of public finance management takes one of two forms - ek ante control and check post scrutini.<sup>5</sup> Under ek ante control, parliament is considering the budget before the enactment of the law. Strong legislatures, such as those in the United States and Germany, have the power to change the budget at this stage to ensure that budget allocations reflect national priorities. Weak legislatures generally have the power to significantly alter the budget submitted by the executive prior to enactment of the law on the budget. When it comes to the check post, the legislator used the audit findings to examine whether the executive implements the budget in accordance with the provisions of the law. Most parliamentary democracies provide a check post verification functions at the legislative level or in parliament. In such a system the Auditor General report on his findings to the audit committee for public finances, and it is responsible for considering and acting upon these findings passes to the Committee. In many countries, audit reports are available to the public and the media, who can then use the options to demand accountability from the executive.

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<sup>3</sup> Mohammed Abdul Rahman Idris, Recent trends in internal audit and its impact on the development of Aldakhalih Master Control, Omdurman, Islamic University, 2006

<sup>4</sup> Gomaa, Ahmed Helmi, Recent trends in the review, Dar Al Safa for publication and distribution Amman, Jordan, 2009

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