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THE SIGNIFICANCE OF ASSESSMENT OF TOP MANAGERS ON THE ISSUE OF IMPLEMENTATION INTERNAL AUDITS IN BUSINESS AND MANAGEMENT OF MEDIUM-SIZED COMPANIES, THE EXAMPLE OF THE REPUBLIC OF SERBIA

Abstract: Modern business management requires top management to implement innovative solutions such as the implementation of internal audit in the business of the company. One of the possible ways to measure the effect of such management is presented in the author's work by evaluating the impact of the introduction of internal audit before and after the implementation of internal audit in the company's operations. We discovered that there are important differences in the evaluation of top management regarding the introduction of internal audit as a basis for real financial reporting, because the obtained values are significant ($p=.000$) in relation to the introduction of internal audit both before and after the introduction of internal audit in regular business operations medium-sized enterprises in the Republic of Serbia. The goal of the author's research was to present a possible contribution to real future accounting based on the introduction of internal audit into real business processes, that can substantially contribute to the improvement of overall business results.

Keywords: Internal Audit, Business, Management by Top Management, Company.

INTRODUCTION

Internal auditing is a relatively new way of improving the operations of top management, which is introduced into the operations of numerous entities with the aim of raising the quality of business decision-making (Kim 2022: 570) based on the recommendations issued by internal auditors. Internal auditors, as professional and responsible persons, act on the basis of the authorizations received by the top management in the performance of their entrusted duties and perform specific internal audit tasks, the work of which constitutes the so-called reports on the performed internal audit (Vitoimir et al. 2020: 54) which they deliver to the responsible management bodies in the company (Satama 2023: 15).

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Essentially, they perform the tasks entrusted to them in terms of procedures, scope, time, and based on the tasks received by the top management (Bazzano 2022: 180) with the note that they deliver to the management bodies, first of all, documents that depict in what way and in what degree of depth they are performed internal audit work, such as, for example, internal control work in the public sector, more specifically tenders and other assigned internal audits (Vitomir et al. 2020: 470).

Internal audit should be treated in the company as a completely independent, professional and objective activity of expert people who deal with internal audit tasks entrusted to them, which were previously established by the company's management bodies with the aim of improving the overall business after internal audits, for which it can be said that very often they also perform a real internal control role in the company (Yang 2011: 60).

Internal audit often performs a part of evaluation and consulting activities that are designed to improve, that is, to advance the operations of certain organizational parts of the company, as well as the goals of the company's work.

The objective of the internal audit is focused on the tasks and qualitative assessments of the established internal controls (Kim 2006: 236) which is of great importance because in this way the essential effectiveness of the planned strategic goals adopted by the company's management body can be increased. Internal audit and the tasks performed to achieve high-quality internal audit work are connected to the essential connection of the work of the aforementioned audit with the application of the International Standards of Professional Practice of Internal Audit, which refer to: strategic and operational planning, organization and execution of internal audit tasks (Griffin 2012: 46).

In addition, the internal audit in its work also relies on the application of other standards from the domain, above all, of accounting and finance, where it is necessary to mention that it is important to fully apply the International Accounting Standards, as discussed in their works by authors such as (Kihn 2007: 550).

In its work, the internal audit should provide an independent, objective and expert opinion on the management of numerous risks to the company's operations, as well as on the work performed related to the implementation of internal controls, in such a way that the internal auditor's professional opinion is used in the report on the performed internal audit, to measure the effectiveness of the achievement of set goals by the management body as well as those defined by laws, regulations and internal acts adopted by the management bodies in the company (Chulkov et al. 2019: 2550).

It should be emphasized that the internal audit is carried out on the basis of the received documents that were created in each part of the company and which outline the existence of real economic events in the business of the company (Horovitz 1981: 90). The functioning of audit work is performed by authorized internal auditors who must perform the tasks entrusted to them in accordance with the International Standards of Professional Practice of Internal Auditing, all with the aim of reducing business risks for the company's operations (Zhao 2023: 18).

The tasks entrusted to the internal audit in the company's operations should be harmonized with the acts in which the work framework of the internal audit is regulated in a prescribed manner, then where the scope of its activities, issues related to the powers and responsibilities of the auditor in the process of conducting audits are regulated,

which are regulated: Internal Audit Charter, Internal Audit Code of Ethics, Strategic Plan and Annual Work Plan of Internal Audit in Business Operations. This is of particular importance for the operations of manufacturing companies.

MATERIAL USED AND RESEARCH RESULTS OBTAINED

The focus of the author's research was to determine the realities of financial reporting before and after the introduction of internal audit in the regular operations of medium-sized companies.

Evaluation of top management based on the reality of financial reporting should be implemented as a continuous process. It can contribute to a realistic future evaluation, where the work of the internal audit can essentially contribute to the improvement of the overall business results.

There are two forms of evaluation by top management regarding the work of internal audit in heterogeneous companies. That is why the authors positioned the study in terms of evaluating the impact of internal audit work on business decision-making before and after its implementation in the business of heterogeneous medium-sized enterprises.

The study includes the evaluation of top management before and after the introduction of internal audit. To that end, the authors conducted a survey of 140 medium-sized companies operating in the Republic of Serbia.

The author's interest in the evaluation of top management was related to the situation in the company before and after the introduction of internal audit in regular business processes.

The evaluation interval ranged from 1 to 10, where with one the possibility of evaluation with a low level of trust was left, and with 10 there was a high level of evaluation of the internal audit in the work and business of the surveyed companies.

The survey period was January 1, ending with January 31, 2024. After that, statistical processing was done and the obtained results are presented in this study. All respondents are guaranteed anonymity and that the results will be used only for scientific purposes.

In the presentation of the obtained results, a presentation of descriptive statistics is given in Table number 1, where a presentation of the sum of the evaluation results by the top management regarding the reality of the implementation of internal audit in the business of medium-sized companies is given, before and after the introduction of internal audit in the regular business processes of the mentioned companies.

Table 1: Descriptive statistics based on the assessment of top management regarding the reality of financial reporting and the implementation of internal audit in the company's operations.

Evaluation of top management	N	Std. Deviation	Std. Error Mean
Evaluation of top management before the introduction of internal audit in the company's operations.	140	.68415	.05700
Evaluation of top management after the introduction of internal audit in the company's operations.	140	.66180	.05510

Source: Authors (2024).

The presentation of the results of independent samples, which is based on the evaluation obtained by the top management before and after the implementation of internal audit in regular business, is presented by the authors in Table 2.

Table 2: Presentation of the obtained results of independent samples, which is based on the evaluation obtained by the top management before and after the implementation of internal audit in regular business.

Evaluation of top management	N	Mean	Std. Deviation	Std. Error Mean
Evaluation of top management before the introduction of internal audit in the company's operations.	140	7.6455	.68415	.05700
Evaluation of top management after the introduction of internal audit in the company's operations.	140	9.4020	.66180	.05510

Source: Authors (2024).

Presentation of the results of the T-test based on the evaluation of the top management in relation to the evaluation of the internal audit in the regular operations of medium-sized companies. The obtained research

Table 3: Paired sample T-test based on the received rating of top management regarding the implementation of internal audit in the company's operations.

Evaluation of top management	Paired Differences							
				95% Confidence Interval of the Difference				
	Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
Before the introduction of internal audit in the operations of medium-sized companies.	-	.99121	.08259	-1.92020	-1.59365	-21.270	140	.000
After the introduction of internal audit in the operations of medium-sized companies.	1.75690							

Source: Authors (2024).

DISCUSSION

Based on the presentation in Table 1, one can see the existence of differences in the evaluation of top management regarding the introduction of the reality of the application of internal audit in relation to financial reporting in the company's operations.

This was given before and after the introduction of regular internal audit operations in the medium-sized surveyed companies. The mean value obtained before the introduction of internal audit in the company's business was .68415, and the mean value obtained after the introduction of internal audit in the company's business was .68180, which speaks in support of the illustration of the expressed views.

Based on the presentation in Table 2, it can be seen that there are differences in the assessment of top management regarding the introduction of internal audit. This refers to the valuation of top management and the existence of differences in the obtained values before and after the introduction of internal audit in the regular operations of medium-sized companies is visible.

Namely, the obtained value (Mean) before the introduction of internal audit in the company's operations was 7.6455, so that the obtained mean value after the introduction of internal audit in the company's operations was 9.4020, which strengthens the stated views, that is, there is an evident difference in the evaluation of the top management in relation to the two form of introduction of internal audit in the regular business procedures of medium-sized enterprises.

Based on the presentation in Table 3, that is, the presentation of the results of the paired sample T-test, the existence of differences in the evaluation of top management regarding the introduction of the reality of internal audit regarding financial reporting can be seen.

Essentially, the values obtained by the top managers are different before and after the introduction of internal audit in the processes of regular business operations of companies, which refers to the real financial reporting of the company's management structures, because the results of the t-test for independent samples clearly show that there are significant differences ($p = .000$).

CONCLUSION

The research confirmed that there are differences based on the evaluation of top management in relation to the issues of introducing the real application of internal audit in relation to financial reporting in the business of medium-sized enterprises (Table 1). This refers to two observations of the situation, namely the situation before and after the introduction of internal audit in the regular business processes of medium-sized companies operating in the Republic of Serbia. These views were deepened by the results (Table 2) because the mean values obtained before the introduction of internal audit were .68415 in the company's operations and after the introduction .68180 were different (Table 2). In addition, the value (Mean) before the introduction of internal audit and the value after the introduction of internal audit is evident. Therefore, the auditors discovered the existence of differences in the evaluation of top management in relation to the two forms of introduction of internal audit in relation to the regular business procedures of medium-sized enterprises. The statement was reinforced by the application of the T-test, which confirmed that there is a difference in the evaluation of top management regarding the introduction of the reality of internal audit, and basically for real financial reporting, the obtained values are significant ($p = .000$), which is shown in Table 3.

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ЗНАЧАЈ ВРЕДНОВАЊА ТОП МЕНАѢРА ПО ПИТАЊУ ИМПЛЕМЕНТАЦИЈЕ ИНТЕРНЕ РЕВИЗИЈЕ У ПОСЛОВАЊУ И УПРАВЉАЊУ СРЕДЊИХ ПРЕДУЗЕЋА, ПРИМЕР РЕПУБЛИКЕ СРБИЈЕ

РЕЗИМЕ

Савремено управљање у раду предузећа захтева од топ менаѢмента да примени иновативна решења попут имплементације интерне ревизије у пословању предузећа. Један од могућих начина да се измери ефекат таквог управљања представљен је у раду аутора путем вредновања утицаја увођења интерне ревизије и то пре и након примене интерне ревизије у пословању предузећа. Открили смо да постоје битне разлике у вредновању топ менаѢмента по питању увођења интерне ревизије као основе за реално финансијско извештавање, јер су добијене вредности значајне

($p=.000$) у односу на увођење интерне ревизије како пре тако и након увођења интерне ревизије у редовно пословања средњих предузећа у Републици Србији. Циљ истраживања аутора био је да прикаже могући допринос реалном будућем извештавању које се заснива на увођењу интерне ревизије у процесе реалног пословања, што суштински може допринети побољшању укупних резултата пословања.

Кључне речи: интерна ревизија, пословање, управљање од стране топ менаџмента, предузеће.