

DECISION OF THE TOP MANAGEMENT AFTER THE DECISION TO ESTABLISH AN INTERNAL AUDIT IN A COMPANY OPERATING BASICALLY IN THE FIELD OF AGRICULTURAL ACTIVITY ON THE EXAMPLE OF THE REPUBLIC OF SERBIA

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Abstract

The decision made by top management to form an internal audit should be aimed at improving the security of the entire company. This ensures the safety of top management in all enterprises, especially in agricultural enterprises that rely on primary agriculture and processing of agricultural products with the aim of producing production that is more valuable than primary agricultural products.

Internal audit should be introduced in the regular course of business of the enterprise with the aim of improving the overall security of the business of the enterprise. One form of implementation is to improve internal controls already in place by giving internal management advice and advice to top management on how to improve the controls already in place.

The contribution of the authors who made this study is to emphasize and emphasize the importance of implementing internal audit, which, after the decision of top management to introduce internal audit in the processes of business operations of the company. The aim of such a decision is to increase the security of the business of the enterprise and, together with the existing internal control, to build a more secure business system in order to contribute to the improvement of the performance of the agricultural enterprise. The process was emphasized by the authors as being continuous and not carried out in the short term because the postulates of setting up and setting up a business are presumably permanent and long-term.

Keywords: *audit, business, decision, enterprise, management.*

Classification JEL: *M40, M41*

1. Introduction

Internal audit essentially contributes to the enhancement of all control functions in top management processes of enterprise management [1] [2]. Thus, the management processes that

occur after the adoption of the planned activities of top management make it possible to achieve the basic goals of the company, which are defined and set by top management [3], [4], [5].

Internal control enables the proper functioning of existing management processes, which improves the overall business of the company. Internal audit contributes to reducing the overall risk management of the company to an acceptable level, thereby contributing to improving the safety of top management.

The introduction of internal audit enables continuous business operations of the company with the existence of better control in any company, and in recent years it has been dominant in the transition conditions to significantly introduce the internal audit and control in the agricultural enterprise in the Republic of Serbia.

Internal audit reports in the form of recommendations are submitted to top management for the purpose of optimization [6], [7], [8] of future decisions that will only be made by top management of the company with fully or partially adopted recommendations of internal audit and internal control.

Improving business results [9], [10] starting with increase in production, increase in turnover, increase in profit, increase in production finalization should be based on top management decisions that rely on internal audit recommendations submitted to top management after recording and checking of business the whole business or part of it. Thus, the recommendations on presenting the results of internal audit work and the conclusions and opinions and findings of the internal auditor should serve as a guide for top management decision making, as internal auditors rely on the monitoring of legislation [11].

Corporate governance in many businesses is based on the use of corporate finance management principles [12], [13], [14]. Of course, corporate governance is valid and enforced by agricultural enterprises as well as other large number of heterogeneous legal entities, adapting business decisions to their specificities.

Top management should monitor the operation of the entire company system to ensure that activities are carried out optimally cost-effectively, efficiently and effectively [15], [16] over a long period of time rather than on a case-by-case basis.

Therefore, internal audit should produce results primarily in the field of quality control, both in production and in the field of sale of agricultural products and products that have been further processed in order to maximize profits and add new value to primary agricultural products every company that wants to grow and has a tendency to expand should make adequate business decisions [17], [18].

The decisions made in this way must be timely, designed and oriented towards the development of the whole company, and from the point of view of the length, be long-term and developmental business decision-making decisions.

Obtained top management data from lower management is reviewed periodically to determine if they are appropriate for functioning in the enterprise. In addition, the performance of business activities in terms of result formation must be valid against the cost of internal audit and internal control activities.

Therefore, their contributions must justify the engagement itself with regard to the efficiency, cost-effectiveness and quality of service provided to top management.

2. Material and methods

In illustrating the materials and methods used by the study authors, it should be noted that they provided a possible sequence of events related to business decision-making in an agricultural enterprise. All of these actions related to decision-making follow up on the recommendations received from top management by the formed internal audit in the company.

In order to show the flow of such activities related to the decision-making process after the

formation of the internal audit, the authors present an overview of the general model and the flow of decision-making through the representation in Figure 1.

Modern business requires a new approach, which basically defines a large number of jobs that require such an organization in the enterprise, which will enable a greater degree of standardization of business in order to facilitate the business but also to reduce the increasing operational risk that arises in the ordinary course of business of the enterprise.

This increases the speed of the top management's actions regarding the perceived risks, and the top management is then able to make valid business decisions that contain a lower level of risk to the business of the company.

The importance of the top management decision-making system starts from the reporting of the formed internal audit in the company, and on that basis the authors gave a general possible model of possible behavior of the company that adopted the implementation of internal audit and control in the company.

The authors have provided a possible general model of top management behavior in the Table 1.

In addition, in order to fully form an internal audit, it is necessary for the internal audit to submit proposals for the legal regulation of its existence in the company. Essentially, the internal audit proposes a rulebook on the operation of internal audit to the top management and submits it for adoption. Only after adoption is the existence of an internal audit legally regulated.

3. Results and discussion

The paper presents a general model of business decision making in an enterprise. Subsequently, the authors presented in Table 1 important partial standards related to the business decision making of top management that manages the work of agricultural enterprises in the Republic of Serbia should be carried out continuously. Only the results of the work of internal auditors can be presented in several ways.

In order to show the importance of standard reporting on important factors in this paper, the authors conducted a survey in 25 surveyed companies that are predominantly related to agriculture. The analysis covered the efficiency of capital use in 2014-2018. The overview provides an analysis of profit margins, total assets turnover, business assets turnover, fixed assets turnover and current assets turnover.

The views in Table 2 are given after the survey was conducted in 25 randomly analyzed companies, and the obtained data are formatted by primary data in the final accounts for the surveyed companies surveyed years and represent some mean value for all surveyed companies. The basis for carrying out the work of the internal auditor is the existence of the adopted Charter on Internal Audit and Authorizations, which gives them top management of the company by signing the authorizations for performing the specific internal audit.

In addition, internal audit must more accurately define the area of business within the enterprise, such as accounting and company finances, for the specific period in which it will conduct internal audit and process control activities within the enterprise.

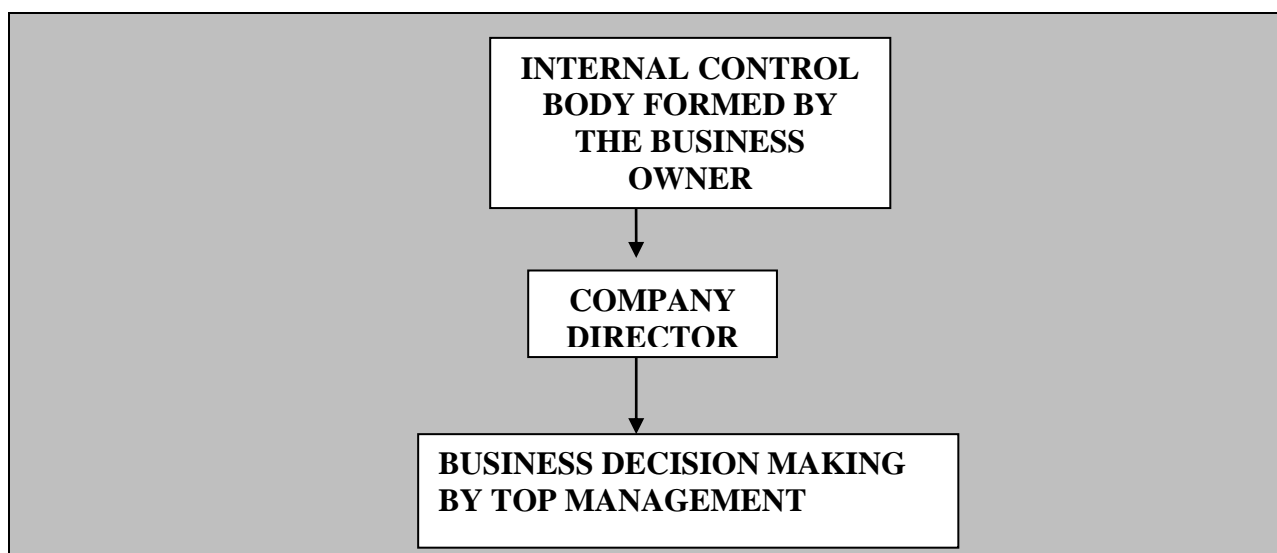


Fig. No. 1. Model of harmonization of internal control mechanisms in the Republic of Serbia

Table No. 1. Presentation of standardization form with description of possible control and possible level of risk for business of agricultural enterprise

FORMS OF STANDARDIZATION	REQUIREMENTS REGARDING THE PERFORMANCE OF CONTROL AND AUDIT	POSSIBLE RISK LEVEL PER COMPANY	UNDERTAKING MANAGEMENT ACTIVITIES
Attribute standard	Applying standard requires a professional attitude, competence and professional care, competence, knowledge and other competencies to perform internal audits.	Medium	Directly after the knowledge
Implementation standards	The auditor must obtain help, if there is no knowledge, skills, or other competencies needed to perform all tasks related to the audit or his involvement.	High	Immediately
Performance standards	The auditor must effectively manage internal audit activities. Must plan and prioritize internal audit, based on the assessed risk.	High	Immediately
Implementation Standards-advice	The auditor should consider accepting proposed involvement in the assessment and should propose improving the organization of the subject in which audits. Data Solutions suggestions.	High	Immediately

Table No. 2. Showing indicators of capital use for the period 2014-2018 in agricultural enterprises based on a random survey of 25 enterprises

Indicators	Years				
	2014	2015	2016	2017	2018
Profit margin	1%	0	0	0	0
Crafts of total	1,96	2,06	2,40	2,64	2,64
Craft business	1,96	2,06	2,40	2,64	2,64
Fixed property crafts	4,73	5,40	6,67	6,44	6,65
Property	3,24	3,57	3,72	3,77	4,25

Below, the authors presented in Table 3 and Table 4 possible views of top management reporting to the top management of the company after posting in the company books, leaving room for the top management to sign their observations on the report itself to make the subsequent reports more complete and better.

Table No. 3. Display company capital presentation and top management ratings obtained by the report

Serial number	Description	Cash paid up	Cash in rights and property is entered	TOTAL	Assessment of top management by reporting to the financial and financial sector in terms of satisfaction with the report	
		Dinars in 000.000	Dinars in 000.000	Dinars in 000.000	Yes	No
1.	Business book balance	47	128	175	X	
2.	State of the Business Registers	48	168	216	X	
	Difference	1.083	39.856.	40.939	X	

Table No. 4. Display overview of the 5 largest customers with the highest turnover in ... year

SERIAL NUMBER	ACCOUNT	DESCRIPTION	THE STATED VALUE IN MILLIONS OF DINARS FOR THE FIVE LARGEST CUSTOMERS OF THE COMPANY, OTHER CUSTOMERS AND THE TOTAL VALUE OF PURCHASED GOODS OF ALL CUSTOMERS OF THE COMPANY	ASSESSMENT OF TOP MANAGEMENT BY REPORTING TO THE FINANCIAL AND FINANCIAL SECTOR IN TERMS OF SATISFACTION WITH THE REPORT	
				Yes	No
1	1	The name of the customers was not highlighted in the study but was given in real top management reporting	161	Yes	No
2	11		139		
3	899		24		
4	12296		15		
5	12969		14		
The turnover of the five largest customers of the company			353		
Turnover of all other business customers			402		
Total turnover of all customers of the company			755	X	

4. Conclusions

Modern management requires top management to find new ways of organizing work in the company by the top management decisions made. In order for top management decisions to be properly adopted by lower management structures, it is necessary to find new methods of organizing work, all with the aim of improving the security of business operations. In this paper, the authors emphasize the importance of using decision making related to establishing internal control more accurately the use of internal audit in the domain of functioning of an agricultural enterprise.

The results indicate that positive developments can be made if the top management implements a better level of reporting to the sector and parts of the enterprise towards it. This is where the role of internal audit plays a large role because internal audit makes recommendations to top management who, after adopting recommendations, can immediately start improving their business by adopting operational measures to improve the work in the company.

After this study, the authors indicate that internal audit becomes a significant factor that can contribute to improving the management of the top management of an agricultural enterprise, as it is able to make valid business decisions by improving the business procedures already adopted. In the paper, the authors pointed out the importance of verifying the documents received in order to improve the future reporting of top management (Tables 3 and 4).

The authors point out that the introduction of internal audit creates conditions for improving top management reporting and that, in the short term, lower management reports towards top

management can be improved if the recommendations of internal auditors are adopted. A substantial study indicates that introducing a realistic internal audit that will make realistic recommendations in the short term can improve the overall management of an agricultural enterprise.

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