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# Organizational Practices Related to Internal Audit in Economic Entities from a Pandemic Perspective

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## Abstract

*In the context of economic turmoil and the amplification and diversification of risks to which companies are exposed, internal audit plays an increasingly important role. This is enhanced by the inclusion of internal audit as a component of corporate governance, linked to the interests of investors and other stakeholders. The present research is two-dimensional: the first component includes a review of the literature on internal audit. The second component includes a qualitative research on the identification of organizational coordinates of internal audit at company level, in relation to specific regulatory requirements, in the pandemic period. The results revealed interferences and limitations with respect to compliance with regulated organizational practices on internal audit in relation to the sector in which companies operate.*

**Key words:** internal audit; BET index; companies; Bucharest Stock Exchange; regulation;  
**JEL Classification:** M48, M48, L21, G38

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## Introduction

The research approach is based on the fact that the corporate governance system aims to improve the economic efficiency of companies by implementing the strategy of risk management mechanisms, understanding the importance of the quality of financial information and improving management.

Good governance prevents the occurrence of risks and mitigates the effects of their occurrence, while improving the performance of the entities that adopt it. Thus, internal audit is a key point in the conduct of a company's business as it systematically assesses the overall risk management mechanisms and corporate governance.

In this context, the research carried out aims to identify the organizational practices of internal audit at the level of listed companies, in relation to specific regulatory requirements, during the pandemic period. The choice of these companies took into account three coordinates: the quality of "benchmark" on the Romanian financial market; the fact that they are subject to more regulations compared to non-listed companies and are also regularly audited by regulators to monitor their compliance status; and the existence of an emerging market in Romania from 2020 onwards.

The paper is structured as follows: the first section presents the main ideas from the literature on internal audit; the second section includes the research methodology; the third section is dedicated to data processing and analysis; the last section presents the final conclusions of the study, limitations and future directions of the research.

## Literature review

The concept of auditing was consolidated during the economic crisis of 1929 in the United States of America, when listed entities had to pay large sums to external auditors to express an opinion on their financial statements.

As a solution to reduce external audit costs, companies started to organize their own internal audit departments, which would take over the preparatory audit activities within the companies. External auditors are still used for financial statements.

Internal auditors were also used after the economic crisis had passed as they had knowledge and used techniques

specific to the financial-accounting field, their role increased, thus the need for standardization and organization of the practical activities carried out materialized. In 1941, the Institute of Internal Auditors (I.I.A.) was founded in Orlando, Florida, and was later joined by the United Kingdom, Sweden, Norway and other countries.

In the literature, internal auditing is approached from multiple perspectives.

Studies in the literature (Anderson, 2003) address the role and added value that internal audit brings to a range of users: managers, corporate governance structures, external auditors, customers, suppliers or regulators. Anderson refers to all of these users as "clients" and reveals that there are often tensions between them due to the different demands they place on internal auditors, as the objectives of each differ, and asks how balance can be achieved in this context.

Internal audit is increasingly expanding its scope, with consequences for the training and skills that internal auditors need to have in order to ensure that the activities they undertake meet the increasingly demanding requirements of companies (Ratliff and Reding, 2002).

Ghiță (2008) considers that internal audit, together with other elements such as internal control, risk management and financial management, are encompassed in the complex concept of corporate governance.

In Romania, the need for the internal audit function arose with the transition to a market economy, when entities began to be concerned with improving performance by increasing efficiency, effectiveness and economy, as well as the organization of management and internal control (Timofte, 2020).

The importance of internal audit in Romania manifested itself rather late, compared to other countries, due to factors such as the existence of the communist regime until 1989, but also to the economic difficulties generated after this period by the inability of governments to adopt measures appropriate to the economic conditions in the country.

Internationally, internal audit has evolved from large entities to the public sector, while in Romania, internal audit was first felt in public institutions (Boța-Avram and Popa, 2011), and as investment in the private sector has grown, the need for the internal audit function has also been felt in this area.

In our country, the internal audit activity is coordinated by the Chamber of Financial Auditors of Romania (CAFR) and the Association of Internal Auditors of Romania (AAIR). Thus, by the Decision of the Council of the Chamber of Financial Auditors of Romania no. 48/26 June 2014 for the adoption of the Binding Standards of the International Professional Practices Framework, issued by the Institute of Internal Auditors Global (IIA Global), 2013 edition, the Binding Standards of the International Professional Practices Framework (IPPF), issued by the Institute of Internal Auditors Global (IIA Global), 2013 edition, were adopted in full, with the acknowledgement of the IIA Global's copyright and the translation made by the Romanian Association of Internal Auditors (IIA Romania), with the following structure: (a) Definition; (b) Code of Ethics; (c) International Standards for the Professional Practice of Internal Auditing (Internal Auditing Standards). From this perspective, internal audit is defined as "an independent, objective assurance and advisory activity designed to add value and improve an organization's operations. It assists an organization in achieving its objectives through a systematic and methodical approach that assesses and improves the effectiveness of risk management, control and governance processes".

From the private sector perspective, the companies that are obliged to organize internal audit are the companies that, according to the Law no.162/2017 on statutory audit of annual financial statements and consolidated annual financial statements and amending some normative acts, are obliged to audit their annual financial statements, i.e. they are subject to statutory financial audit. Also, an important component that is obliged to organize internal audit is represented by the companies listed on the Bucharest Stock Exchange (BVB). They are obliged to report qualitative financial information, which is based on governance rules imposed both on companies listed on the stock exchange internationally and in Romania. Stock exchanges have developed practical guidelines and measured the level of disclosure both through their own departments and with the help of other organizations to determine the level of disclosure and compliance of listed entities with governance codes (Guan et al., 2016). Since 2019, the BVB has started to collaborate with the Association for Investor Relations at the Romanian Stock Exchange (ARIR) in order to determine communication practices in investor relations, as well as compliance with the Corporate Governance Code of the Bucharest Stock Exchange (Hațegan, 2020).

Another facet of internal audit is the internal audit committee. The results of research on the regulatory coordinates related to the internal audit committee in the public, private-non-banking and banking sectors (Ștefănescu and Țurlea, 2013) revealed homogeneous and non-homogeneous aspects of them. In the authors' view, audit committees are the foundation of corporate governance and generate added value through the transparency of financial reporting and the trust they provide to stakeholders.

Taking the evolution of internal audit as a starting point, Ratliff and Reding (2002) believe that auditors of our century need to have the knowledge to audit everything from operations to performance, but also to information systems, financial statements and compliance with the law, fraud detection, and the quality of information.

Also, Moeller and Witt (1999) are of the opinion that the successful internal auditor must possess a set of personal qualities that complement professional skills, such as integrity and fairness, modesty and calmness, perseverance, vigilance, energy, courage, and others.

With the technological revolution having a strong impact on business, Flemming Ruud (2003) states that the role of internal audit has evolved from that of an assurance service to that of an advisory service, as well as a new mission that internal auditors must assume, and the connections that they need to maintain and develop in relation to the governance structures of companies.

Just as internal audit is constantly evolving, so are software systems for use by companies. Thus, Enterprise Resource Planning (ERP) systems are complex systems designed to ensure the integration of data from several modules, such as production, purchasing, sales, finance, human resources, etc. (Eslam Nazemi et al., 2012).

ERP systems have many benefits (Ionescu and Igna, 2021), including: they are adaptable to the specific needs of companies depending on the field in which they operate; they integrate activities from several levels into a single database; they offer increased data security; the flow of manual data processing decreases and information is provided in real time; in terms of internal audit, the use of an ERP system increases the transparency of operations as well as the accuracy of the information generated.

## Research objectives and methodology

The objective of the research is to identify the organizational coordinates of internal audit in companies listed on the Bucharest Stock Exchange (BVB) in view of their specific regulation requirements. In this regard, according to art. 65 of Law no. 162/2017, entities whose annual financial statements are subject, by law, to statutory audit are required to organize and ensure the exercise of internal audit activity. The regulations also require public interest entities to organize an audit committee.

Using qualitative research methodology, we analyzed the information presented in the Annual Report for 2021, available on the official websites of the companies listed on the BVB. The selection of the reference period was based on the availability of research data at the time of the study. In addition, 2021 was a challenging year for companies because in this pandemic period generated by COVID-19 and post-pandemic, companies had to adopt new working methods so that technological processes

would not be affected by the social protection regulations in force.

To this end, 30 BVB-listed companies were selected. The selection criterion for the companies was their inclusion in the stock market according to the BET index and the BETPlus index (11 companies in the sample).

The BET ("Bucharest Exchange Trading") index is the index that includes the most liquid companies listed on the BVB regulated market and also shows the most traded companies on this market, excluding financial investment companies.

The BETPlus index includes companies with minimum liquidity requirements and excludes financial investment companies.

The main coordinates considered in the research were: the existence of the Internal Audit department, the structure to which it is subordinated, the dissemination of information on the typology of audit assignments by them, the adoption of ERP-type systems in internal management and the anti-coverage measures adopted.

The list of companies included in the sample analyzed is shown in **Table no. 1**.

No.	Company name	Sector of activity
1	ALRO S.A.	Metallurgical industry
2	BANCA TRANSILVANIA S.A.	Financial, banking and insurance activities
3	TTS (TRANSPORT TRADE SERVICES)	Land transport and related services
4	Sphera Franchise Group	Assistance, consultancy, support services. Other service activities
5	TERAPLAST SA	Chemical and petrochemical industry and related service activities
6	SOCIETATEA ENERGETICA ELECTRICA S.A.	Energy, oil and gas and energy mining
7	S.N.T.G.N. TRANSGAZ S.A.	Energy, oil and gas and energy mining
8	S.N.G.N. ROMGAZ S.A	Energy, oil and gas and energy mining
9	S.N. NUCLEARELECTRICA S.A.	Energy, oil and gas and energy mining
10	PURCARI WINERIES PUBLIC COMPANY LIMITED	Food, beverage and tobacco industry
11	ONE UNITED PROPERTIES	Financial, banking and insurance activities
12	OMV PETROM S.A.	Energy, oil and gas and energy mining
13	MedLife S.A.	Health care. Health and veterinary activities
14	FONDUL PROPRIETATEA	Financial, banking and insurance activities
15	Digi Communications N.V.	Information technology and telecommunications
16	CONPET SA	Energy, oil and gas and energy mining
17	C.N.T.E.E. TRANSELECTRICA	Energy, oil and gas and energy mining
18	BURSA DE VALORI BUCURESTI SA	Financial, banking and insurance activities
19	BRD - GROUPE SOCIETE GENERALE S.A.	Financial, banking and insurance activities
20	AQUILA PART PROD COM	Trade
21	AEROSTAR S.A.	Manufacture of machinery and metal products
22	ANTIBIOTICE S.A.	Manufacture of chemicals and petrochemical products and related activities

No.	Company name	Sector of activity
23	ALUMIL ROM INDUSTRY S.A.	Trade
24	BIOFARM S.A.	Chemical and petrochemical industry and related activities
25	BITTNET SYSTEMS SA BUCURESTI	Information technology and telecommunications
26	CEMACON SA	Manufacture of glass and fine ceramics. Manufacture of other non-metallic mineral products
27	SSIF BRK FINANCIAL GROUP SA	Financial, banking and insurance activities
28	TURBOMECANICA S.A.	Manufacture of machinery and equipment and metal structures
29	CHIMCOMPLEX S.A. BORZESTI	Chemical and petrochemical industry and related activities
30	VRANCART SA	Logging and primary processing of wood. Manufacture of paper and paper products

Source: own processing

Also, based on the data collected on the sector of activity of the companies analysed, we structured them into 5 main categories:

- Industry: 10 companies (Alro SA, Teraplast SA, Purcari Wineries Public Company Limited, Aerostar SA, Antibiotice SA, Biofarm SA, Turbomecanica SA, Chimcomplex SA Borzesti, Vrancart SA, Cemacon SA);
- Energy, oil and gas: 7 companies (Societatea Energetica Electrica SA, S.N.T.G.N. Transgaz SA, S.N.G.N. Romgaz SA, S.N. Nuclearelectrica SA, OMV Petrom SA, Conpet SA, C.N.T.E.E. Transelectrica);
- Financial services: 6 companies (Banca Transilvania SA, One United Properties, Fondul Proprietatea, Bursa

de Valori București SA, BRD - Groupe Societe Generale SA, SSIF Brk Financial Group SA);

- Services: 5 companies (TTS – Transport Trade Servies, Sphera Franchise Group, MedLife SA, Digi Communications NV, Bittnet Systems SA Bucharest);
- Trade: 2 companies (Aquila Part Prod Com, Alumil Rom Industry SA).

## Data analysis and processing

The analysis of the information presented in the 2021 Annual Reports shows that all 30 sampled companies have an internal audit function, either organized in-house or outsourced (Table no. 2).

**Table no. 2. How internal audit is organized**

No.	Company name	Sector of activity	Does the company have an internal audit function within the company?	Internal audit is organized within a dedicated department?
1	ALRO S.A.	Metallurgical industry	YES	YES
2	BANCA TRANSILVANIA S.A.	Financial, banking and insurance activities	YES	YES
3	TTS (TRANSPORT TRADE SERVICES)	Land transport and related services	YES	YES
4	Sphera Franchise Group	Assistance, consultancy, support services. Other service activities	YES	NO
5	TERAPLAST SA	Chemical and petrochemical industry and related service activities	YES	YES
6	SOCIETATEA ENERGETICA ELECTRICA S.A.	Energy, oil and gas and energy mining	YES	YES
7	S.N.T.G.N. TRANSGAZ S.A.	Energy, oil and gas and energy mining	YES	YES
8	S.N.G.N. ROMGAZ S.A	Energy, oil and gas and energy mining	YES	YES

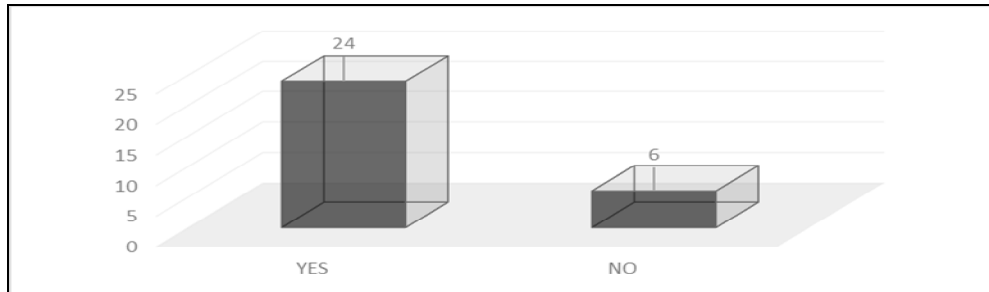
No.	Company name	Sector of activity	Does the company have an internal audit function within the company?	Internal audit is organized within a dedicated department?
9	S.N. NUCLEARELECTRICA S.A.	Energy, oil and gas and energy mining	YES	YES
10	PURCARI WINERIES PUBLIC COMPANY LIMITED	Food, beverage and tobacco industry	YES	YES
11	ONE UNITED PROPERTIES	Financial, banking and insurance activities	YES	YES
12	OMV PETROM S.A.	Energy, oil and gas and energy mining	YES	YES
13	MedLife S.A.	Health care. Health and veterinary activities	YES	YES
14	FONDUL PROPRIETATEA	Financial, banking and insurance activities	YES	YES
15	Digi Communications N.V.	Information technology and telecommunications	YES	YES
16	CONPET SA	Energy, oil and gas and energy mining	YES	YES
17	C.N.T.E.E. TRANSELECTRICA	Energy, oil and gas and energy mining	YES	YES
18	BURSA DE VALORI BUCURESTI SA	Financial, banking and insurance activities	YES	NO
19	BRD - GROUPE SOCIETE GENERALE S.A.	Financial, banking and insurance activities	YES	YES
20	AQUILA PART PROD COM	Trade	YES	YES
21	AEROSTAR S.A.	Manufacture of machinery and metal products	YES	YES
22	ANTIBIOTICE S.A.	Manufacture of chemicals and petrochemical products and related activities	YES	YES
23	ALUMIL ROM INDUSTRY S.A.	Trade	YES	NO
24	BIOFARM S.A.	Chemical and petrochemical industry and related activities	YES	YES
25	BITTNET SYSTEMS SA BUCURESTI	Information technology and telecommunications	YES	NO
26	CEMACON SA	Manufacture of glass and fine ceramics. Manufacture of other non-metallic mineral products	YES	NO
27	SSIF BRK FINANCIAL GROUP SA	Financial, banking and insurance activities	YES	NO
28	TURBOMECANICA S.A.	Manufacture of machinery and equipment and metal structures	YES	YES
29	CHIMCOMPLEX S.A. BORZESTI	Chemical and petrochemical industry and related activities	YES	YES
30	VRANCART SA	Logging and primary processing of wood. Manufacture of paper and paper products	YES	YES

Source: own processing

Thus, out of the total of 30 companies included in the sample, for 24 of them, i.e. 80% of the total, internal audit is organized within a specific internal audit department,

while 6 companies, representing 20% of the total, have outsourced their internal audit to other entities specialized in this field (*Figure no. 1*).

**Figure no. 1. Existence of internal audit departments in companies**



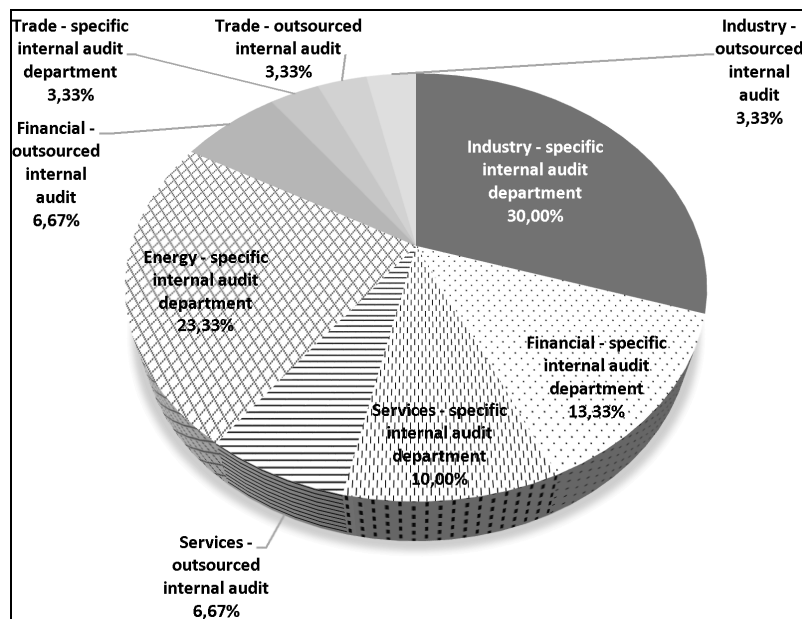
Source: own processing

In terms of sector typology, companies in industry have the highest degree of audit internalization, i.e. 30%, followed by companies operating in the energy sector, representing 23.33% of all companies analyzed. Financial entities with internal audit departments also have a share of 13.33%, with service companies at the bottom with 10.00% and trade companies with only 3.33%.

Of the companies that have outsourced their internal audit, 3.33% are in manufacturing, the same percentage is for companies in trade and 6.67% of companies are in the financial and services sector.

The breakdown by sector of activity and the form of internal audit adopted by companies is shown in *Figure no. 2*.

**Figure no. 2. Breakdown by sector of activity and form of internal audit adopted by companies**



Source: own processing

From the point of view of the actors benefiting from internal audit reports, in the case of companies where there is an internal audit department, the analysis carried out revealed that of the 24

companies, 12 report directly to the audit committee, 6 - to the board of directors, 4 - to the chief executive officer, and for 2 companies there are no reports (*Table no. 3*).

<b>Table no. 3. Actors and reporting in internal audit in companies that have organized internal audit departments</b>			
<b>No.</b>	<b>Company name</b>	<b>Sector of activity</b>	<b>Actors to which they report</b>
1	ALRO S.A.	Metallurgical industry	Board of Directors
2	BANCA TRANSILVANIA S.A.	Financial, banking and insurance activities	Audit Committee
3	TTS (TRANSPORT TRADE SERVICES)	Land transport and related services	Audit Committee
4	TERAPLAST SA	Chemical and petrochemical industry and related service activities	Board of Directors
5	SOCIETATEA ENERGETICA ELECTRICA S.A.	Energy, oil and gas and energy mining	Audit Committee
6	S.N.T.G.N. TRANSGAZ S.A.	Energy, oil and gas and energy mining	Audit Committee
7	S.N.G.N. ROMGAZ S.A	Energy, oil and gas and energy mining	Audit Committee
8	S.N. NUCLEARELECTRICA S.A.	Energy, oil and gas and energy mining	Board of Directors
9	PURCARI WINERIES PUBLIC COMPANY LIMITED	Food, beverage and tobacco industry	Audit Committee
10	ONE UNITED PROPERTIES	Financial, banking and insurance activities	Audit Committee
11	OMV PETROM S.A.	Energy, oil and gas and energy mining	Executive General Manager
12	MedLife S.A.	Health care. Health and veterinary activities	Audit Committee
13	FONDUL PROPRIETATEA	Financial, banking and insurance activities	Audit Committee
14	Digi Communications N.V.	Information technology and telecommunications	Audit Committee
15	CONPET SA	Energy, oil and gas and energy mining	Executive General Manager
16	C.N.T.E.E. TRANSELECTRICA	Energy, oil and gas and energy mining	Executive General Manager
17	BRD - GROUPE SOCIETE GENERALE S.A.	Financial, banking and insurance activities	Board of Directors
18	AQUILA PART PROD COM	Trade	Board of Directors
19	AEROSTAR S.A.	Manufacture of machinery and metal products	Board of Directors
20	ANTIBIOTICE S.A.	Manufacture of chemicals and petrochemical products and related activities	Audit Committee
21	BIOFARM S.A.	Chemical and petrochemical industry and related activities	Not specified
22	TURBOMECANICA S.A.	Manufacture of machinery and equipment and metal structures	Board of Directors
23	CHIMCOMPLEX S.A. BORZESTI	Chemical and petrochemical industry and related activities	Not specified
24	VRANCART SA	Logging and primary processing of wood. Manufacture of paper and paper products	Audit Committee

Source: own processing



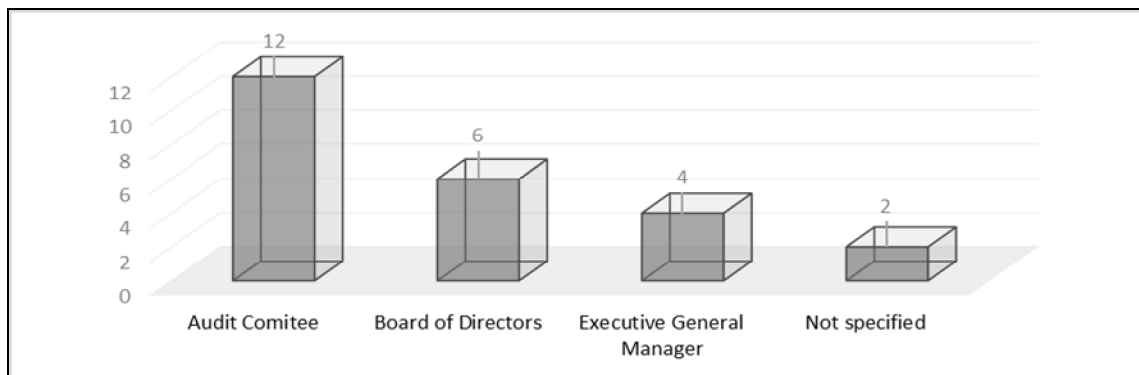
In terms of the internal audit – stakeholder reporting correlation (**Figure no. 3**), we concluded that in the manufacturing sector, 44.44% report to the board of directors, 33.33% report to the audit committee, and 22.23% report to the CEO.

In financial services, 75% of companies report to the audit committee and 25% report directly to the board of directors.

Companies in the energy, oil and gas sector report 42.86% to the audit committee, 42.86% to the chief executive officer and 14.28% to the board of directors.

In the case of service companies, reporting is only to the audit committee, while in commerce, the audit department reports directly to the board of directors.

**Figure no. 3. Typology of actors and internal audit reporting**



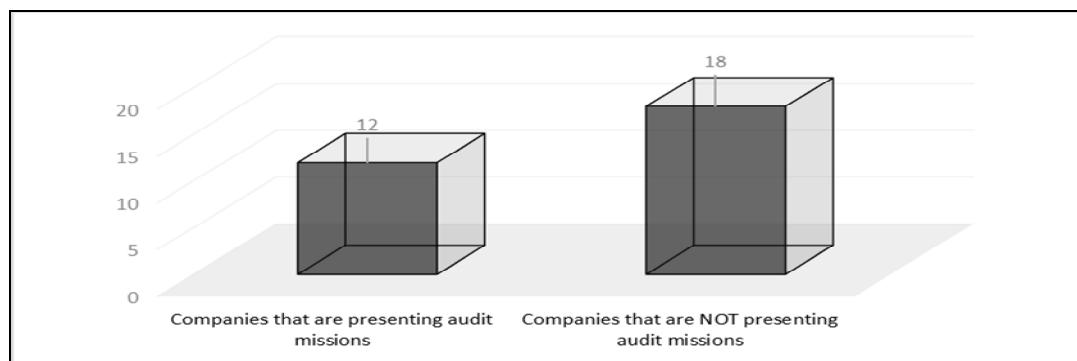
Source: own processing

The analysis showed that most of the companies analyzed meet the requirements of the BVB regarding the existence of internal audit departments, but also regarding the independence of its members and reporting. It is also noted that only 2 of the companies, namely Biofarm SA and Chimcomplex SA Borzești, both operating in the chemical and petrochemical industry sector, did not meet

these criteria, but it was mentioned that attempts are being made in the near future to correct this.

Another criterion for analyzing the companies was the information disseminated on the typology of the audit missions carried out. Thus, we noted that 12 companies out of 30 published in the 2021 annual report information on audit engagements carried out during that year (**Figure no. 4**).

**Figure no. 4. Typology of audit assignments carried out within the company**



Source: own processing

From the published information on internal audit engagements related to these companies, we have structured their typology into 8 broad categories as follows:

- Engagements related to the organization of the financial accounting department;
- Missions relating to compliance with and follow-up of internal procedures and regulations in force;
- Tasks relating to the purchase/sale of goods in/out of the company's assets;
- Tasks relating to the prevention of corruption;
- Tasks relating to the way management activities are carried out;
- Tasks relating to the adaptation of IT systems to the company's needs;

- Missions specific to the way the company's business is conducted;
- Other types of missions.

The study showed that the most frequent audit assignments are those relating to the organization of the financial-accounting department, compliance with internal procedures, and also those relating to the monitoring of the company's business processes (e.g. for a manufacturing company, how employees process raw materials, under what conditions, and whether they follow written procedures for this stage).

Given the importance of ERP systems in companies listed on the BVB and implicitly in internal audit missions, based on the reports published in 2021 we analyzed the existence of ERP systems in the sample of 30 companies chosen, in correlation with the internal audit organization formula (Table no. 4).

Table no. 4. Use of ERP systems in companies with internal audit departments			
No.	Company name	Sector of activity	Information on the existence of an ERP system
1	ALRO S.A.	Metallurgical industry	No information
2	BANCA TRANSILVANIA S.A.	Financial, banking and insurance activities	No information
3	TTS (TRANSPORT TRADE SERVICES)	Land transport and related services	No information
4	Sphera Franchise Group	Assistance, consultancy, support services. Other service activities	YES
5	TERAPLAST SA	Chemical and petrochemical industry and related service activities	YES
6	SOCIETATEA ENERGETICA ELECTRICA S.A.	Energy, oil and gas and energy mining	YES
7	S.N.T.G.N. TRANSGAZ S.A.	Energy, oil and gas and energy mining	No information
8	S.N.G.N. ROMGAZ S.A.	Energy, oil and gas and energy mining	No information
9	S.N. NUCLEARELECTRICA S.A.	Energy, oil and gas and energy mining	No information
10	PURCARI WINERIES PUBLIC COMPANY LIMITED	Food, beverage and tobacco industry	No information
11	ONE UNITED PROPERTIES	Financial, banking and insurance activities	No information
12	OMV PETROM S.A.	Energy, oil and gas and energy mining	No information
13	MedLife S.A.	Health care. Health and veterinary activities	No information
14	FONDUL PROPRIETATEA	Financial, banking and insurance activities	No information
15	Digi Communications N.V.	Information technology and telecommunications	No information
16	CONPET SA	Energy, oil and gas and energy mining	YES
17	C.N.T.E.E. TRANSELECTRICA	Energy, oil and gas and energy mining	No information
18	BURSA DE VALORI BUCURESTI SA	Financial, banking and insurance activities	No information
19	BRD - GROUPE SOCIETE GENERALE S.A.	Financial, banking and insurance activities	No information
20	AQUILA PART PROD COM	Trade	YES

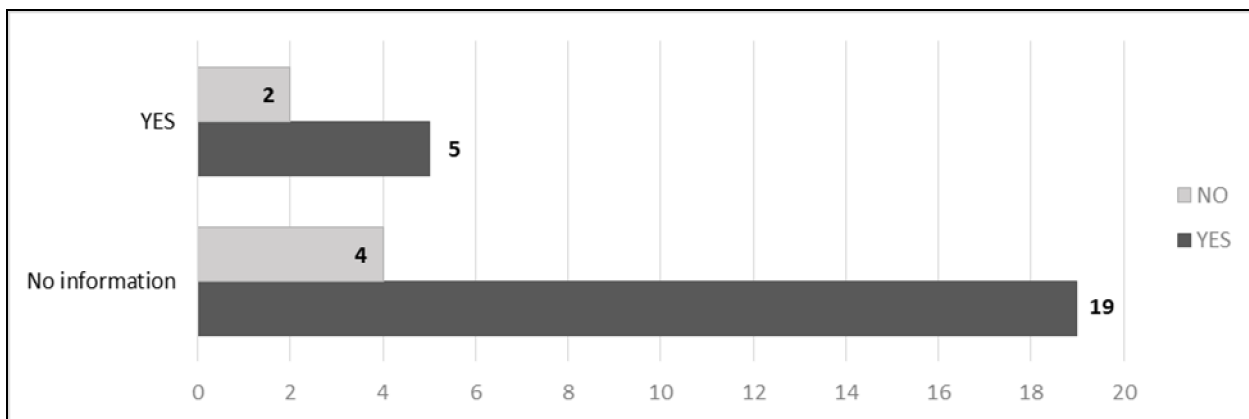
No.	Company name	Sector of activity	Information on the existence of an ERP system
21	AEROSTAR S.A.	Manufacture of machinery and metal products	No information
22	ANTIBIOTICE S.A.	Manufacture of chemicals and petrochemical products and related activities	No information
23	ALUMIL ROM INDUSTRY S.A.	Trade	No information
24	BIOFARM S.A.	Chemical and petrochemical industry and related activities	No information
25	BITTNET SYSTEMS SA BUCURESTI	Information technology and telecommunications	YES
26	CEMACON SA	Manufacture of glass and fine ceramics. Manufacture of other non-metallic mineral products	No information
27	SSIF BRK FINANCIAL GROUP SA	Financial, banking and insurance activities	No information
28	TURBOMECANICA S.A.	Manufacture of machinery and equipment and metal structures	YES
29	CHIMCOMPLEX S.A. BORZESTI	Chemical and petrochemical industry and related activities	No information
30	VRANCART SA	Logging and primary processing of wood. Manufacture of paper and paper products	No information

Source: own processing

Through the analysis we identified only 7 companies using ERP systems out of the total

of 30 analyzed, representing 23.33% (Figure no. 5).

**Figure no. 5. Use of ERP systems in companies that have organized internal audit departments**



Source: own processing

According to the survey, out of all the companies classified in the trade category, 50% report information on the existence of ERP systems and 50% do not report on this topic. In the energy sector, 28.57% provide information and 71.43% of those who do not provide details. Concerning those operating in

industry, 20% of them provide information on the ERP systems used, while 80% do not provide this detail. For services, the proportion of those presenting this requirement increases to 40%, while that for the category of those who do not provide the detail decreases to 60%. Of all the companies surveyed in

the financial sector, we did not find any company that does so.

Of the 24 companies that have a special internal audit department, we could find information on ERP IT systems for only 5 of them, i.e. 20.83%, the other 19, representing 79.17% of the total, did not specify this aspect in the Annual Report published for 2021.

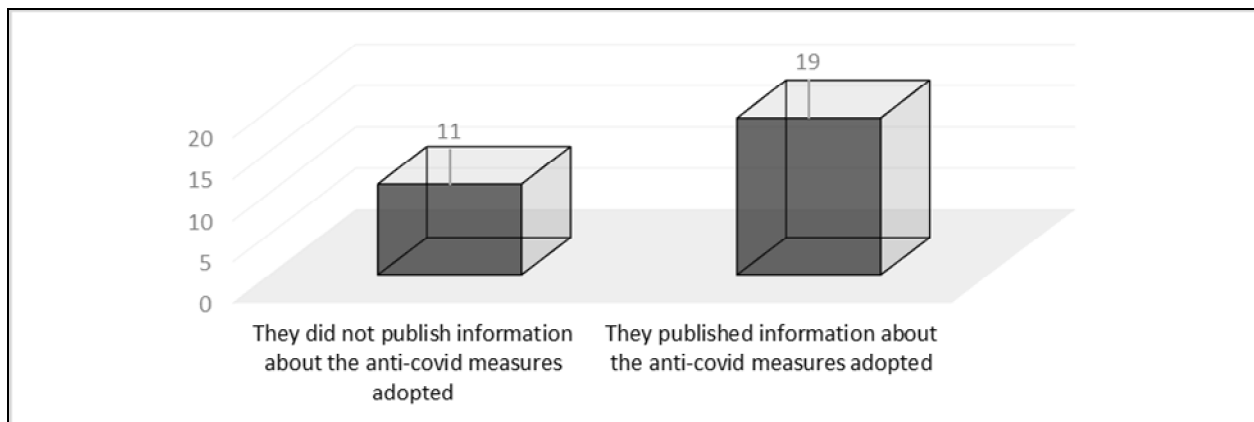
The remaining 6 companies that do not have a special internal audit department present the following information: 2 of them have implemented ERP systems and the other 4 do not present information.

The manner in which companies have responded with measures appropriate to the pandemic period was

another criterion for analysis. Although such information published in the Annual Report afferent 2021 does not explicitly address internal audit activity, it implicitly circumscribes internal audit activity, whether organized within the internal audit department or outsourced.

In this regard, in order to determine the effects of the coronavirus pandemic, we carried out an analysis on the sample of companies chosen, concluding the additional risks generated by the pandemic, the way in which they were managed internally, as well as the efficiency and the way in which compliance was verified by the company's employees (*Figure no. 6*).

**Figure no. 6. Companies publishing information on anti-coverage measures taken**



Source: own processing

Thus, out of the sample of 30 companies, 19 published information on the anti-coverage measures adopted, while 11 of them did not specify these details. Among the most common measures adopted we list:

- Deployment of remote working environment (adoption of "work from home" programme);
- Temperature monitoring at the entrance of the company;
- Setting strict rules for visitors or restricting their access;
- Limiting travel abroad;
- Establishing a team to keep the Covid-19 situation in the company up to date;
- Preventive measures and disinfection of workplaces;
- Additional protective measures for people in the at-risk category.

The analysis of the anti-covid measures adopted and their impact shows that the entities have focused on the principle of business continuity, adopting specific measures so as to increasingly reduce the risk of illness of employees, but also to allow the safe conduct of normal business.

## Conclusions

The research carried out highlights the concern of the companies analyzed for effective corporate governance. Good governance mitigates risks and at the same time increases the performance of the entities that adopt it. In this respect, the results of the study revealed the existence of an internal audit formula, either by organizing specific internal audit departments within companies or by outsourcing it.

Regarding the organization of internal audit, the analysis carried out in this study found that most companies organize their internal audit activity within the company, creating a much closer relationship between the company's governance and internal auditors. In this way, internal processes in the company's specific business area can be analyzed much more closely and much more often so that associated risks can be detected much earlier.

In terms of reporting, we found that half of the companies report directly to the audit committee on the findings, and in the fewest cases there is direct reporting to the CEO. This is a normality as the 'filtering' of information through others (e.g. the audit committee) is very important. The predominance of reporting directly to the audit committee was noted to be prevalent in the areas of manufacturing, finance, energy, oil and gas and services. This trend could not be observed in the case of commerce, where we noted that reporting is entirely to the board of directors.

In terms of dissemination of information on the typology of internal audit engagements, the survey results revealed that only 40% of companies report such information.

Although ERP systems are important for the internal management of a company, out of the total analyzed, we

found that only 7 companies have implemented such systems, while 23 of them do not report. The sector with the highest degree of use of Enterprise Resource Planning systems is commerce.

Given the global pandemic context and the challenging year 2021 for both companies and users of their products (be they services or goods), we chose to include within the research an analysis of the anti-coverage measures adopted by the companies in the sample, in order to streamline both internal audit and the working environment within the company. The results revealed that 63% of the sampled companies mention these measures and 37% specify information about the impact of covid on financial statements.

As future research directions, we propose to continue the research with the expansion of the analysis criteria and the sample by company and business sector.

Regarding the limitations of the research, we consider that one of the limitations is the lack of information about some of the companies included in the sample. However, we consider that the preponderance of information published by these companies does not impact the results of the research.

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