

FUNCTION AND ROLE OF INTERNAL AUDIT. COMPARATIVE STUDY BASED ON THE PROCESS, REPORT AND VALUE ADDED OF THE AUDIT

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Abstract

Internal audit protects the organization from potential risks and damage to reputation, financial operations, fraud and non-compliance with the legal and regulatory framework. The objectivity, independence, and broad perspective that internal auditors have throughout the organization make internal auditors very useful to management and the board of directors. Internal audit has emerged as one of the organizational areas that should have a complete assessment tool, oriented not only towards finding business errors, but towards improving business performance. Around the 20th century, the creation of a formal internal audit function, whose responsibilities could be delegated, was seen as the most logical answer. An important aspect of the history of audit theory is the role and functions of auditors. Auditing is an important business function that involves evaluating evidence and documentation related to an organization's economic activities and transactions.

Keywords: internal audit, function, role, report, value added

JEL: H83, M42

Introduction

The audit process is complex and often fails in performance; therefore, Albanian organizations may suffer from poor audit approaches. This problem is significant given that in 2002 Sarbanes-Oxley has influenced the entire world financial system with its principles. It is important for us to measure the audit response for Albanian organizations. Given the above, it is important to evaluate all dimensions of internal audit, in order to conclude what the most important characteristics that affect the effectiveness of internal control are.

There are several definitions of internal auditing that relate to the same consequence: helping the company of which it is a part to achieve its objectives while independently assessing governance risk and the internal control system.

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- Internal audit is an independent and consulting activity which ensures the achievement of objectives and is designed to add value to the company by enabling the improvement of the company's operations. It helps the company achieve its objectives, using a systematic method for evaluating and improving the effectiveness of risk management, control and processes (IIA, 2015).
- Internal audit is a frequent or continuous audit conducted by the company's own accountant to: monitor the operational process, verify financial information, evaluate internal controls, detect fraud, identify control problems, and aims to correct errors, before they are detected by an External Audit (Stewart & Subramaniam, 2010).
- Internal audit is an independent evaluation function, which provides service to all levels of management within an organization with an overview of activities. It controls the measures, evaluates and reports on the effectiveness of internal, financial and other control using the resources effectively in an organization (Basel Committee on Banking Supervision, 1998).
- Internal audit is the examination, monitoring and analysis of activities part of the operation of a company, consisting of the business structure, employee behavior and information systems. Internal audit is set to review the company's performance to determine potential threats to the company's health and profitability while also recommending ways to reduce such risks to minimize costs, or at a reasonable cost.

The requirement for Internal Audit came from the need to have an assessment instrument that would reduce errors in data retention, asset sharing and fraud within the organization. Efforts to maintain performance and meet expectations during the downturn have increased the need for a formal internal audit function in the area of knowledge, skills and expertise, to which responsibilities can be assigned. Internal audit became responsible for: "Careful collection and interpretive reporting of selected business facts", enabling management to record significant developments, activities and results of various transactions (Reynolds, 2000).

The complexity created by the increasing number of transactions, being far from the source of transactions and any prejudice from agents, the expertise needed to examine business activities in a meaningful way, the need for an independent and objective organizational statute, as well as discipline needed to be in the "eye and ear" of management assistance to establish internal audit within the company (Clikeman, 2003).

Methodology

In order to be able to draw conclusions on the thesis proposed, a combined approach of research methodologies will be used, where we benefit: the accuracy of quantitative research methods and an in-depth look provided by qualitative research methods that offers the opportunity to make good and consistent conclusions. The study has been selected as one of the most appropriate research methods to analyze the above objectives. The survey was conducted for 6 banks RAIFFEISENBANK; BKT; SOCIETEGENERAL; INTESASANPAOLO; UNION BANK; CREDINS BANK; (40 executives) and 5 ARMO companies; NERANXI; KESH; CONAD; ADIDAS; (40 respondents). This creates a more realistic conclusion in those banks and companies where audit functioning system is performed by a minimum number of auditors.

The paper's conclusions are focused on the most important findings: similarities, differences, key successes, and key shortcomings of the audit process in banks and companies. All of these findings have been converted into recommendations for banks, companies and auditors.

Restrictions

Evaluating the authority, usefulness, and reliability of resources is a crucial step in conducting a review of the literature that effectively covers pertinent research and, thereby, demonstrates to the reader that we know what we're talking about. The process of evaluating collected materials also enhances general skills and abilities to provide reliable data to the reader.

Firstly, the study sample is too small and does not enable drawing cogent and well thought conclusions, alternative points of view and differing perspectives.

Secondly, although the study did not have full access to people in charge, fully trustful and reliable data or documents, avoiding giving the appropriate or right answers did not prevent me from following through on my study.

Finally, some of the answers or conclusions obtained from surveying different organizations tended to be biased, affecting the reliability of data, leading to deeper research for more accurate and reliable information.

Literature Review

This paragraph will summarize the main findings of the literature related to our topic.

First, the conceptual framework research will define the key concepts. Furthermore, the historical approach will be required with special attention to the SOX Act. Regarding the theoretical approach, it will be classified into three

groups (according to these objectives of the main thesis): the audit process, the audit report and the value-added opportunities.

Conceptual Framework

- There are several definitions of internal auditing that relate to the same consequence: ensuring companies goals to achieve their objectives while independently assessing governance risk and the internal control system.
- Internal audit is an independent and consulting activity which ensures the achievement of objectives and is designed to add value to the company by enabling improvement in the company's operations. It helps the company to achieve its objectives, using a systematic method for evaluating and improving the effectiveness of risk management, control and processes (IIA, 2015).
- Internal audit is a frequent or continuous audit conducted by the company's own accountant to: monitor the operational process, verify financial information, evaluate internal controls, detect fraud, identify control problems, and aims to correct errors, before that they be detected by External Audit (Stewart & Subramaniam, 2010).
- Internal audit is an independent evaluation function which provides service to all levels of management within an organization with an overview of activities. Controls measures, evaluates and reports on the effectiveness of internal, financial and other control using resources effectively in an organization (Basel Committee on Banking Supervision, 1998). Internal audit is set to review the company's performance to determine potential threats to the company's health and profitability while also recommending ways to reduce risks, minimize costs, or adjust costs to reasonable expenses.

In other words, Internal Audit is the interaction between the activities, plans, attitudes, policies and efforts of individuals of an organization, who work together to provide reasonable assurance that the organization fulfills its missions and goals, it provides advice for the possible improvement of governance processes and structures, documenting any material irregularities to enable further investigation (Smet, 2011).

Historical Approach

Internal audit has been developed over the years. The focus of the audit has changed with the passage of time. This process of transformation is observed in a paper entitled "Cooperation between internal audit and external audit" (Vidovic, 2012), where the spiral audit is shown, yesterday and today.

The main historical development is the creation of SOX.

On July 30, 2002, the United States passed the so-called “Sarbanes-Oxley Act” in February, or SOX, which is formally renamed the Public Accounting and Investor Protection Company Reform Act (Bedard, 2006). Unofficially the Sarbanes-Oxley law was named in honor of those who proposed it (Paul Sarbanes and Michael G. Oxley). The passage of this law has been done mainly due to US financial scandals of corporate giants, such as Enron, WorldCom, Tyco, etc.

Its main purpose was to address and review accountability, accountability and transparency in reporting the financial condition of companies. To this end, the law led to the establishment of public accounting oversight systems for public enterprises and to better regulation of the auditor’s independence, corporate accountability. Furthermore, it improved the quantity and quality of information it should provide in the financial statements of companies (State, 2012).

The same development has taken place in Europe, with the modernization of the Eighth Directive or the Statute of the Audit Directive (Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 – On statutory audits of annual accounts and consolidated accounts), which is fully committed to regulating professional statutory auditors and the audit process in EU countries.

In the field of auditing, this merger means the compliance of the audit with the aforementioned Directive, where one of the aspects is the establishment and strengthening of the system of public oversight (Clikeman, 2003). Pursuant to Law 10091, dated 5.03.2009, since September 2009, Albania has established the Public Supervisory Council of Auditors, whose activity is focused on the regulatory and supervisory aspects of the professional field of accounting and auditing.

Historical background

There are currently 16 commercial banks operating in Albania. Internal audit is part of the organizational structure of each of them, and acts as a division or department depending on the overall organization. Pursuant to Article 46 “Internal Control Unit”, Chapter 3 “Organization, management and control of the bank and the branch of a foreign bank” of Law no. 9662, dated 18.12.2006 “On banks in the Republic of Albania”, bank or the foreign bank branch establishes the internal audit unit as part of the internal control system (Hanna, 2012).

This unit aims to ensure an effective control of the implementation of policies, regulations and procedures approved by the executive board or directors or directorate for the foreign bank branch to ensure the accuracy of the information and the effectiveness for the preventive measures against the risks faced by the main bank or branch of the foreign bank.

The auditor, who is approved by the Bank of Albania:

- Checks and evaluates the compliance of the financial reports of the bank or branch of the foreign bank with the law “On accounting and financial statements” and international accounting standards.
- Controls and evaluates: Profit and loss account (income and expenditure statements), balance sheet, statement of changes in equity, cash flow statement, consolidated reports, accounting data, accompanying notes to financial statements, etc.
- Notifies the Bank of Albania, in cases when it finds violations of the law, cases of fraud, significant changes in the financial results, violation of the statute and internal regulations of the bank or the branch of the foreign bank, any fraudulent act committed by any employee of a bank or from a branch of a foreign bank, irregular transactions that may result in losses, etc.

In the above paragraphs, the ground is prepared and also the general framework in which this thesis will be developed.

Auditing Professionals

The requirement for Internal Audit came from the need to have an assessment instrument that would reduce errors in data retention, asset sharing and fraud within the organization. Efforts to maintain performance and meet expectations during the downturn have increased the need for a formal internal audit function in the area of knowledge, skills and expertise, to which responsibilities can be assigned. Internal audit became responsible for: “Careful collection and interpretive reporting of selected business facts”, enabling the management to record significant developments, activities and results of various transactions (Reynolds, 2000).

The complexity created by the increase in the number of transactions, being far from the source of transactions and any bias from agents, the expertise needed to examine business activities in a meaningful way, the need for an independent and objective organizational statute, as well as discipline needed to be in the “eye and ear” of management assistance to establish internal audit within the company (Clikeman, 2003).

“As a physician who performs screening analysis on a patient, even an auditor, whether internal or external, performs the tests for a single purpose: a sound organization ...” (Bou-Raad, 2010). Although the eyes of many of us cannot distinguish between internal auditors and external auditors, there are differences. As its name implies, the internal auditor is internal to the organization. The external auditor is not part of the organization. Both serve the organization. What fundamentally distinguishes internal audit from an external auditor is the action group that covers every activity of an organization, that they audit.

The external auditor expresses an opinion on the independent veracity of the organization's financial statements, taking into account the overall audits, preparation of financial statements and reporting. The internal auditor looks beyond the narrow angle of financial statements and financial risks. It aims to identify weaknesses in the regulatory system, review the actions, procedures and effectiveness of the resources used by the organization, taking into account all the risks faced by their organizations and recommending what needs to be done to minimize them. The scope of internal audit is broader (Labaton, 2002).

Audit Report

Internal audit should be an independent unit, both functional and organizational, i.e. separate from other organizational units. In the hierarchical structure, Internal Audit is positioned in the operating units (which perform functions in day-to-day work), and must report directly to the Board of Directors and the Audit Committee. This structure ensures the independence of the Internal Audit of the manager, middle and senior management, as well as other employees of the company (Bello, 2012).

The existence of an Audit Committee is a solution to overcome the difficulties that may arise in providing and maintaining an appropriate internal control system. Due to a potential conflict of interest, there should not be a member of the Audit Committee employed in internal or external audit (Smet, 2011).

The essence of the competence of the Audit Committee can be summarized as follows (Basel Committee on Banking Supervision, 1998):

- The committee plays a key role in the implementation of international accounting standards. In the performance of this function, it establishes the lines of communication between the Accounting Department and the Control Department. If the auditors identify some problems and weaknesses in the accounting data and in accordance with the existing policies and regulations in this area, the committee must ensure that corrective measures are taken;
- Approval of the audit plan;
- Verifies compliance with legislation;
- Review offers for external auditors and gives their own opinion;
- Requires written declarations from internal auditors of possible conflicts of interest in accordance with legal provisions, such as: relationships between the bank and auditors, clients and major shareholders and assessment of the potential impact of these relationships on objectivity and independence of auditors;

- Evaluation of the performance of external auditors, in terms of the content of the audit of financial reports and the exchange of opinions on these reports between managers and external auditors;
- Encouraging communication between the Board of Directors, the Control of Foreign Affairs and the Central Bank.

While the law 9662 “On banks in the Republic of Albania” defines some other powers of the Audit Committee (Audit) (CCANB, 2003):

- Monitors and supervises the implementation of the bank’s accounting and internal control procedures, including the procedures established by the Bank of Albania, to control bank accounts and related records;
- Reviews internal audit reports and monitors the conclusions of these reports;
- Proposes the authorized accounting expert and carries out the communication between him and the internal control of the bank;
- Assesses the financial condition of the bank, based on the report of the authorized accounting expert;
- Controls the functioning of the bank’s compliance with laws and regulations and informs the conclusions of the bank’s management council;
- Offers the opinion of the board to the directors on all issues presented by the latter;
- Approves the financial statements and reports prepared by the Bank that intends to publish them.

The audit report is the main product of the audit process. It should be the result, and should include the following elements:

– *Planning*

Internal audit should not focus on the entire universe, but on the most important aspects that help the company achieve its objectives, ensuring security system controls, governance and risk management are at the right level. The main aspect of the audit work plan is risk analysis, which means not only identifying the risks faced by the business, but reviewing the controls that are put in place to manage them.

The Head of Internal Audit is responsible for developing a risk-based plan, taking into account the company’s risk management framework, including the degree of risk acceptance by executives for various activities or parts of the company.

– *Audit execution*

An audit program that is concise and informative is the focus of the audit team. The functions of the control system are appropriate operating procedures implemented by the staff. Interviews with auditors are in themselves a clear basic understanding of the field and relevant documentation that supports each transaction. The analysis / investigation phase of an audit ends on the last day of the audit field. All materials and documents that have not been submitted to the

audit team by that date are considered unavailable. The decision to accept the documents and materials, after this day, remains only in the judgments of the audit team. However, this is considered a shortcoming and malfunction.

– *Sample selection methods to be audited*

Internal audit (Course, 2014) has the right to inspect any documents related to operations, including mandatory reporting for tax purposes, reports of external auditors, reports of supervisory bodies, etc. You can check any assets or objects of any kind, such as safes, issued checks, etc. This means access to all electronic data stored anywhere.

The audit work plan should specify how the testing and verification objectives will be performed. An auditor should decide whether or not to apply a selective statistical method. Non-statistical methods are generally used for small populations, where internal controls are effective and not very appropriate, from a cost point of view statistical methods are used. Statistical methods are used when you have a level of confidence and accuracy so that the characteristics of the sample are relevant to the entire population.

The selected samples are representative of the population and the results are considered the same for the population but with a certain level of risk. There is always the possibility that the sample is not representative of the population and therefore it has the concept of “trust”. For example, a 95% confidence level means that there is a risk that 5 cases out of 100 choices may not be representative and may lead to a wrong conclusion. In statistical formulas the percentage confidence level is converted to a number (Z – factor).

Another concept in terms of sample selection is “accuracy”, the interval where the real characteristics of the population should fall to a level of reliability. The precision to be resolved is the difference between the “maximum tolerable error” that the auditor determines and the “expected error” that comes from experience or previous analysis.

There are no quick rules for sample selection, moreover it depends on the audited areas.

***Finalization of the audit, Design and reconciliation
(compliance) of the draft report***

Internal auditors issue a report at the end of each audit which summarizes their findings, tasks and responses, or action plans to be taken. According to an audit work scheme, the Board of Directors receives the final audit report only after the draft report has been reconciled with the audited parties.

Audit reports indicate to the Board whether a department, division or activity is in compliance with applicable policies, procedures and laws and regulations,

whether internal processes and controls are effective, and what remedial action a company (bank) should take. Auditors should communicate the findings and tasks of the parties.

1. The purpose and objectives of the audit, as well as some general information
2. Subdivisions according to the audit activity, sample selection (audited documents or figures), general problems that have arisen from this selection, measures to be taken, as well as annexes with data that may accompany the identified findings.

3. Findings should be referenced by the index of what has the highest priority.

4. If you are going to be part of the audit process following up on the previous tasks (Follow up) left by the audit, a review of compliance (i.e. application or closure) of the issues identified in the previous reports should be presented in the report.

5. Audit reports must comply with the standards set by the International Institute of Internal Auditors. Reports should be objective, clear, concise, constructive and timely.

The measures and findings in the report are classified according to their importance and emergency corrective actions:

“Immediate”, if:

- A risk or emergency issue requires an immediate solution.
- There are inconsistencies with the material of legal requirements.
- There are malfunctions or defects in the internal control system with material consequences.
- There are other issues that are considered serious by the auditors.

“This must be completed within a certain period” if:

- Key issues that need to be addressed, but are not as risky as the above.

A preliminary version of the draft report has been sent to the auditors, who must return the written comments. As a general principle, it contains only one judgment of the auditor in the audit report.

In case there is a conflict of opinion, because during the reconciliation with the audited parties there may be conflicting comments, they should be included in the report. The authority makes a final decision, such conflicts remain with the Governing Board. This method ensures that the auditor’s opinion is clearly distinguishable from the auditors and the public, to ensure that the report is not misunderstood.

A full report should be brought to the attention of the Board of Directors and discussed at the meeting.

Audit reports (signed copies, whether in electronic form) must be archived by the applicable archiving procedures.

Documents supporting the audit process

All findings are based on “audit evidence”, which may take the form of:

- Audited copies;
- Print reports or information systems;
- Minutes of meetings, interviews with staff.

– *Worksheets*

Audit practice requires that the audit report (findings on) be supported (i.e. justified) with evidence (or facts) which justify the conclusions reached.

Letters, evidence collected record the work of the auditor. Audit reports are based on working papers. Workshops should contain facts that speak for themselves, so that anyone who reads them can reach the same conclusion as the auditor who prepared them, without the need to perform the audit and without requesting additional clarifications from the auditor who prepared the working documents.

At this point where there is a need for clarification, this means that there is sufficient evidence. Consequently the auditor must examine them.

So, working documents are the basic tool for collecting data, storing it, organizing it and turning it into information. Fieldwork documents are to identify internal auditors. They also serve as a tool for monitoring the audit work, its quality and adequacy.

If the auditor was not allowed by the audited units to gather sufficient evidence, then he could not support the findings in the audit report.

Working formats are considered the standard formats that the auditor uses for his notes, as well as electronic copies or photocopies of the original documents and data, which support the finding.

Supporting documents should provide sufficient information that the audit was performed properly. Documents supporting the audit findings or any other information obtained during the audit have not been made available to the Board. However, this rule does not apply if the risk is unavoidable.

– *Following the tasks given by the audit (FOLLOW-UP)*

Pursuing the elimination of identified deficiencies or compliance tasks given during audits is one of the main competencies of the audit. So this power must be applied to a particular process performed. The process of the following findings can be performed after the realization left or in the form of a planned follow-up process. Auditors are required to report to Internal Audit on the performance measures provided by the audit.

Follow-up of findings and implementation taking into account their scale, which means that immediate measures and other measures of the implementation process are met or not, audit requirements are mandatory, while this process is an optional recommendation.

– *Specific audits, investigations and audit involvement in other activities*

An audit may be requested by individual members of the Board, or its audit initiative group, based on specific information (risk of fraud, risk of imminent threat, etc.). All internal auditors act only on matters of audit. When they are for example in any project, the principle of exclusivity should not be avoided, which means that the degree of involvement of auditors at these levels is determined by the Audit Department. In the case of non-audit activities, liability to audit the results is not excluded. Auditors may assist the bank in establishing new and existing revised policies, procedures and practices. These types of counseling services improve control. To maintain independence and objectivity, internal auditors should not adopt, and design or implement policies or procedures resulting from their advisory or consultative activity. The internal auditor should not be involved in evaluation activities or other language governing identities. The internal audit function should not be involved in the implementation of internal control measures. However, the independence of internal audit cannot stop to ask its managers about suggestions for issues related to risks and internal controls.

Value Added

Information constitutes the “raw material” for any audit engagement. In the absence of raw materials the auditor cannot “produce” his product, in his condition to the public which is an expression of opinion or assurance offered. The auditor has full rights to access, use and apply the information in the form he or she deems appropriate.

These rights are recognized by the international standards of internal audit, the law on internal audit in the public sector, the regulatory framework of the Bank of Albania, respectively the regulation of the Department of Control and the procedural rules. In any audit engagement, the auditor is required to review the background information. The measurement of the size / degree of scrutiny depends on a number of factors such as, for example, if the audit is performed for the first time or is routine: the level of risk is assessed for the function, the assessment performed for the internal control system: the sum of the recommendations of the previous audit; the importance of the recommendations and the level of recommendations implemented, etc. The auditor is not required to provide explanations as to why the information during the engagement requires an audit. The information makes it possible for the auditor to reach a conclusion. If any reason for seeking information is provided, then the auditor may detect early termination or suspicion that there is no fact-confirmed investigation. Delayed availability of information constitutes limitation facilities, then the auditor does not have sufficient time to consider that by forcing to change the audit techniques

and the work plan. In this way the audited units affect the independence and objectivity of the auditor.

Questionnaire categorization

PROCESS	<p>1. Was the time for receiving the notification from the internal audit sufficient and was the object of the audit sufficiently explained?</p> <p>2. During the audit process, was the auditor's conduct ethical, professional, and fair?</p> <p>3. Do auditors have the necessary professional competencies and skills to ensure the audit process?</p> <p>4. Is the amount of performance documents representative of the activity being audited?</p>
REPORT	<p>5. Are the identified problems clear and documented with facts?</p> <p>6. Are the problems identified by the auditor clear, concise and accessible?</p> <p>7. Does the audit report clearly indicate the risk of a process or function being audited?</p>
VALUE ADDED	<p>8. Does the audit add value to your company / bank?</p> <p>9. Have you thought or had any particular case stating that the audit was a one-sided process in order to detect errors?</p> <p>10. Do you think the audit is geared towards and contributing to improved processes?</p> <p>11. Has the audit helped to improve the internal control of your company / bank?</p> <p>12. Do you think auditing prevents and identifies fraud?</p> <p>13. Do you think the follow-up process is just as important for a quality audit?</p>

Methodology

Research methods

The study or survey (completion of a questionnaire) was selected as the most appropriate research method to analyze the above objectives. The survey is designed to present a picture of the moment, without attempting to manipulate the variables, so it is very convenient for descriptive studies, and can be used to consider further data collection for hypothesis testing. Based on the above

characteristics, this way best achieves the goals of this paper. Furthermore this study refers to various studies of the Institute of Internal Auditors Research Foundation (IIARF) and their conclusions, valid and serious models and recommendations. Their findings are based on data collected from surveys conducted between companies and banking financial institutions.

Research sample/example

The research process was conducted in 2016 and was conducted using banks and companies as a sample. The target group of respondents was the heads of divisions, departments and branches who have constant contact with internal auditors. The survey was conducted only in 6 banks (out of 16 commercial banks operating on the territory of Albania), of which, 40 executives were included in the study. Furthermore, the survey was conducted in 5 companies represented by 40 respondents. In this way it creates a more realistic conclusion in the audit function and in those banks and companies where this role is performed by a minimum number of auditors.

Analysis / discussion of results

Table 1: Summary table of descriptive results

	VALID ANSWERS		AVERAGE			AVERAGE		
	B	K	B	K	DIF	B	K	DIF
1. Was the time for receiving the notification from the internal audit sufficient and was the object of the audit sufficiently explained?	40	40	1.93	3.17	(1.24)	1.01	1.03	(0.02)
2. During the audit process, was the conduct of the ethical auditor professional and fair?	40	40	3.63	3.58	0.05	0.56	0.51	0.05
3. Do auditors have the necessary professional competencies and skills to ensure the audit process?	40	40	2.57	3.33	(0.76)	0.63	0.65	(0.02)

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4. Is the quantity of representative documents a performance of the activity being audited?	40	40	3.63	3.5	0.13	0.67	0.8	(0.13)
5. Are the identified problems clear and documented with facts?	40	40	3.23	3.5	(0.27)	0.43	0.52	(0.09)
6. Are the problems identified by the auditor clear, concise and accessible?	40	40	3.43	3.17	0.26	0.82	0.83	(0.01)
7. Does the audit report clearly indicate the risk of a process or function being audited?	40	40	2.4	2.82	(0.42)	0.97	0.98	(0.01)
8. Does the audit add value to your company / bank?	40	40	3.7	3.08	0.62	0.65	0.79	(0.14)
9. Have you thought or had any particular case stating that the audit was a one-sided process in order to detect errors?	40	40	1.37	1.83	(0.46)	0.81	0.83	(0.02)
10. Do you think the audit is geared towards processes to improve and contribute to them?	40	40	3.37	3.58	(0.21)	0.85	0.79	0.06
11. Has the audit helped to improve the internal control of your company / bank?	40	40	3.17	3.58	(0.41)	0.59	0.9	(0.31)
12. Do you think auditing prevents and identifies fraud?	40	40	3.43	3.08	0.35	0.63	0.79	(0.16)
13. Do you think the follow-up process is just as important for a quality audit?	40	40	3.9	3.08	0.82	0.31	0.67	(0.36)
	40	40	3.05 8461	3.17 6923	- 0.1184	0.68 6923	0.77 6153	- 0.08

Source: The author

Banks have reached their maximum for the importance of the issue of the follow-up process, indicating that for them this is the most important part of the audit process.

If companies have achieved their highest value in (1) the auditor's conduct is professionally ethical and fair, (2) the audit is geared towards improved processes and contributes to them, (3) the audit helps improve audit control company.

This shows that companies have better perception based on the most important factors that contribute to performing performance auditing.

It should be noted that companies have reported lower overall averages compared to the overall averages of banks.

Furthermore we need to address the lower reported results. Banks report lower averages on the question: there are cases when auditing is a one-sided process in order to detect errors.

It is extremely important that in this paper it turns out that even companies report the lowest average on the same question that banks have. This shows that it does not matter what the industry or sector is, the most important aspect of auditing that is addressed by auditors is: the negative impression that auditing is a one-sided process that aims to capture errors and not value-oriented orientation.

Furthermore, we can interpret valid percentages. Surprisingly, the question to which respondents' responses from banks and companies largely converge is: does the audit report clearly indicate the risk of a process or function being audited. Exactly 97% of the bank's respondents said that the audit report clearly shows the risk of a process or function under audit, while 98% of companies stated the same.

Moreover, when we ask about the issue on which opinions differ, diverge the most, we have two conclusions. 35% of banks responded that the identified problems are clear and documented with facts, meaning that 65% of them state that the identified issues are unclear and informal. Whereas, only 52% of companies think that the audit is directed towards improved processes and to contribute to them, leaving a 48% of them skeptical about the true purpose of the audit process. It is necessary to say that the divergences of the company are lower than the divergences of the banks.

Conclusions and Recommendations

Companies have reported more key factors as essential to a good control performance, while banks are focused only on pre-notice. It is extremely important that in this paper it turns out that even companies report the lowest average on the same question that banks have. Surprisingly, the question to which respondents' responses from both banks and companies largely converge is: the audit report clearly indicates the risk of a process or function being audited. We

have clear indications that the audit process in banks and firms is well performed in terms of ethical, professional and fair conduct of auditors. We have clear indices that the audit process in banks and firms is performed well in terms of problems documented with facts and clearly defined during the audit process. We can say that on average we have satisfactory data in appearance that when audited, Albanian organizations are assigned to perform tasks which are clear, concise and achievable.

This means that there is a lack of consensus among Albanian organizations regarding the issue of purity of the audit report, when explaining the risk of a process or function under audit.

Recommendation for Banks:

1. Banks should increase their attention in the pre-notification phase, as bank managers indicate that this part is the main driver of the success or failure of the audit process.

2. Banks should raise risk awareness of the risk of a process or function being audited as most bank employees perceive that risk is not well managed.

- 3 Banks should improve the results of the processes and focus on the orientation of the audit in the added value approach.

4. The final objectives of banks in terms of the audit process should be: clear documentation of facts, purity and access to the tasks assigned by the auditor.

Recommendation for companies:

1. Companies should review the professional competencies of auditors and not their ethical conduct, as the most worrying rates have been reported in terms of professional capacity.

2. Companies should seek to include in the audit report not past errors, but to improve future procedures arising from past errors and try to improve past and present situations.

Recommendation for auditors:

1. Auditors should step up their efforts to improve their professional skills and continue to maintain low levels of ethical conduct as this is a trait which was considered important in banks and companies and was perceived by both as "performing a lot".

2. Auditors in terms of audit procedures should intensify their efforts in: documenting facts and clear tasks.

3. Auditors should focus their reports not on error capture, and should orient their conclusions on future tasks and improvement.

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ANNEX

QUESTIONNAIRE

Please give your opinion regarding the work of the Internal Audit and Audit staff relations, answering the following questions:

Choose one of the alternatives - **a**, **b**, **c** or **d** to respond.

- It would be useful and helpful if you would give relevant comments and suggestions by filling line “comments / suggestions” at the end of the question.

1. Do you receive a preliminary notification in a sufficient time for internal audit and sufficient information for the object to be audited?

a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

2. During the audit process, the auditor’s behavior is ethical, professional and fair?

a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

3. Do the auditors have the competence and professional skills needed for the implementation of the audit process?

a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

4. Is the quantity of documents and affiliation representative of the performance of the activity being audited?

a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

5. Are the identified problems clear and documented with facts?

a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

6. Tasks assigned by the auditors are clear, concise and accessible?

a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

7. Does the audit report clearly show the risk of a process or function being audited?

a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

8. Does the audit adds value to your company / bank?

a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

9. Have you thought or had any specific case stating that the audit was a tendentious process aiming to figure out errors?

a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

10. Do you think that the audit is directed to the improvement of the processes and contributes to them?

a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

11. In improving your company/ bank's internal control does it (audit) help?

- a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

12. Do you think that audit prevent and identifies fraud?

- a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

13. Do you think that the follow-up* process is equally important for a qualitative audit?

- a. Always b. Usually c. Sometimes d. Never

Comment/Suggestion

14. According to you, what do you consider as strength of audit?

15. Which improvements do you think are important/a must for internal audit (as a process, staff, report, follow up, etc.)?