

Study on the Need to Regulate the Audit Profession and the Determinants of the Improvement of the Internal Managerial Control and the Internal Audit in Relation to the External Audit

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Abstract

The study aims to analyze the personality and career-related factors that influence the choice of auditor profession, aspects that have enjoyed relatively little attention in the literature, especially in our country.

The hypotheses debated in this study that could be part of the vision of the internal and external auditors interviewed from the public entities proposed to be analyzed from Bucharest (participants in the questionnaire) on the debates regarding the future of the auditing profession, as well as the connections with education.

Key words: Auditor, Internal audit, External audit, Frequencies, Regression

J.E.L. classification: H83, M42

1. Introduction

The public internal audit and the internal managerial control system represent essential components for regulating the *metabolism* of a public entity regardless of its positioning in the hierarchy of the Romanian political power regime, as a central public authority or local public authority.

In addition to these internal components, which act and interact within the public entity, the entity considered as a living organism, a third component is exercised, which this time, manifests itself from outside the public entity, represented by the external public audit and which, by in fact, it acts on the entire public sector, with the sole purpose of controlling the formation, administration and use of financial resources.

2. Theoretical background

The continuous improvement of the internal public audit and internal managerial control processes in Romania is a topical issue in the scientific analysis, especially in the post-integration process of Romania in the European Union, in order to harmonize and make compatible the processes in the field with the European Union. with those in Romania.

The role of the public internal audit is to ensure the management on the fact that the internal control exists, is functional and sufficient or insufficient, its value reflecting its capacity to improve the internal managerial control system of the public entity (Dascălu et. al, 2016, pp. 35).

Starting with the most recent report published in August 2019 by the Directorate of Internal Managerial Control and Interinstitutional Relations (DCIMRI) from the Secretary General of the Romanian Government on the implementation of CIM in Romania, our goal is to highlight the problems identified in the practice of implementation of CIM standards and judge the results in terms of expectations.

In the context, internal control is currently associated with a broader meaning, which is seen more as a managerial function and not as a verification operation.

3. Research methodology

This research is a process of choosing from a large population of a group whose opinions we wanted to know.

Thus, each part of the study has an equal probability of being selected. In this study, the population consists of internal and external auditors from the analyzed public entities within the municipality of Bucharest.

The accomplishment of the mission of public entities depends on the objectives set as a final result of the strategies developed and the planned activities and, at the same time, on the climate created within a public entity that must be favorable to ensure the performance and quality of services provided.

From this point of view, the main objectives of this study are:

The main objectives of the research

Objective no. 1. The future of the auditing profession and connections with education

Hypothesis no. 1: How is the perceived negative behavior of internal and external public auditors perceived?

Hypothesis no. 2: Is there a positive reputation in the auditing profession?

Hypothesis no. 3: What are the requirements of the auditing profession? and

Hypothesis no. 4: How is the image formed about the audit profession perceived in the context of evaluating the link between internal managerial control and internal audit in relation to external audit?)

Objective no. 2. Analyzing the process of improving the internal managerial control system

Hypothesis no. 1: Are the functions and duties of the internal managerial control system fulfilled in an economical, efficient and effective way?

Hypothesis no. 2: Is there a way to comply with legal regulations and management provisions?

Hypothesis no. 3: Are there measures to protect resources against abuse, loss or fraud?

Hypothesis no. 4: Can measures be taken to develop, maintain and provide accurate and complete financial information?

These hypotheses that could be part of the vision of internal and external auditors interviewed from public entities proposed to be analyzed within the municipality of Bucharest (participants in the questionnaire) on debates on the future of the auditing profession and connections with education.

The questionnaire was sent to 82 internal and external auditors, only 50 questionnaires were returned with complete data, obtaining a response rate of 60.97%.

Before distributing the questionnaire to the respondents, fifty employees from public entities in Bucharest were asked to provide feedback on the requested articles to ensure the adequacy and clarity of the articles.

After taking into account all the recommendations given, a pilot test was performed on the sample of the 50 internal and external auditors.

In this study we used a dependent variable, which is represented by the auditor profession in the context of assessing the link between internal management control and internal audit in relation to external audit and 4 independent variables reflected in terms of perception topics discussed, the country being Romania.

The statistical model developed to reflect the image of the audit profession is:

$$PA_i = \mu_0 + \mu_1 CC_i + \mu_2 Ri + \mu_3 Ci + \mu_4 Li$$

Where: PA_i = Profession of auditor

CC_i = Behavior and conduct

Ri = Reputation of the audit profession

Ci = Requirements of the auditing profession

Li = The image formed regarding the audit profession in the context of evaluating the link between the internal managerial control and the internal audit in relation to the external audit

The four hypotheses presented were approached in order to reproduce the future image of the auditing profession, which had on average a value lower than 3.

The regression model is presented as follows:

$$SCIM_i = \mu_0 + \mu_1 Fi + \mu_2 Ri + \mu_3 PR_i + \mu_4 DIF_i$$

Where: SCIM_i = Improving the Internal Management Control System;

Fi = Performing functions and duties in an economical, efficient and effective manner;

Ri = Compliance with legal regulations and management provisions;

PR_i = Protecting resources against abuse, loss or fraud;

DIF_i = Development, maintenance and provision of accurate and complete financial information.

4. Findings

The first set of questions in the data collection tool analyzes the perception of both internal auditors and external public auditors regarding their vision of the future of the audit profession and its effects on education, taking into account the positive and negative aspects.

Out of the 50 valid answers regarding the question "Do you perceive positively the objectives of the internal audit function?", the auditors expressed a negative perception regarding the professionals in the field. Most respondents believe that the field of accounting and auditing, as a profession, should do more to improve its overall image. In addition to negative and positive perceptions of internal auditors and external public auditors, respondents may have a positive or negative image of the auditing profession. Usually, the choice of profession is determined by the image formed. On the other hand, career advantages could be represented by opportunities for career advancement, professional fulfillment, recognition and prestige, among others.

In order to emphasize the model used, it highlights the dependent variable, for example, the profession of auditor, being necessary to be tested with the help of compliant statistics, to ensure the statistical adequacy of the model based on conformity measurement and rendering the results of the regression (Table no. 1).

Table no. 1 Regression analysis of the perception method regarding the perception of the future of the auditing profession

Variable	Coefficient	T-statistic	Probability
<i>Constant variables</i>	1.645	2.265	3.317
<i>Behavior and conduct in the auditing profession</i>	-0.236	-1.307	0.129
<i>Reputation of the auditing profession</i>	0.211	0.854	0.694
<i>The requirements of the auditing profession</i>	0.099	0.676	0.395
<i>Image of the audit profession in the context of assessing the link between internal managerial control and internal audit in relation to external audit</i>	0.077	0.488	0.378

Source: (own conception)

Taking into account the highlighted values, the multiple regression line is described by the following regression equation:

$$PA = 1.645 - 0.236*CC + 0.211*R + 0.099*C + 0.077*I$$

In this study, the results of the findings are explained and discussed based on the analysis performed based on the data collected. The results are discussed by relating the different sources.

For the application of the second objective, the study analyzed a dependent variable based on a regression model, which is represented by the improvement of the internal management control system and 4 independent variables reflected in terms of perception topics discussed, the country being Romania, resulting in different perceptions regarding these aspects (Table no. 2).

Table no. 2 Regression analysis of the perception method regarding the improvement of the internal managerial control system

Variable	Coefficient	T-statistic	Probability
<i>Constant variables</i>	2.216	1.968	4.542
<i>Performing functions and duties in an economical, efficient and effective manner</i>	-0.217	-0.672	0.425
<i>Compliance with legal regulations and management provisions</i>	0.058	0.248	0.555
<i>Protecting resources against abuse, loss or fraud</i>	-0.186	-1.151	0.139
<i>Develop, maintain and provide accurate and complete financial information</i>	-0.045	-0.169	0.539

Source: (own conception)

Taking into account the highlighted values, the multiple regression line is described by the following regression equation:

$$SCIM = 2.216 - 0.217 * F + 0.058 * R - 0.186 * PR - 0.045 * DIF$$

Based on the results obtained, we notice positive relationships between the dependent variable (SCIM) and most independent variables, this emphasizing the fact that most hypotheses are supported.

4. Conclusions

In the present study, in connection with the first research objective (The future of the auditing profession and connections with education) analyzed, it was highlighted that:

It could be reflected that based on the results we notice negative relationships between perceptions of the future of the audit profession and the effects on education in the context of assessing the link between internal managerial control and internal audit in relation to external audit and most independent variables. are not supported.

Both auditors and accountants are also perceived as rigid, too rigorous people who are guided by normative regulatory requirements.

Some of the perceptions it refers to the fact that the profession of auditor is quite demanding, requires a lot of mental energy, intelligence, education and improvement and is a continuous activity that can be monotonous in practice and characterized by routine.

Respondents' can have their roots in childhood experiences, school education and improvement, but also in past work experiences.

To achieve the second objective, there is a significant correlation (fulfilling functions and duties in an economical, efficient and effective way, protecting resources against abuse, loss or fraud and development, maintenance and provision of accurate and complete financial information) and the dependent variable for example, Improving the internal management control system.

5. References

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