

## EVOLUTION OF MANAGEMENT AUDIT DEVELOPMENT

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**Abstract.** *In the modern business world, internal audit stands out as the most important tool for ensuring the efficiency and sustainability of corporate structures. Its role in risk management and ensuring compliance with internal standards becomes key to achieving the organization's strategic goals. Internal audit and risk management are key components of effective corporate governance. Internal audit is a systematic and independent examination of an organization's activities to assess the compliance of its internal processes and procedures with established standards and rules. In addition, internal audit plays an important role in ensuring the organization's compliance with laws and regulations, which also involves minimizing the risk of legal problems. Auditors conduct audits to ensure that an organization's activities comply with applicable regulations and requirements. As a result, internal audit and risk management are closely interrelated and are aimed at ensuring the sustainability and effectiveness of the organization. Regular audits help identify weaknesses in risk management and warn against possible negative consequences for the business.*

**Keywords:** *audit, internal audit, management audit, financial statements, risk management, corporate governance.*

Internal audit is the process of systematically and independently reviewing an organization's internal processes, procedures, and operations to assess their compliance with established standards, policies, and rules. It aims to identify weaknesses, errors, and inconsistencies, and to provide recommendations to improve management efficiency and effectiveness. Internal audit is performed by independent professionals or an internal audit function within the organization and may include analysis of financial statements, operational processes, risk management systems, compliance with legislation and other aspects of the company's activities. The results of the internal audit are presented to the management of the organization and can be used to make management decisions, improve internal processes and increase business efficiency [1].

*Table 1*

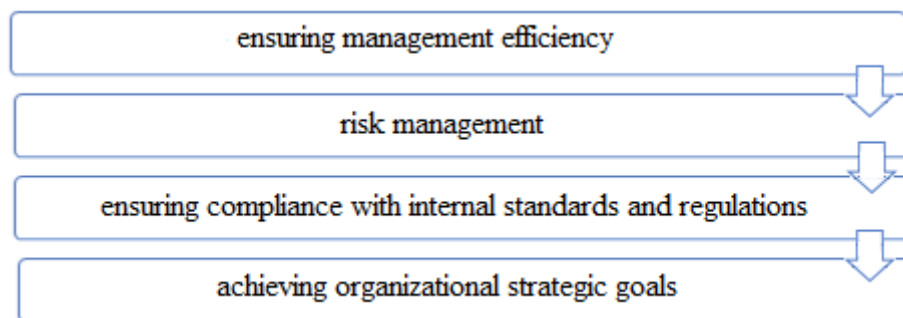
**History of Internal Audit**

<b>Period</b>	<b>Brief description</b>
Pre-1960s	<ul style="list-style-type: none"> <li>• Modest development within the framework of financial audit.</li> <li>• Focus on identifying financial errors and abuses.</li> <li>• Limited impact on the overall effectiveness of the organization.</li> </ul>
1960s	<ul style="list-style-type: none"> <li>• Emergence of management audit as a separate discipline.</li> <li>• Increased focus on assessing the effectiveness and efficiency of management.</li> <li>• Adoption of management auditing standards, such as the Standards of Auditing Practice for Management Auditing (GAGAS).</li> </ul>
1970s	<ul style="list-style-type: none"> <li>• Development of risk assessment and internal control methodologies.</li> <li>• Study of the concept of "added value" of management audit.</li> <li>• Recognition of the importance of consulting management.</li> </ul>
1980s	<ul style="list-style-type: none"> <li>• Focus on process improvement and operational efficiency.</li> <li>• Implementation of auditing approaches based on management theories, such as the theory of constraints and lean manufacturing.</li> <li>• Growing focus on corporate ethics and risk management.</li> </ul>

Period	Brief description
1990s	<ul style="list-style-type: none"> <li>• Emergence of the International Institute of Internal Auditors (IIA) standards based on GAGAS.</li> <li>• Recognition of the importance of information exchange and cooperation with external auditors.</li> <li>• Development of new technologies and their impact on management audit.</li> </ul>
2000s	<ul style="list-style-type: none"> <li>• Focus on risk management and compliance.</li> <li>• Expanding the scope of management audit to include IT, supply chain and environmental audits.</li> <li>• Integration of sustainability and corporate social responsibility.</li> </ul>
2010s to present	<ul style="list-style-type: none"> <li>• Continuous use of new technologies such as artificial intelligence and big data analytics.</li> <li>• Evolution of the role of CIAs, becoming more strategic advisors.</li> <li>• The growing importance of valuation of the whole enterprise and a data-driven approach.</li> </ul>

Over the course of its evolution, management audit has become increasingly value-added and has a significant impact on the overall effectiveness and accountability of an organization [2-4].

In today's business world, internal audit is central to ensuring the efficiency and sustainability of corporate structures. His role is becoming increasingly critical in the context of a rapidly changing business environment, where organizations face growing challenges and risks. Here's how internal audit acts as a key tool to ensure the efficiency and sustainability of corporate structures:



**Figure 1. The Impact of Internal Audit on Ensuring the Efficiency and Sustainability of Corporate Structures**

1. Ensuring the effectiveness of management:
  - Internal audit provides an organization with the ability to systematically review and evaluate its internal processes, management systems, and operations.
  - By analyzing the effectiveness of current practices and identifying areas for improvement, internal audit helps to optimize business processes and improve the overall performance of the organization.
2. Risk Management:
  - One of the most important aspects of the internal audit activity is to identify, assess and manage the risks faced by the organization.
  - By analyzing current and potential risks, internal audit helps to develop and implement risk management strategies, minimizing their negative impact on the business.
3. Ensuring compliance with internal standards and regulations:
  - Internal audit plays a key role in ensuring that an organization's activities comply with internal standards, policies and procedures, as well as external regulations and legislation.
  - By conducting regular audits and reviewing the organization's activities in accordance with regulatory requirements, internal audit helps to avoid possible violations and fines, as well as to preserve the company's reputation.

4. Achievement of the organization's strategic goals:

- Internal audit is an integral part of strategic management, as its results and recommendations are aimed at supporting the achievement of the organization's strategic goals.
- By providing valuable information and guidance to an organization's management, internal audit helps inform strategic decisions and ensures the achievement of long-term goals.

As such, internal audit plays a critical role in ensuring the efficiency and sustainability of corporate structures in today's business. Its influence extends to all aspects of an organization's operations, from day-to-day operations to strategic planning, making it an essential tool for companies to operate and grow successfully in today's marketplace [5,6].

Internal audit and risk management are becoming an integral part of effective corporate governance in modern business. Let's take a closer look at their key roles and importance:

1. Internal Audit as a Systematic Audit:

- Internal audit is the process of systematically and independently reviewing an organization's performance.
- The purpose of internal audit is to assess the compliance of an organization's internal processes and procedures with established standards, policies, and rules.
- It helps to identify potential problems, inconsistencies and vulnerabilities in the management, operations and financial processes of the company.

2. Risk Management for Resilience:

- Risk management aims to identify, analyze, and manage the risks that an organization faces in its operations.
- The goal of risk management is to minimize the negative effects of risks and maximize opportunities to achieve strategic goals.
- Through systematic risk analysis and assessment, risk management ensures the sustainability and reliability of corporate structures.

3. Relationship between internal audit and risk management:

- Internal audit and risk management are closely interrelated and complementary.
- Internal audit helps to identify risks and assess the effectiveness of existing control mechanisms, as well as provides recommendations for their improvement.
- Risk management, in turn, helps to focus the attention of internal audit on the most significant risks and allows for a more effective allocation of resources to control them.

4. Implications for effective corporate governance:

- Internal audit and risk management play a key role in ensuring the efficiency, transparency and manageability of corporate structures.
- They contribute to building trust among stakeholders, such as investors, partners and regulators, and increase the level of managerial responsibility and decision-making.

Thus, internal audit and risk management are integral elements of effective corporate governance. Together, they enable organizations to not only detect and respond to potential challenges and risks, but also build more resilient and successful business models, contributing to strategic goals and improved performance [6,7,8].

Internal audit plays a fundamental role in ensuring an organization's compliance with laws and regulations, which is a key aspect of corporate responsibility and risk management. Let's take a closer look at how internal audit helps to minimize the risk of legal problems:

1. Ensuring compliance with laws and regulations:

- Internal audit assesses the compliance of an organization's activities with applicable laws, regulations, standards, and policies.
- Auditors analyze the extent to which an organization complies with requirements in the areas of financial reporting, data protection, environmental protection, employee rights, and other areas where laws and regulations apply.

2. Identification of potential risks and violations:
  - Conducting an internal audit can identify potential risks and violations related to the improper application of laws and regulations.
  - Auditors analyze the key processes and operations of the organization in order to identify possible violations of the law or misinterpretation of rules.
3. Prevention of legal problems and fines:
  - By conducting regular and systematic internal audits, an organization can prevent legal problems and penalties from occurring.
  - Identifying and correcting violations and deficiencies in an organization's operations helps reduce the likelihood of legal claims from stakeholders such as customers, partners, employees, or regulators.
4. Improving management accountability and transparency:
  - Internal audit contributes to increasing the level of managerial responsibility and transparency of the organization's activities to stakeholders.
  - The results of the audit enable the organization's management to make informed decisions and make improvements in management and operational processes to ensure compliance with laws and regulations [9-11].

Thus, internal audit is an essential tool to ensure an organization's compliance with laws and regulations, which helps to minimize the risk of legal problems and increases the level of trust on the part of stakeholders. Regular internal audits become an integral part of the corporate culture and risk management strategy, ensuring the sustainability and long-term development of the organization.

Internal audit and risk management in a modern organization are interrelated and complementary in the context of sustainability and efficiency. Internal audit is an important tool for assessing the compliance of an organization's activities with laws, regulations and internal standards. Conducting regular audits allows you to identify weaknesses in the risk management system, identify potential threats and opportunities, as well as prevent undesirable situations that can lead to negative consequences for the business.

As part of an internal audit, auditors analyze a company's processes, procedures, and operations to ensure that they comply with legal requirements, accounting rules, internal policies, and quality standards. In addition, the audit evaluates the effectiveness of existing risk management measures, identifies potential vulnerabilities and recommends remedial measures. This approach allows the organization to proactively manage risks and prevent possible legal problems related to violations of legislation or standards.

Moreover, internal audit and risk management not only help to minimize risks to the business, but also contribute to increasing efficiency and improving operational processes. Through regular monitoring and evaluation of an organization's performance, auditors identify opportunities to optimize business processes, increase productivity, and reduce costs. Thus, the combined application of internal audit and risk management becomes a key factor in the successful and sustainable functioning of an organization in today's dynamic environment.

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