

APPLICATION OF INTERNAL AUDIT IN PROCESSES OF REDUCING CORRUPTION IN A TRANSITIONAL ECONOMY LIKE THE REPUBLIC OF SERBIA

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Abstract: *Internal audit can become one of the factors that can be used to reduce the level of corruption at the level of the entire economy. The application of internal audit can be practically carried out from the company level to the level of general observation in the economy as a whole. Essentially, by applying an internal audit formed by the company's top management, it is possible to influence the improvement of all management processes in very heterogeneous companies in terms of their existence. In real decision-making processes, and especially when the top management decides to introduce an internal audit into its regular operations, the decisive motive can be aimed at reducing the level of general corruption, especially by employees at all levels of management in companies. Therefore, the internal audit can contribute with its work so that the business decisions of the top management are focused on the processes of suppressing corrupt ways of doing business.*

Keywords: *Internal audit, companies, corruption, management.*

1. INTRODUCTION

Application of internal audit is a reality in management processes in the economy. It is a way to strengthen the control system of all processes in one company [1-5], one economic sector, one economy.

The key reason for the introduction of internal audit in the work of all forms of economic organization can be the reduction of corruption [6-10]. This is of particular importance for the business of all forms of economy in a transitional economy like the Republic of Serbia.

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It represents a management way of making valid business decisions in which the general level of management in companies and the economy as a whole is surely improved. The challenges for business operations are great because the economy is constantly facing numerous and increasing transitional pressures.

Through its work, internal audit can contribute to the reduction of the general rate of corruption, in such a way that in the main product of its activities, i.e. in the report it delivers to the top management, it realistically displays the findings it has reached.

Essentially, the recommendations to top management provided the basics of improving the overall business in companies, and thus the opportunity was left for top management to strengthen actions to improve business.

In all these activities, the fight against corruption can be one of the leading activities of top management [11-15].

2. FORMATION OF ACCOUNTING POLICIES IN COMPANIES AS A FACTOR OF REAL IMPROVEMENT OF INTERNAL AUDIT WORK

The formation of accounting policies in companies as a factor in the real improvement of internal audit work should be seen as part of the process of strengthening all control elements of management in all parts of the company, all departments of the company, all sectors of the organizational structure of the company.

The real question is how the accounting function can improve the work of internal audit in the company?

A key element of the assistance and functioning of the work of the internal audit is the delivery of realistic reports from all parts of the company.

Accounting reports can become a real factor in helping to make internal audit conclusions. Reports on the operations of individual parts of the company can serve as a real platform and cooperation between the accounting part of the company and the practical work of the internal auditor.

This fundamentally improves the security of the company's operations, that is, it strengthens the security of the overall adopted management policy of the company's top management. In this way, management is improved throughout the company. The consequences of improving management are also visible based on the reduction of all forms of corruption that can occur in the company.

An implemented internal audit can increase the security of the entire business in the company. Certainly, by applying internal audit, the overall business can be improved, which is also the main goal of introducing internal audit in the company.

Obtaining high-quality, current reports on the operations of all organizational parts of the company, realistic presentation of costs, income, and more can serve as a basis for the work of internal audit.

In cooperation between internal audit and accounting, the following areas of application in companies should be taken into account:

- valuation of fixed assets,
- conducting a policy of intangible investments in the company,
- valuation of investment real estate in the company,
- selection of methods for calculating ascending stocks in the company,
- the chosen method regarding the estimated method as well as the participation in the capital of related legal entities, which relate to the significant operations of the company,
- determining the recording of interest expenses and other borrowing costs,
- consolidation of joint,
- Controlled legal entities and others.

3. INTERNAL AUDIT AND REAL OPERATIONS IN COMPANIES IN THE CONTEXT OF ADOPTING URGENT MEASURES TO PREVENT CORRUPT ACTIVITIES OF EMPLOYEES IN COMPANIES

Internal audit and realistic business decision-making by top management can be focused on business operations in companies, within the framework of adopting measures that can be used to prevent corrupt activities of employees in companies, such as:

- independence in the work of internal auditors in relation to the entity in which the required audit work is performed,
- wide scope of work of internal audit in companies,
- the ability of internal auditors to make the results obtained by auditors such that they can become available to all interested parties in the company that has essentially commissioned the internal audit of a particular area.

Internal auditors should take into account heterogeneous requirements in their work, such as:

- analysis of the effectiveness (efficiency) of the internal control system;
- the audit also deals with aspects of correctness, as well as the structure that ensures economy, efficiency and effectiveness (effectiveness) in companies;
- consideration of legality / regularity of transactions;
- an analytical approach to the work, where the starting point should be an overview of the characteristics of the audited entity, the responsibilities and problems it faces, and the administration and organization of the audited entity;
- an active approach, through which audit work, where possible, is characterized by a constructive attitude that ensures change, which can be seen in maintaining constructive and adequate relations with employees, but also in the timing and approach applied in reporting audit findings.

4. DEVELOPMENT OF THE GENERAL FLOW OF USING INTERNAL AUDIT IN COMPANIES THAT WANT TO REDUCE THE LEVEL OF GENERAL CORRUPTION

Observing the development of the general flow of the use of internal audit in companies that want to reduce the level of general corruption can be during the entire decision-making process from the decision to introduce internal audits, through partial and general tasks given by the top management of the company to the internal auditors with a work order to the report that the internal the auditor submits at the end of the internal audit process.

At all stages, the goal can be to reduce corrupt practices.

The presentation of the model can be expressed through the general scheme that the authors provide in Figure 1.

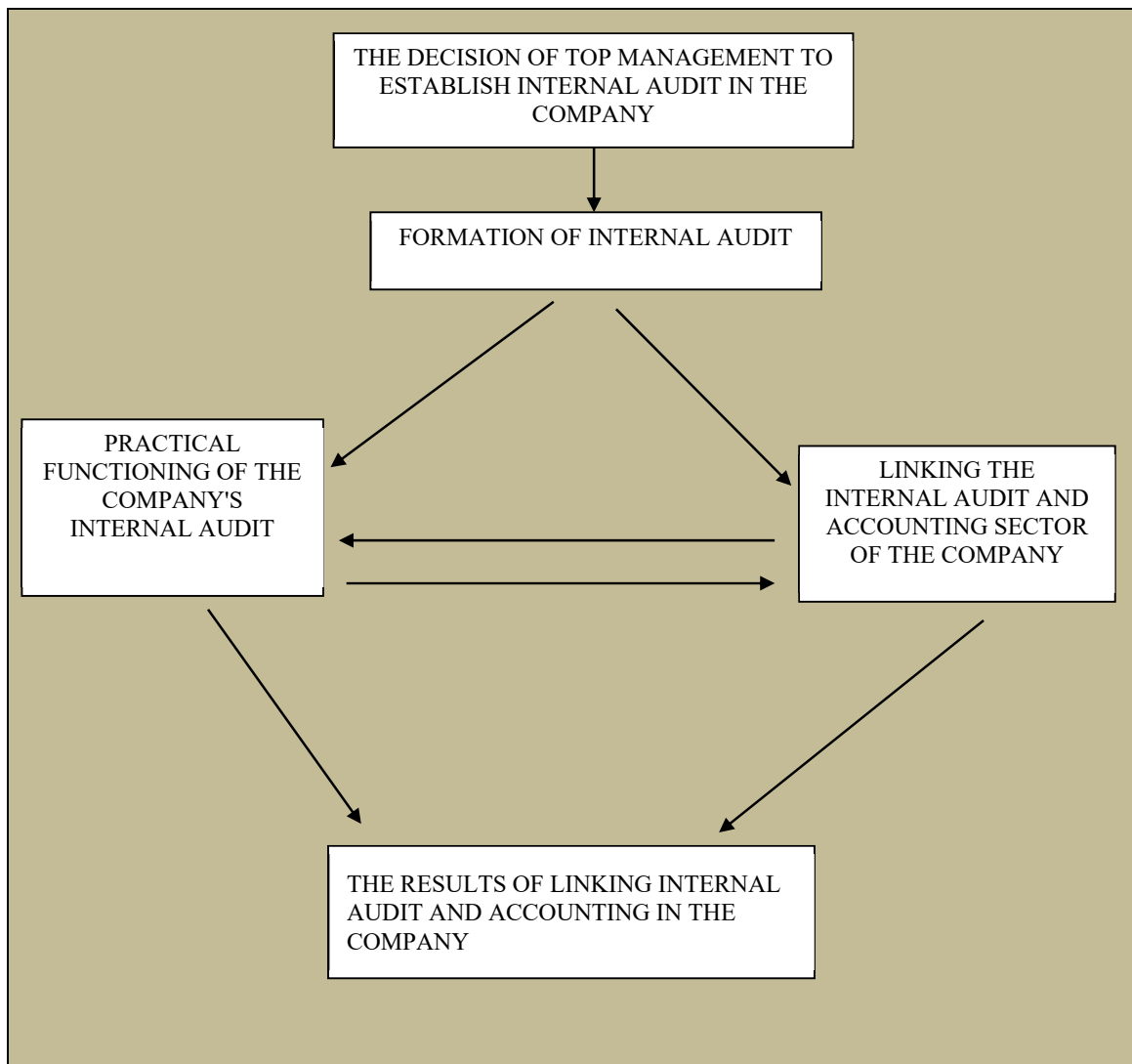


Fig. 1: General course of implementation of internal audit.

5. CONCLUSIONS

The application of internal audit in the processes of reducing corruption in a transitional economy like the Republic of Serbia is one of the realistic ways to improve the general level of management in an economy that is suffering transitional pressures.

Internal auditing contributes to reducing the general rate of corruption, in a way that strengthens all control elements of management in all parts of the company, all departments of the company, all sectors of the organizational structure of the company.

Real cooperation between the accounting part of the company and the practical work of the internal auditor can serve as a real factor in helping to reach the conclusions of the internal audit.

This fundamentally improves the security of the company's operations, that is, the security of the overall management policy adopted by the company's top management is strengthened, and indirectly leads to the improvement of the management of the entire company while reducing all forms of corruption that can occur in the company.

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