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THE IMPORTANCE OF ACCOUNTING POLICY IN THE CONTEXT OF STRENGTHENING FINANCIAL STABILITY IN A COMPANY THAT PREVIOUSLY IMPLEMENTED INTERNAL AUDIT AS A MECHANISM OF REGULAR BUSINESS DECISION-MAKING

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Abstract: *The importance of accounting policy in the context of strengthening financial stability in a company that previously implemented internal audit as a regular business decision-making mechanism should be viewed as part of regular making of valid business decisions in companies. Such observation should basically have a large breadth of observation both in depth and breadth, because application is possible in very heterogeneous companies. The accounting policy provides valid data to the internal audit and is essentially the first stage of performing a real audit assurance. Top management can contribute to increasing the safety of the entire work in the company if it fundamentally strengthens the work of accounting and Internal Audit. Namely, the internal audit is formed by the decision of the company's top management and it is responsible for its work, submits reports on its work to it and gives it its opinion in the form of recommendations on work and carrying out specific audits in the company.*

Keywords: A*ccounting policy, internal audit, laws and professional standards.*

1. INTRODUCTION

The importance of accounting policy in the context of strengthening financial stability in a company that previously implemented internal audit as a regular business decision-making mechanism should be seen as part of strengthened financial reporting in the company itself [1-5].

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One of the important issues is the acceptance of the recommendations of internal auditors by the company's top management and the use of those recommendations as part of making valid decisions that can fundamentally increase the overall security of business operations in the company [6-10].

Company accounting supplies a large amount of business information at the request of the internal audit, which performs a specific internal audit, that is, which carries out the order of the top management based on the decision to perform an internal audit, which is the essential order for the work of the internal auditor in the company [11-12].

The accounting policy and internal audit should be harmonized with the legal acts in the company. In addition, in their work they should have implemented a system of using and applying already adopted laws that are valid in one country, that is, in which the company operates or has its headquarters [13-17].

2. THE INFLUENCE OF INTERNAL CONTROL FACTORS ON THE INTRODUCTION OF SOFTWARE SOLUTIONS IN THE COMPANY'S BUSINESS

The influence of internal control factors on the introduction of software solutions into the company's operations fundamentally affects the entire process of financial stability in companies.

The process of introducing internal controls in companies is a process ordered by top management in order to obtain reasonable assurance about the achievement of goals in the following areas:

- improving the efficiency of decision-making by management,
- increasing the reliability of financial reporting,
- maintaining compliance with applicable laws and regulations,
- protect the company's assets from unplanned misappropriation,
- Protection against speculative actions on the markets and in the company itself, etc.

Internal control processes and the application of the influence of internal factors, primarily internal control, on the introduction of software solutions into the company's operations essentially require the application of standardization at all levels in companies, primarily from the point of view of obtaining the relevant opinion of the internal auditor, which is in accordance with the highest possible degree of stability and behaviour in company.

Standardization can be viewed very broadly, from the application of standardization, for example, International Accounting Standards to financial reporting standards, standards in the organization of production, traffic, services, etc., and all that observation should contribute to increasing the safety of business operations.

3. COMPANY ACCOUNTING IN THE FUNCTION OF REPORTING AND SUBMITTING DATA TO THE INTERNAL AUDIT FOR PROCESSING AND OBTAINING AN AUDITOR'S OPINION

Financial reporting is one of the most important reporting in the company and it refers to the reporting of the management body in the company, then the reporting of the state authorities, the reporting of the majority owners, shareholders, etc. of relevant users of financial reports [1-6].

There are numerous examples of the implementation of accounting policies, and in this study the authors highlight only some of the important ones, such as:

- assessment of fixed assets,
- managing the policy of intangible investments in the company,
- valuation of investment real estate in the company,
- the choice of methods of calculating ascending stocks in the company,
- the chosen method in connection with the estimated method as well as participation in the capital of related legal entities, which relate to the essential operations of the company,
- determining the recording of interest expenses and other borrowing costs,
- consolidation of joint, controlled legal entities and others.

The application of the implementation of the accounting policy in companies is of great importance, especially from the point of view of raising the security of issuing a valid certificate of the internal auditor.

Another issue is raising the security of the reporting system throughout the company in a way where the application of comparability and security of financial reports will be the gold standard of business operations in the company.

At the same time, accounting realistically delivers a large number of heterogeneous data to all sectors in the company in the form of primarily financial reporting, which assumes that it should build a real reporting system for everyone in the company.

The comparability of financial statements is important in order to be able to monitor the actual business that comes from a large number of previous business operations of the company, which is of particular importance for the work of the internal audit.

In addition, with such work, it is possible to raise the general level of reporting and security.

4. CONNECTION OF INTERNAL AUDIT IMPLEMENTATION AND ACCOUNTING FUNCTIONS IN COMPANIES

The implementation of internal audit by top management should be in accordance with the law that follows the application of accounting standards, then financial reporting standards, as well as the standards of the audit profession.

Top management should establish management in the company in such a way as to preserve the company's existing resources in the company, as well as in such a way as to substantially increase these resources, all with the aim of increasing the productivity and efficiency of the overall business in the company.

Internal auditing in companies should be aimed at achieving business improvement and security as a possible encouragement of real good business practice. In addition, the work of the internal audit should contribute to the promotion of the standards of the auditing profession as well as the overall improvement of business management in the company.

Internal auditing should be seen as an extension of the real work of top management, because it enables it to increase the safety of work and business. Internal audit can be devoted to real business, which will be directed towards:

1. independence in the work of internal auditors in relation to the entity in which the work of the requested audit is performed;

2. the broad scope of internal audit work in companies,

3. the ability of internal auditors to ensure that the results reached by the auditors are such that they can become available to all interested parties in the company that essentially ordered the internal audit of a certain area.

Essentially, the internal audit should make its findings in accordance with the actual reports on business operations in the company by the accounting function in the company, that is, by the accounting department in the company. In this way, accounting becomes a source of information and the key to making safe decisions at all levels in the company.

The general flow of the implementation and existence of the internal audit, which is connected with the work of the accounting department in the company, was presented by the authors in the form of a representation in figure number 1.

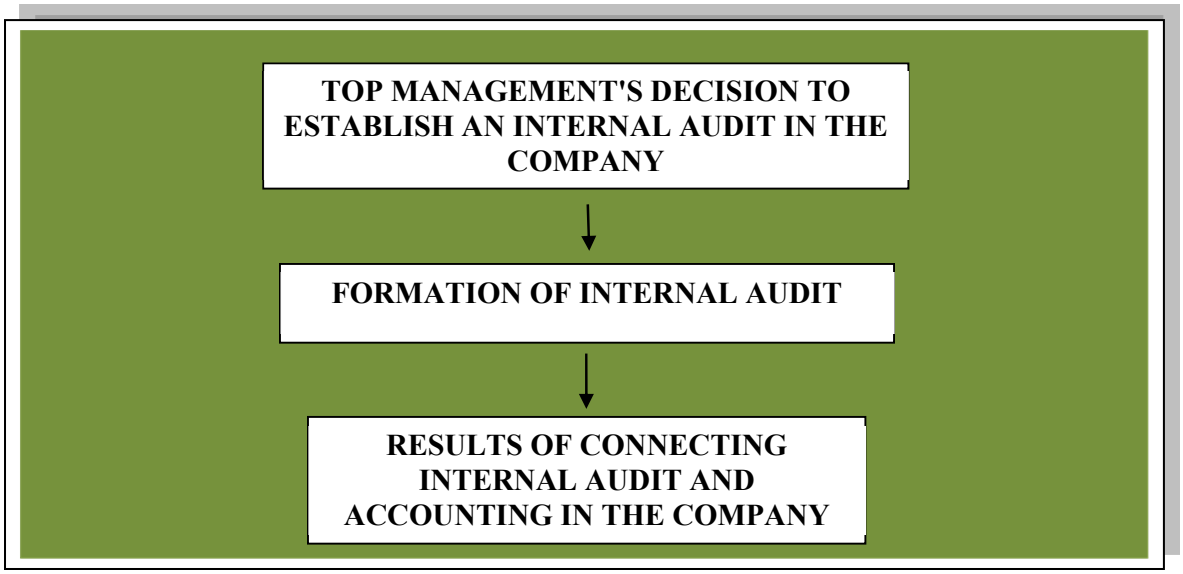


Fig. 1: The general flow of the implementation of the internal audit, which is related to the work of the accounting sector in the company.

5. CONCLUSIONS

As a special part of the security of the accounting and internal audit in the company, it is the respect of the adopted accounting standards, as well as the standards of financial reporting and the auditing profession in its entire work.

This study highlights the importance of the practical implementation of an accounting policy that is harmonized with the work of the internal audit, in companies that have decided to have an internal audit as part of regular operations.

The authors point out that only an integrated system of the accounting and financial sector and internal audit will be able to achieve productive and more efficient company operations, especially on the basis of achieving better results in terms of overall increase in financial stability in the work of the entire company.

The authors pointed out that the top management of the company is most often focused on observing the accounting work of the department as a set of special principles, bases, agreements, rules and practices applied by the company, especially when compiling and

presenting all information, from all parts of the company in this case which are submitted to the internal auditor for processing and obtaining an audit opinion.

Audit certificates are submitted to top management for further consideration.

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