

THE POSITIONING OF THE DECISION-MAKING FACTOR FROM THE AGRO-FOOD COMPANIES IN CLUJ COUNTY TOWARDS THE INTERNAL AND EXTERNAL AUDIT

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Abstract. The audit process is valuable for the company because of its benefits mainly because of the professional opinion expresses by the auditor and also the recommendations useful to the company. The main purpose of this article is to highlight the attitude of the decision-making factor from the agro-food companies from Cluj County related to the audit process, both internal and external. The findings could be useful in order to determine the willingness of the agro-food companies to conduct an audit process without legal constraints. A survey has been conducted among the agro-food companies from Cluj County using a questionnaire with thirty-two questions. The main findings of the research indicate that a very small percentage of the respondents totally agree to offer confidential information to an external auditor so it can be concluded that there is a problem of trust when it comes to the audit process.

Keywords: comfort, confidential information, trust

INTRODUCTION

The audit process is well important because of the advantages provided to the organization meaning a professional opinion regarding the activity from a certain professional domain related to a standard of quality (Toma, 2012). Initially the term “audit” was intrinsically related to the financial domain, but the twentieth century brought up a wide variety of audits, both internal and external. The problem that occurs at a managerial level is to choose between those two types even if the ideal situation consists in combining the processes for an optimal result (Pop et al., 2008).

Sarens et al., (2009) considers that the main role of the audit process is to offer the necessary comfort to those who are vulnerable to erroneous or simply distrust the internal statements of the company. When audit is provided from the inside is submitted to the lack of objectivity, therefore, many companies correlate the internal audit with an external audit, in order to maximize their comfort and also to eliminate any trace of subjectivity.

Anyway it cannot be underestimated the important role which the internal audit has inside one company being the major support function for management and other stakeholders including the external auditors (Ruud, 2003).

The advantages of an internal audit consist in the possibility of identifying and correcting the errors as soon as they occur. The company can rely on a professional which controls the different units and expresses a motivate and independent opinion regarding the validity and correct application of the internal procedures. Lately the internal auditor enlarged is domain of activity from the financial area to all functions and sectors inside the company (Toma, 2012).

The advantages of an external audit consist in the final recommendations elaborated by the auditor which has a professional prestige. The objectivity is also the main advantage because an external auditor is not an employ but a contractual person, aspect that gives him the freedom to express a different opinion comparing to the manager.

MATERIAL AND METHOD

The article aim is to highlight the major importance of the audit process, both internal and external for the companies in the agro-food industry and to investigate the position that the decision-maker factor from each unit adopts towards the process. A study has been conducted in 2012 in Cluj County among the agro-food companies. The study aim was to identify the stage of development for the marketing audit but questions related to the audit in general were also asked. The sample consisted in 46 companies. The instrument used was the questionnaire which had three parts. The first part consisted questions common to every respondent, the second part had questions common for the companies that did not conduct a marketing audit, while the last part was addressed only to the specific companies which conducted a marketing audit. It must be mentioned that from the total sample of 46 companies, only 7 companies conducted a marketing audit.

The questions related to the opinion of the decision-maker factor inside the companies about to the possibility to conduct an external/internal audit was built using a five-point Likert scale where 1 represents “total disagreement” and 5 “total agreement”.

In order to determine a possible correlation between the variable “trust to consult an external auditor” and the variable “preference for an internal auditor” it was used the Pearson coefficient of contingency which relies on the Chi-square method.

The main objectives of the article are:

- To determine the level of trust of the decision-maker factor from the agro-food companies into an external auditor;
- To determine the preference to conduct an audit from inside;
- The existence of a correlation between the two variables: “audit conducted by a person from inside the company” and “trust into an external auditor”.

RESULTS AND DISCUSSION

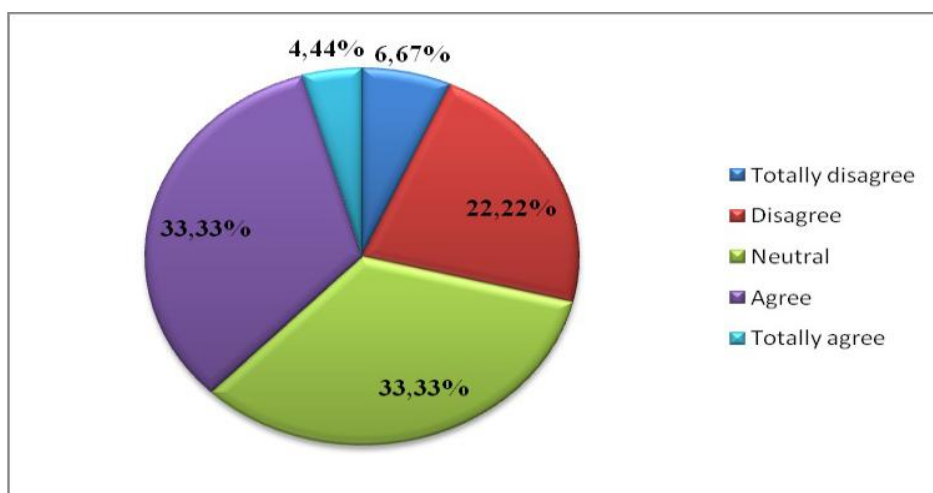


Fig. 1 Trust to consult an external auditor and offering confidential information

The major treat for the external audit is the lack of trust. Even if the benefits are consistent and the company can take advantage for it, many people involved in the

managerial process are not willing to offer to a person from outside the organization, confidential information. The degree of trust into an external auditor is revealed in Figure 1.

It can be observed that a very small percentage of 4, 44% totally agree to offer confidential information to an external auditor and 33, 33% simply agrees to do that. 22, 22% from the respondents disagree to offer confidential information, while 6, 67% totally disagree. The positive aspect revealed consists in the fact that the respondents that agree and totally agree have a higher percentage comparing to the ones that disagree or totally disagree. Anyway, the percentage of total agreement is smaller than the one of total disagreement. This means that the decision-making factor from the agro-food companies is more inclined to reject the possibility of an external audit.

The high percentage of 33,33% of the respondents which declare themselves neutral to the possibility of offering confidential information to an external auditor is significant and represents a point of interest. Their neutral position could be the direct consequence of the lack of information regarding the audit process in general, or simply they do not consider it useful in that specific moment of their organization evolution.

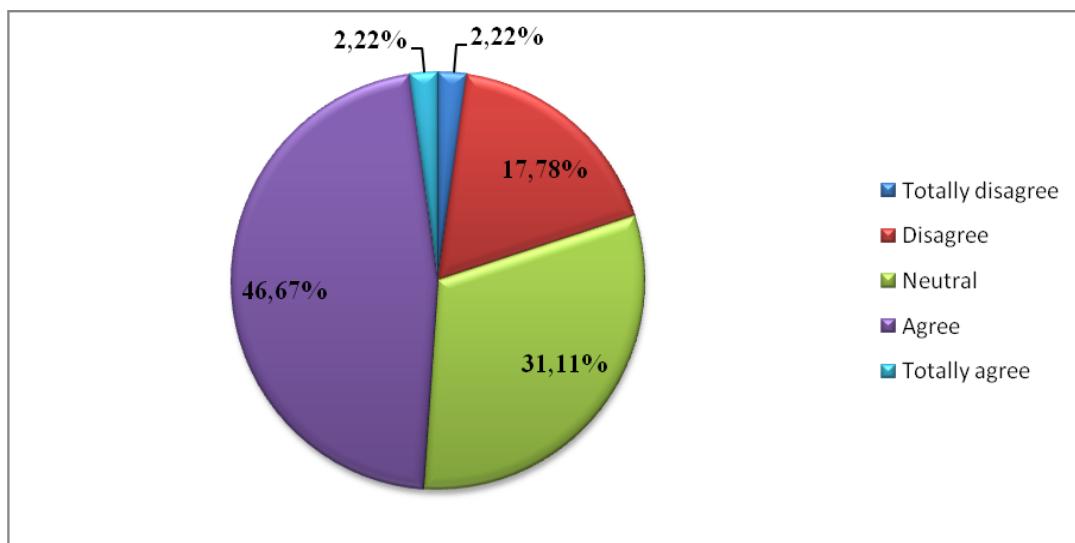


Fig. 2. Preference for an internal audit

46, 67% of the respondents agree that the audit should be conducted from the inside while a small percentage of 2, 22% totally agree. Of a high significance is the relatively consistent percentage of 17, 78% which disagree to the statement. Similar to the previous question, there is a 31, 11% of the respondents which declare themselves neutral to the statement (Fig 2).

The next objective of the present study consisted in determining the existence of a correlation between the variable “audit conducted by a person from inside the company” and the variable “trust into an external auditor” (Table 1).

Results indicate that between those two variables exists a correlation of medium intensity but of opposite sign. The value of Pearson Correlation is -0,538 and the significance level $0,000 < 0, 01$ indicates that data are correlated. It can be concluded that

the decision-making factors which prefer an audit conducted by a person from inside the company do not trust an external auditor. This aspect is considered to be a barrier for the agro-food industry in terms of auditing. It is recommended that the benefits of an internal audit to be combined with the ones from an external audit for a maximum of efficiency. Results of the study indicate that the agro-food companies from Cluj separate the two types of audits which on long term could have negative implications (no official certification, no objective recommendations etc.

Table 1

Correlation between the variable “audit conducted by a person from inside the company” and the variable “trust into an external auditor”

Variable		Audit conducted by a person from inside the company	Trust into an external auditor
Audit conducted by a person from inside the company	Pearson Correlation	1,000	-0,538**
	Sig.		0,000
Trust into an external auditor	Pearson Correlation	-0,538**	1,000
	Sig.	0,000	

CONCLUSIONS

Finally it can be concluded that the process of audit, both internal and external is perceived in a wrong manner by the decision-making factors from the agro-food industry of Cluj. External audit is considered to be a threat to the company because of the necessity to offer confidential information. There are a high percentage of respondents that do not trust an external auditor. The same sample size expressed their preference for an internal audit. This type of audit makes them feel safe.

The main recommendations that could be made refer to the need of an increasing trust in the external audit because of the advantages offered for the beneficiaries and combining the two (external and internal) for a maximum efficiency.

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