

ASSOCIATION OF INFORMATION TECHNOLOGY AND INTERNAL CONTROLS OF IRANIAN PUBLIC ORGANIZATIONS

Seyed Masoud Faiz

Senior Auditor, Supreme Audit Court of the Islamic Republic of Iran



Abstract

Purpose–The present study aims to investigate the relationship between information technology and internal controls of public organizations in Iran.

Design/Methodology/Approach –The research population includes all auditors and managers working in public sector. Data collection instrument is a questionnaire designed by the researcher and administrated during 05-03-2016. The collected data was analyzed through descriptive and inferential statistics (binomial test).

Findings–The findings of the research show that there is a significant relationship between information technology and internal controls (administrative, financial, and accounting controls, risk assessment, information and communication, control activities and monitoring). Moreover, the alteration of data collection methods (from traditional to modern) and the written instructions (in information technology) have a positive effect on the internal control and its sub scales.

Originality/value– With regard to the emphasis on the development of computer application and the use of new processing facilities and the exchange of information

and its specific controlling consequences, this is an innovative research.

Keywords: information technology, internal control, Iran.

Introduction

Today, with the rapid growth of information technology, the use of computers and other electronic equipment's in organizations has increased quickly. Internal networks and systems connected to a central computer or server distribute information a large number of users. A large volume of information and data is transferred and processed in organizations with the contribution of information technology and in case of the absence of proper monitoring and control it will be associated with some risks (Forghandust and Salehi, 2005). The weakness of internal controls system is one of the main problems of the vast majority of private and public economic entities. Each year, these entities and consequently the economy of the country incur significant losses and suffer heavy damage due to the weakness of internal controls.

Meanwhile, due to the changes that are expected to occur in the structure and economic relations of the economic entities around the world and within the country in near future, the importance of the matter and the need to emphasize it increase more

and more (NematPajooch, 2002). The increasing use of computers and the remarkable progress of information technology since the early 1980s have significantly affected all aspects of organizations activities. Certainly, one of the consequences of this unique and unprecedented development in information technology has got to emerge in the field of controls. As the managers in charge of leading the organizations try to achieve success and such an achievement will be actually impossible without the establishment of an appropriate structure of internal controls, the new risks that have emerged through modern information technology have made it necessary to look into the way of the establishment of the elements and the structure of organizations internal controls once again. It also refers to the effects of new information technology on different areas of organizations and investigates the controlling effects of new risks resulting from the use of information technology (Arab MazarYazdi, 2001).

Research Methodology

Since this research deals with the status quo it is in the field of descriptive research and as it examines the effect of information technology on internal controls it is a survey research. Moreover, it is an applied research in objective and retrospective in terms of time. There search population consists of all managers and auditors working in public sector. There search population includes all the officials and contracted employees of the Supreme Audit Court. The sample size included 156 subjects obtained according to judgment sampling. A questionnaire was used to collect field data. At first, personal

characteristics (sex, age, education, discipline, corporate position, work history) were questioned. Then some questions were raised about internal controls: office controls (9 items), financial and accounting controls (11 questions), risk assessment (2 items), information and communication (2 items), control activities (1 item), monitoring (2 items). It should be noted that a separate questionnaire was not designed for information technology and the questions were presented as descriptive ones.

Conclusion and Suggestions

The results of the main hypothesis on the relationship between information technology and internal controls are consistent with the findings of Etemadi et al. (2006), Stoel and Muhanna (2011), Ward and Smith (2002), Aria (2006), Mahdavi poor and Ghafari (2010), Arab MazarYazdi (2001), Moeinodin and Nadi (2012). Based on the results of the above hypothesis it can be said that information technology can increase the efficiency and effectiveness of internal controls in the organization because it provides the following features for the organization (Maham, 2002):

1. Uniform implementation of rules and performance of complex calculations in processing a large volume of transactions
2. Promoting timeliness, accessibility and accuracy of data;
3. Facilitating further analysis of information;
4. Improving the ability to monitor the performance of the organization's activities and its policies and procedures;
5. Reducing the control risk of breaching controls