

Snežana Ljubisavljević*
Dejan Jovanović**

EMPIRICAL RESEARCH ON THE INTERNAL AUDIT POSITION OF COMPANIES IN SERBIA

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ABSTRACT: *In the context of the globalization of business operations and the increasing use of information technologies, complexity of business transactions, and business risk, the role of internal audit is becoming increasingly important and the range of tasks performed by internal auditors is growing. As a part of the company control system, the internal audit assesses the efficiency, effectiveness, economy, and fairness of the realization of tasks, provides consulting services to the enterprise's management, and promotes the effectiveness of risk management with the aim of creating added value and enhancing business activities. It is the aim*

of this work, through empirical research conducted in large and medium-sized Serbian companies, to show the degree of development of the internal audit, the perception of accountants in respect to the tasks and responsibilities of internal audit, and whether there is a connection between the enterprise size and legal form on the one hand, and the organization and responsibilities of internal audit on the other.

KEY WORDS: *internal audit, organizational positioning, reporting, responsibility*

JEL CLASSIFICATION: M42, M14

* University of Kragujevac, Serbia, badzalm@ptt.rs

** Faculty of Economics, University of Kragujevac, Serbia, djovanovic@kg.ac.rs

INTRODUCTION

The financial and corporate strategy of a company is underpinned by effective internal systems in which the internal audit has an important role, raising the reliability of the internal control system, improving the process of risk management, and, above all, satisfying the needs of internal users. The internal audit also supports and enhances the system of responsibility that the executive directors and employees have towards the owners and other stakeholders. The Internal Audit Department provides a reliable, objective, and impartial service to the management, board of directors, and audit committee, while stakeholders are interested in return on investments, sustainable growth, strong leadership, and reliable reporting on the financial performance and business practices of a company.

Proper understanding of the role and importance of the internal audit is one of the preconditions for successful strategy implementation and achievement of company goals. This work aims, through empirical research conducted in large and medium-sized companies in the Republic of Serbia, to show the degree of development of the internal audit, the perception of accountants in respect of the tasks and responsibilities of the internal audit, and whether there is a connection between the size of the company and its legal form on the one hand, and the organization and responsibilities of internal audit on the other.

1. THEORETICAL FRAMEWORK OF THE RESEARCH

The theoretical framework of the research encompasses analysis of:

1. The roles and importance of internal audit,
2. The scope of internal audit, and
3. The responsibilities of internal audit.

1. The Roles and Importance of Internal Audit

In market-oriented and privately owned companies internal supervision and internal control, as a starting point in designing internal supervision, are an important factor in the realization of company goals. However, when it comes to the business of large, diversified, and decentralized companies in today's complex and volatile business environment, the question is whether the existence of only internal control is sufficient in designing the internal supervision of the

company, or whether there is a need for reviewing and evaluation of internal controls (Sarens, G., De Beelde, I, 2006). The answer to this question should be sought in the analysis of the operation of contemporary, complex, decentralized, and diversified companies, which operate under conditions of a heterogeneous and unstable environment, and where the internal audit has a higher degree of supervision over the entire business. Internal audit is an independent, objective, insuring, and consulting activity, designed to increase value and improve the organization of the company. It helps in achieving the company's objectives by introducing a systematic approach to the evaluation and improvement of the efficiency of risk management, control, and processes management (Louwers, T., Ramsay, R., Sinason, D., Strawser, J, 2008).

The definition of internal audit contains two fundamental roles:

- Assurance Services to the administration, audit committee, and management, guidance on assessing the effectiveness of corporate management, risk management, and control processes established by management, and
- Consulting Services to the management on risk management and controls (The Institute of Chartered Accountants in England & Wales, 2011).

Analyzing this definition, it seems that the internal audit has evolved from a function of independent evaluation to a function of risk management, so that today it is the primary need of any company (Munro, L., Stewart, J., 2011), because it provides the creation of the added value of companies through independent, objective assurance and consulting activities (Spencer Pickett, K.H., 1997).

By assessing the management process, the internal audit provides appropriate recommendations to improve it by fulfilling the following objectives (from the framework of professional activity, Croatian Institute of Internal Auditors, 2011):

- promoting appropriate ethical principles and values within the organization,
- ensuring effective management of performance and establishing responsibilities in the company,
- effective communication of information on risks and control to the relevant parts of the company,
- effective coordination of activities and communication of information to board members, external and internal auditors, and management.

A well-organized internal audit helps management to implement strategy and achieve mission and corporate objectives by providing a systematic and disciplined

approach to evaluation and improvement of the efficiency, effectiveness, economy, and equity of company business (Spencer Pickett, K. H., 2005).

2. The Scope of Internal Audit

In the modern business environment where the only constant is change, the area of internal audit activity cannot be limited to accounting and finance. As the volume of a business develops to a level that includes analysis of management work it becomes inevitable for the area of internal audit activities to extend to other functions (commercial, technical, production) within the company. In this way internal auditors, besides assuring that the information contained in the books accurately reflect the facts, also evaluate policy, procedures, guidelines, quality of management, effectiveness of methods, and other functions.

In order to achieve a predetermined area of activity, internal audit examines and evaluates (Chambers, A., D., Selim, G., M., Vinten, G., 1995):

- comprehensiveness and applicability of organizational, managerial, service, accounting, financial, commercial, marketing and other internal operational controls,
- efficiency and effectiveness of internal control system,
- level of compliance of all internal controls with the business strategy of the company set up by management, the adequacy and effectiveness of internal control systems and policy system of qualities that belongs to the accounting internal control
- prevention of error and illegal activities and
- performance of the individual segments in the company and proposed actions for improvement.

It is necessary to make a detailed plan for the implementation and enforcement of these internal audit activities. Internal audit planning involves establishing goals, activity schedule, staff and budget planning, as well as reporting on activities; that is to say, work results (Moeller, R., 2009). According to international standards of internal audit, internal audit planning should be based on risk so that the internal audit plan is aligned with corporate objectives. The plan should include a review of the major processes of risk management carried out in the company, as well as the choice of key risks determined in these processes (Kagermann, H., Kinney, W., Kuting, K., Weber, C., 2008). The audit plan should also consider those activities most affected by recent or expected changes. The proposed plan should be flexible in order to make corrections during the year, which result from the

changed management strategy, revised expectations of achieving the company objectives, external conditions, and the like (Tušek, B., Pokrovac, I., 2007).

The advantage of internal audit, organized this way, is reflected in its ability to monitor the system, process, or operations, ignoring the boundaries between parts of the company which are often a limitation, in terms of scope of work, of other bodies involved in the analysis.

3. The Responsibilities of Internal Audit

The responsibility of internal auditors is similar to the responsibility of consultants. They are responsible for the technical quality of advice that they provide and are expected to make recommendations to improve the areas in which opportunities for improvement or deficiencies are identified. However, management decides whether or not to accept the advice in the light of a fuller understanding of the situation (Sobel, P., J., 2004).

It should be noted that the evaluation of inherent risks is the responsibility of management, not the internal auditor. The auditor provides assurance to management and audit committee (Zwaan, L., Stewart, J., Subramaniam, N., 2011) that the internal controls are effective and function as required, and also mathematically determines the importance of risk under the direction of management, while this process is still the responsibility of management. Today auditors are increasingly focusing on business processes and systems rather than transactions, as is the case with traditional auditing (Soh, D., Martinov-Bennie, N., 2011).

Bearing in mind that in addition to top management and the board of directors the users of an internal auditor's report are lower levels of management, shareholders, the chief executive and financial directors, employees, and the external auditor, the internal auditor is expected to establish a relationship with management based on the fact that internal auditors are professionals whose activities are aimed at providing useful advice to achieve planned objectives (Sarens, G, Abdolmohammadi, M., 2011). In addition, the internal auditor is expected to be constantly improving and upgrading previously acquired knowledge. This means abandoning the understanding that the internal auditor's report is the final and only product of internal audit. Internal audit must increasingly direct its resources towards the future by providing advice in relation to anticipated future risks in certain business areas (Holt, T. P., DeZoort, T, 2009).

We can conclude that performance and internal audit procedures are related to the establishment of the so-called “4A”: 1) assurance, 2) providing advice (advice), 3) proposing measures to management (action), and 4) assisting in the implementation of improvement (assurance) (Spencer Pickett, K. H., 1997). Therefore all the activities and business functions of the company are under the supervision of internal audit, and the internal auditor should gain a good understanding of corporate management and all its influences on company business, primarily those of management and control.

2. DEFINING GOALS, THE SAMPLE, AND RESEARCH METHODS

Empirical research on the positioning of the internal audit in Serbian companies was conducted on a sample of 214 companies in 13 districts. The survey was sent to persons employed in accounting, but also to employees responsible for implementing management and supervision of business activities in the company. Survey questionnaires were personally delivered to the respondents. The survey was conducted in mid-2011. The questionnaires contained closed-type questions and were offered with one or more answers. Out of the total number of completed questionnaires there were 14 incorrectly completed questionnaires that were removed from further analysis. The results of the survey are based on the correctly completed questionnaires so the sample size is 200 companies.

The objectives of the research were:

1. to determine whether there is internal audit in companies in the Republic of Serbia, and if so how it is organized and what are its tasks and responsibilities, and
2. to determine whether there is a connection between the legal form of a company on the one hand, and the board of directors, supervisory board, and assembly of shareholders that the internal auditor reports to on the other hand. In other words, we intended to test the hypotheses:

H_0 : there is no connection between the legal form of the company and body to which the internal audit is responsible and to which it reports,

H_1 : there is a connection between the legal form of the company and body to which the internal audit is responsible and to which it reports.

Data obtained by empirical research have been analyzed using Excel and the SPSS software package (Chi square non-parametric test and Cramer's contingency coefficient), while the inductive method was mostly used for drawing conclusions.

Of the 200 companies surveyed, 60% are medium-sized companies (Figure 1) according to criteria set out in the Accounting and Auditing Law, which classifies medium legal entities as those which meet at least two of the following criteria on the day the financial statement is produced: a) the average number of employees, in the year for which an annual report is submitted, is from 50 to 250; b) the annual income is between 2.500.000 EUR and 10.000.000 EUR in dinar counter value; c) the average value of operating assets (at the beginning and at the end of the business year) is between 1.000.000 EUR and 5.000.000 EUR in dinar counter value. Legal entities that have less than the lowest amounts in at least two indicators of these criteria are classified as small entities, and legal entities that have more than the highest amounts in at least two indicators of these criteria are classified as large legal entities. As regards legal form, most of the surveyed companies are limited liability companies (LLC). Of the 200 surveyed companies 93 (46%) are LLC, 64 (32%) are joint-stock companies (JSC), and 43 (22%) are other legal forms (associations, social, etc.) (Figure 2).

Figure 1. Sample structure by the size of company

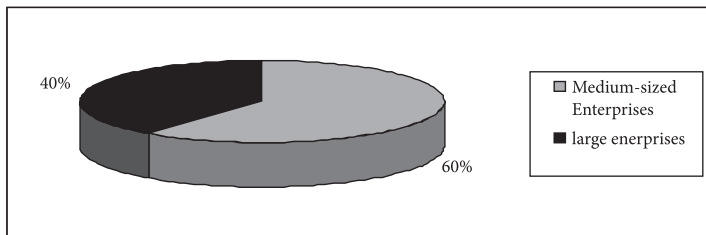
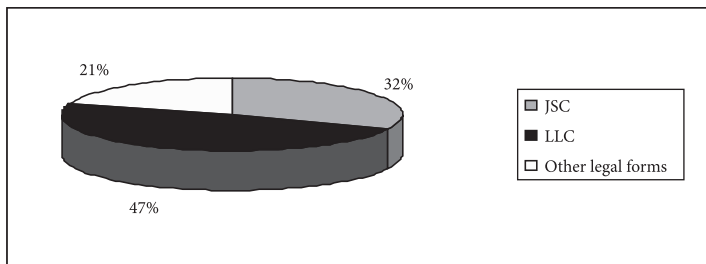


Figure 2. Sample structure by the legal form of company



In order to draw conclusions about the organization, tasks, and responsibilities of the internal auditor, it is first necessary to determine whether companies in the Republic of Serbia have an organized internal audit or not. Analysis revealed that out of the total number (200) of surveyed companies 159 (79%) have an organized internal audit, while 41 (21%) do not. Out of the 159 companies with organized internal audit 91 are medium and 68 are large companies, while out of the 41 companies that have no organized internal audit 30 are medium and 11 are large companies (Table 1).

Table1. Number of companies with/without organized internal audit, by size

Company	Medium	Large	Total no. of companies	Percentage
Has organized IA	91	68	159	79.50
Does not have organized IA	30	11	41	20.50
Total	121	79	200	100.00

Source: authors' calculations

The 41 companies that do not have an organized internal audit were excluded from the research sample, so the conclusions about the organization, tasks, and responsibilities of internal auditors are drawn from the sample of 159 companies that do have an organized internal audit. Every question asked in the questionnaire is analyzed at the aggregate level and according to different strata (large and medium companies, joint-stock companies, limited liability companies, and other legal forms). The research comprises the following questions:

1. What is the organizational positioning of internal audit in companies of the Republic of Serbia?
2. What are the tasks of the internal audit in companies of the Republic of Serbia?
3. What is the reporting and responsibility of internal audit in companies of the Republic of Serbia?

1. Organizational cluster and geographical dislocation of a company often require the organization of an internal audit at the level of the parent company, and also at the level of lower independent organizational units. In addition to an internal audit department, sectors and services of internal audit could be organized in corporate companies related to legal entities and large joint-stock companies.

To this first question of how the internal audit is positioned in the company, respondents were provided with the following answers:

- a) sector,
- b) service,
- c) department,
- d) internal auditor–individual,

where to every given answer they could circle YES, NO or N/A (not applicable).

Of the 159 surveyed companies that have organized internal audit, internal audit is organized as a sector in 9% of the companies, as a service in 19%, as a department in 12%, as an internal auditor-individual in 51%, while 9% of companies responded with NO or N/. Table 2 gives in absolute numbers and percentages how the internal audit is organized in large and medium-sized companies, joint stock companies, limited liability companies, and other legal forms.

Table 2. Organization of internal audit in the companies

Internal audit is organized as:	Sector	Service	Department	Internal auditor-individual	Did not respond	Out of
All companies	14	30	19	81	15	159
	9%	19%	12%	51%	9%	100%
Large companies	12	12	12	29	3	68
	18%	18%	18%	43%	4%	100%
Medium-sized companies	2	18	7	52	12	91
	2%	20%	8%	57%	13%	100%
JSC	1	10	7	31	5	54
	2%	19%	13%	57%	9%	100%
LLC	9	14	7	41	7	78
	12%	18%	9%	53%	9%	100%
Others	4	6	5	9	3	27
	15%	22%	19%	33%	11%	100%

Source: authors' calculations

From the results of the organization of the internal audit within the company, observed for all companies in total and by strata, it can be concluded that most of the surveyed companies have organized internal audit as an internal auditor-individual. If we compare the data in Table 2 it can be seen that with the growth of the company also grows the number of companies where internal audit is organized as a sector (2% in medium, 18% in large companies), and decreases the

number of companies where internal audit is organized as an internal auditor-individual (57% in medium and 42% in large companies). The existence of a connection between the size of company and organization of internal audit as a sector is indicated by Cramer's coefficient of 0.376.¹

Analyzing the answers to the first question it was determined that most companies (51%) have organized internal audit as an internal auditor-individual. The next question is "In companies where internal audit is organized as the internal auditor-individual, is he a member of the board, external auditor, or an independent person?" Analyzing the answers of the respondents (in total and by size) it can be concluded that the internal auditor-individual in the majority of the companies is an independent person (over 50%). However, if the data are analyzed in terms of legal form it can be seen that the situation is different in JSC and that the internal auditor-individual, in most cases is a member of the board of directors (62%), which is in accordance with the Article 331 Company Law, which reads: "Internal auditors and audit committee members of JSC are elected by the board of directors from among the independent members of the board" (Company Law RS, 2004). In LLC and other legal forms the conclusions are congruent with the analysis at the aggregate level and analysis by size, where an independent person is in first place, then the board of directors, and the smallest number of respondents indicated that the internal auditor-individual comes from external audit.

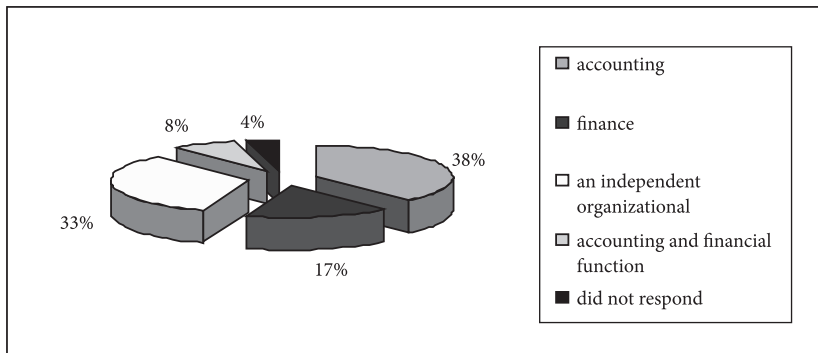
From the standpoint of the business area covered by internal audit, its status, i.e., organizational position, can be in: a) accounting b) finance or c) an independent organizational unit subordinate to the board. The first two options question the independence and objectivity of internal auditors because they are closely linked to the functions of accounting and financial data, and so can be superseded. The third way of organizing an internal audit is the most appropriate because the internal audit department is outside of any functional areas and reports directly to the Audit Committee.

The research shows that out of the 159 Serbian companies surveyed that have an organized internal audit, the internal audit is organized within the framework of accounting in 38% of the companies, as an independent organizational unit in 33%, within finance in 17%, in the accounting and financial function in 8%, while 4% of companies did not respond (Figure 3). If the data is analyzed by

¹ Cramer's coefficient of 0.1 indicates a weak connection, 0.3 a medium connection, and 0.5 and over a strong connection.

strata the results coincide with the total sample and earlier drawn conclusion about the existence of a connection between the size of companies and method of organization (Cramer's contingency coefficient is 0.379). As the size of the company grows the number of companies where the internal audit is organized as an independent organizational unit increases (22% for medium, 48% for large).

Figure 3 Organizational positioning of internal audit



Source: authors' calculation

2. In the questionnaire filled in by the accountants, the third question referred to the tasks of internal audit. Respondents were offered answers (the tasks of internal audit were exhaustively enumerated) and next to them the respondent could circle YES, NO, or N/A.

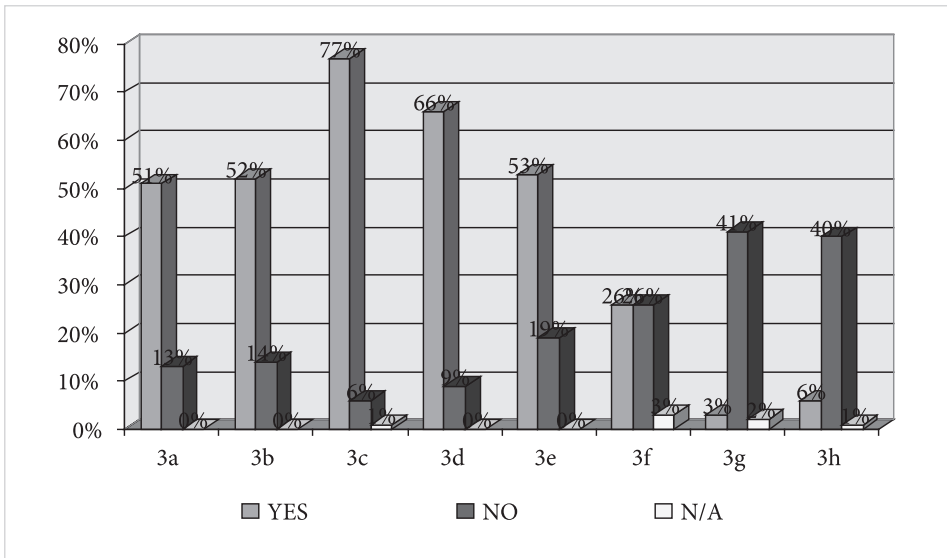
In order to better understand the research results, part of the questionnaire relating the third question is presented in Table 3. Analyzing the responses to the third question of the 159 surveyed companies that have organized internal audit, the majority of respondents (77%) chose answer c) (evaluation of compliance of business with law, policies, business practice and management procedures); 66% chose d) (detecting and preventing errors and illegal activities); 53% chose e) (timely preparation of quality financial reports); 52% chose b) (evaluations of economy, efficiency, and effectiveness in accomplishing tasks in all business functions); 51% chose a) (evaluation of performance of accounting system and internal controls), while under 30% of respondents chose answers f), g), and h). Only 3% of respondents said that the task of internal audit is adding value to owners' shares, which is understandable considering the degree of capital market development in the Republic of Serbia (Figure 4). The same results are obtained if the data are analyzed by strata (large and medium companies, joint-stock companies, limited liability companies, and other legal forms): in the opinion

of the respondents the three basic tasks of internal audit are: evaluation of compliance of business with law, policies, business practice, and management procedures; detecting and preventing errors and illegal activities; and timely preparation of quality financial reports.

Table 3 Tasks of internal audit in companies in the Republic of Serbia

3. Tasks of internal audit are:	YES	NO	N/A
a) evaluation of performance of accounting system and internal controls			
b) evaluations of economy, efficiency, and effectiveness in accomplishing tasks in all business functions			
c) evaluation of compliance of business with law, policies, business practice, and management procedures			
d) detecting and preventing errors and illegal activities			
e) timely preparation of quality financial reports			
f) contribution to corporate management			
g) adding value to owners' shares			
h) evaluation of independence and determining compensation to internal auditor			

Figure 4. Tasks of internal audit according to the number of circled answers YES, NO, N/A



As independent and objective management reviewers with the necessary professional characteristics and competencies, the internal auditors prepare an audit report as the final product of the internal audit process. The internal auditor's report should present the purpose, scope, and results of the internal audit, so that it fulfils a consulting role which affects the process of company management, the reduction of business risk, and the quality of financial and business reporting.

Given the contribution and responsibility of the internal auditor in company management and business reporting, the fourth question in the questionnaire was:

Internal audit reports and is responsible to:

- a) company management;
- b) board of directors;
- c) supervisory board;
- d) audit committee;
- e) assembly of shareholders.

159 of the surveyed companies (65%) responded that internal audit reports and is responsible to company management, 43% responded board of directors, 23% supervisory board, 18% assembly of shareholders, and the smallest number of respondents (3%) opted for the audit committee. Table 4 shows the response to the fourth question in absolute numbers and percentages for all companies and especially by strata, i.e., especially for large, medium, JSC, LLC and companies of other legal forms that circled YES.

Table 4. Overview of responses “YES” to the fourth question, “Internal audit reports and is responsible to”

Internal audit reports and is responsible to:	Company management	Board of directors	Supervisory Board	Audit committee	Assembly of shareholders	Out of
All companies	104	69	36	5	29	159
	65%	43%	23%	3%	18%	
Large companies	46	33	15	1	13	68
	68%	49%	22%	1%	19%	
Medium companies	58	36	21	4	16	91
	64%	40%	23%	4%	18%	

JSC	21	29	21	1	21	54
	39%	54%	39%	2%	39%	
LLC	62	30	9	4	7	78
	79%	38%	12%	5%	9%	
Others	21	10	6	0	1	27
	78%	37%	22%	0%	4%	

Source: authors' calculations

Analyzing the results of the fourth question according to the aforementioned strata and at the aggregate level, we observe that in companies whose legal form is JSC, most of the respondents chose the answer that the internal auditor reports and is responsible to the board of directors, so the board of directors is in first place, while management, supervisory board, and assembly of shareholders share the second place. The results we obtained here are in accordance with the response to the first question and Article 331 of Company Law, where, in JSC, which have organized internal audit as an internal auditor-individual, the internal auditor is chosen from among the board members, and therefore is responsible to the board of directors of the company. This legal provision and practice of companies in the Republic of Serbia is in collision with international internal auditing standards “that assume that the internal auditor should protect management, so as not to come into conflict with the assembly of shareholders” (Spahić, N., 2009).

Looking at the results of the research into the different legal forms of companies, the question is whether there is a connection between the legal form and the body to whom the internal audit reports and is responsible. In order to obtain the answer to this question chi-square test and Cramer's contingency coefficient were used in the survey and in drawing conclusions.

- 1) *Testing the existence of a connection between the legal form of the company and the board of directors, as a body to which internal audit reports and is responsible.*

The conducted chi-square test of independence of features, has resulted in a chi-square statistics of 7.055 and p value of 0.029. At the risk error of 0.05 the null hypothesis is rejected because the level of significance is greater than p ($p=0.029 < \alpha=0.05$) values and we can conclude that there is a connection between the legal form of company and internal audit which reports and is responsible to the board of directors, and the connection is of low intensity (Cramer's contingency coefficient is 0.029).

- 2) *Testing the existence of a connection between the legal form of the company and the supervisory board, as a body to which internal audit reports and is responsible.*

The conducted chi-square test of independence of features is valid and its statistics are 18.428, and p value is 0.0001, meaning that the null hypothesis is rejected at the risk of error of 0.05 and we can conclude that there is a connection between the legal form and internal audit which reports and is responsible to the supervisory board, and the connection is of medium intensity (Cramer's contingency coefficient is 0.443).

- 3) *Testing the existence of a connection between the legal form of a company and the assembly of shareholders, as a body to which internal audit reports and is responsible.*

The chi-square test of independence of features (24.475) indicates that there is a connection between the legal form of company and internal audit which reports and is responsible to the assembly of shareholders; p value is 0.0001. The connection between the features is strong (Cramer's contingency coefficient is 0.519).

Looking at the above results we can conclude that there is a connection between the legal form of company and the body to which the internal audit reports and is responsible; that is, the alternative hypothesis is proven.

3. FUTURE DEVELOPMENTAL DIRECTIONS OF INTERNAL AUDIT IN THE REPUBLIC OF SERBIA

The Institute of Internal Auditors conducted research in 2010 on the state of internal audit worldwide, based on the responses of 13,582 companies from 107 countries. The results of this research were published in five different reports. One of the reports (Characteristics of an Internal Audit Activity) indicates that 88.9% of companies in the world believe that the most important internal audit activity is the evaluation of company business, followed by evaluations of compliance of the business with the law (75.1%), evaluation of financial risks (71.6%), detecting error and illegal activities (71.2%), evaluation of the effectiveness of internal control system (68.8%), and contribution to corporate management (44.5%). If we compare this data with our study conducted in the Republic of Serbia the

results are similar, given that possible differences in percentages result from the development level of the economy and the internal audit itself.

According to the research conducted by the Institute of Internal Auditors it was determined that 43% of worldwide respondents report and are responsible to management, and 34% to the audit committee. The results of research in the Republic of Serbia are different because 65% of respondents stated that internal audit reports and is responsible to company management, and only 3% said that it was the audit committee; which is understandable given that the capital market in the Republic of Serbia is underdeveloped and that adequate legislation does not exist. Moreover, in Serbian Company Law the functions of the internal audit and the audit committee are equal, which is absurd.

Reviewing the existence and actions to date of internal audit in Serbia, it can be concluded that the knowledge and experience are modest, but not completely unknown. According to many experts in auditing and accounting, internal audit is not legally defined and professionally organized in an adequate manner. By organising legislation in the Republic of Serbia according to international law and practice, we can expect rapid development of internal audit in the future. Accordingly, internal audit in Serbia should develop so that:

- in addition to strict reviews there are less rigid controls,
- in addition to evaluation of control, the tasks of risk assessment and risk management are introduced,
- it does not only consider threats but also opportunities,
- it does not only evaluate past events, but is focused on the future
- it is not based only on discovery, but also on prevention
- it develops consulting services.

It is important to emphasize that internal audit should have an established two-way communication with management in performing the tasks, and that it needs to develop a system of risk management which will involve all employees in all organizational units and at all levels in the company.

4. CONCLUSIONS

Looking at the experience of developed countries, we can conclude with certainty that internal audit makes a large contribution to the achievement of company goals, and the implementation of strategies for their achievement .

Internal audit determines the reliability, reality, and integrity of financial and operational information that comes from different organizational units, on which appropriate business decisions at all levels of management are based. Successful implementation of internal audit tasks means that it must be autonomous, i.e., company management should in no way influence its work, information, conclusions, and evaluations. In this way the internal audit report becomes a means of communication between internal audit and management, and an important guideline for the successful management of the company.

The results of the research indicate that the level of internal audit in companies in the Republic of Serbia does not correspond with the achieved level of development of that profession in countries with developed market economies. This is supported by the fact that the management of most Serbian companies still does not recognize the contribution that internal audit can provide to the company regarding improvement of the quality of operation and risk management. However, the conducted research indicates that the importance of internal auditing is increasingly recognized, as evidenced by the fact that even 79% of the total number of surveyed companies have organized internal audit. However, it is certainly a concern that the tasks of internal audit are still not properly understood; i.e., there is a 'narrow' understanding of the tasks, which is usually limited to the evaluation of compliance with the law and preventing illegal actions and errors. Furthermore, the results of this research indicate that there is a connection between the legal form of companies and the body to which internal audit reports and is responsible, and Cramer's contingency coefficient showed a connection between company size and organization of internal audit as a sector or independent organizational unit.

Finally, we can expect that the organising and implementation of internal audit in Serbia will only be common and more attuned to the practice of countries with developed market economies if legislation in the Republic of Serbia complies with the legislation of the European Union, and if we recognize the importance of continuing education of internal auditors and management of Serbian companies in terms of increasing awareness of the importance of internal audit.

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Received: September 29, 2011

Accepted: October 17, 2011

