

RESEARCH ARTICLE

MANAGEMENT AUDIT

SONILA ZERELLI

Department of Marketing, Faculty of Business, “Aleksander Moisiu” University, Durrës,
Contact: sonilazerelli@yahoo.com

Abstract

The audit of management makes a thorough examination of the organization and all its components. This process makes it possible to identify problems and possible defects that can be observed in companies offering so the opportunity for management to improve and solve them in time. Usually it is noted that the market is more targeted instrument that does not forgive the wrong decisions entities.

In fact, every wrong action has its price, which the market should be compensated. This requires companies to take action early to assess if the management is performing its duties efficiently and effectively. Management audit focuses on relationships, rights and obligations arising between the board of directors and audit committee and executive director, all in interest of shareholders and the organisation as a whole. If the latter will develop tasks efficiently, they will make decisions objectively aside personal interests and taking up their responsibilities, then the management audit reports would be positive. This topic is analyzed the importance that the management audit. We will look more closely at the triangle of the Board of Directors – CEO – the Audit Committee. What effect does the management audit if one of these links does not work properly. Of course, it can also be thought that some things be given more importance than they deserve but the scandals of recent years show that this would be a costly mistake.

Key words: *CEO, management, audit.*

Introduction

In modern times where the competition has become more difficult, where globalization has strengthened and destroyed many companies at the same time, trying to find ways to prevent wrong decisions by managers, usurpation different positions entrusted and rights that are delegated. On this subject more closely viewed the audit management process. Development that has been audit in the world and stages in which it passes. Analyzed and seen the audit committee since it is the engine of the board of directors to develop their duties fairly, objectively and effectively. By more closely the role and influence of the board of directors, audit committee and management in a company's success we can see who are the problems that exist in the organization and try to prevent them in due time. In Albania we have taken positive steps to understand the importance of a management based on the principles of good governance. Also the boards of directors and managers are learning to cooperate among themselves to increase efficiency in duties or

responsibilities delegated by the shareholders and in everyday decisions and managerial activities.

History is usually taught in the context of better understanding of situations to build the future. Audit beginnings found in Ancient Egypt, Babylon and Greece. Some evidence encountered in the year 3000 BC in ancient Babylon. In this regard, we can say that the audit is considered one of the earliest occupations. During the medieval period, there is no data to interest audit and find rebirth in the early traces of a serious audit. Specifically, in Italy, in the early 16th century in the city of Pisa.

The concept of Auditors (Auditors) officially introduced in England in 1285, in a decree of the first Edward. This decree stipulates that all administrators of public money will audit themselves by auditors. The intensive development of US audit begins in 1887 when the state of New York has established the first American associations of auditors. Audit modern concept was further developed since he took the concept of company development as an independent legal entity. This led to the separation of ownership from

management and therefore in need of protecting the interests of the owners (shareholders) who unless they owned small businesses and so can Manage the self generally result were not included in everyday decisions taken by management.

So the audit is a dynamic profession, in constant search of ways and ways to satisfy the demands of the public and through the services it always qualified. The audit was already fully integrated into business practices and modern legislation. This perception is made, the audit profession to develop more and mainly recent years. Internal audit followed the same spirit and focused financial audit and operational issues.

Audit and corporate bankruptcy

The history of the present-day external audit is more oriented towards the occurrences of events, ie. it develops further reacting against the negative consequences of certain events. In other words, quite a few developments in this field have taken place without reference to some certain catastrophic events, such as are lawsuits, bankruptcy financial shocks, or even the great frauds such as Enron, Tyco, WorldCom. The current period of development of the external audit for the tradition although there were significant events, culminated with the enactment strengthening regulatory oversight in the area of professional services, which start with the period after 2000 or called post Enron era. The overall conclusion is that the audit profession has been reactive rather than active. In the whole history of the recent audit, the late last year, and the years of the new century, it has been focused on responding to adverse events with significant impact on the audit profession. Enron was a company that was established in 1985 as a result of a merger and thereafter began to deal with the trade of gas. In 1996 the US government dropped the price-fixing power by delegating this demand-supply and free competition. At this point Enron saw as profitable deal with the electricity business as this would provide more revenue. This Corporation grew rapidly and funded largely through debt growth. The greater the debt be more investors will doubt the ability of the company to pay the debt. But what did Enron to avoid this? Found a new method to hide its debts, for example a company can sell an asset of hers to a third party (a bank for example) and then take the asset leased. If that will be structured in the right way then the asset as well as the debt will disappear from the balance sheet and the company simply marks a voice for the lease costs annually. Accounting rules allow a company to enter into partnership with another and thereby

income Enron stock partner of record as if they were his. So balanced debt accounting books. These things led to decreased confidence and it made him sit in Enron's stock price in the market and within a short time Enron was forced to declare bankruptcy. If companies and regulators will learn something from the collapse of Enron and the need to prevent such scandals in the future then they must analyze attentively the relationship between the auditor, manager and audit committee. The Enron scandal is not an isolated phenomenon. This race for higher profitability and the failure of many auditors to maintain professionalism at adequate levels requires laws to establish independent organizations, to oversee self-regulatory audit firms. Audit private sector can remain but of course it is necessary the intervention of the state as this would be a critical move to increase reliability. The main problem lies in the failure of boards to follow procedures that would hold managers responsible for company performance. This can p rmisohej focusing on three areas:

The first is leadership. Independent directors should have a leader who is not the chief executive at the same time. So the role between the chairman of the board and chief executive officer should be separated. Chairman of the audit committee should also have outstanding skills as a leader.

The second area is the development of independence. The audit committee, as well as the board of directors must be independent. The audit committee should also stop to hire personnel audit firm for a time of three years from the moment I left the firm. Audit committee meetings should begin and end with a session without the CEO and managers, and the committee should meet alone with its auditors.

The Audit Committee must also ensure that all statements to analysts and press reports about the company's financial statements must be reviewed and analyzed. Audit committees are used by the board devices to monitor financial reports, however, no audit committee or board of directors is not defensive, nor has the obligation to provide the perfect invention. They must use their best efforts in order to ensure that management and auditors to meet their obligations. To achieve this, the audit committee must have the leadership, independence and analyzing the information to auditors and their relationship. If care is not taken against these elements then another scandal like Enron can happen again.

Enron exhibit problems

One of the conclusions of the report of the special audit committee of the board of directors in

connection with the Enron scandal has stated: Board and in particular the audit committee and the remuneration is in charge of the final review about the company's financial reports. While the primary responsibility for possible abuses of financial statements lies with the management, but the committee members think that if the board investigation would have been more vigilant and aggressive these manipulations would prevent or at least would have been identified earlier. Members of the audit committee should be informed about the financial reports are perceived as potentially fraudulent. Failure on the part of the Committee to audit noted their inability to question the performance of corporate management.

The Board of Directors assumed that there are two ways to control the corporation:

- First, an independent committee of the board of directors must decide for auditors of financial statements on behalf of the organization and meet with the auditors to discuss the conclusions and the conclusions they have reached.
- Second, the board should establish or approve corporate policies and also monitor their implementation.

Types of audit

1. financial- audit conducted by external auditors
2. The operational audit - performed by internal auditors, operational auditors, external auditors and management consultants
3. Audit management - performed by internal auditors and external consultants from internal and external management and organization managers
4. The performance audit - carried out by members of the board of directors or other experts. Performance audits can be performed and by internal auditors who are employed in the facility being audited.
5. Social audit - performed as the top executive level, as well as from consultants to internal or external management.

Management of audit

Not only audit management needs but also has the necessary audit of the management of its process. First of all, an effective audit funksjon will offer all levels of management with an independent assessment of the operation and at the same time help you to achieve maximum efficiency in their work. Management audit is primarily responsible for ensuring that the directives given by the Board (where no board of senior management) for the audit are implemented as program sets internal audit as well as hires and trains staff audit interior. Before audit unit manager seek to promote the contribution of his team he should seek feedback

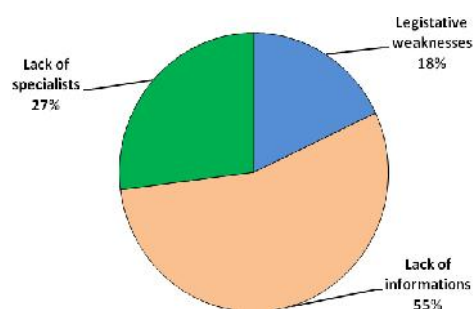
from sources within the audit unit as well as from external sources.

Companies stock albania and report problems

Joint stock companies constitute without any doubt the most dynamic private and public businesses, which provide significant contribution to the GDP of the Albanian economy, economic growth, investment and job expansion. Joint stock companies play an paramount for expansion, economic growth and the absorption of free capital in the economies of most developed today as European and American ones. Given the fact of joint stock companies are a relatively high form and direction of business organization more owners, it should be noted that our economy shareholding companies are still limited in number and a series of things to change. Albanian shareholding societies emerging from privatization in state-owned companies, as well as those created by a special law the number of supervisory board members is relatively small. Predominant number of 5 members (about 60%) of them.

Some statistics on the operation of jsc in albania

1. make public JSCs primarily annual reports and balance sheets (56%) after information on the organization of companies (38%) and business policies (33%).
2. Publication of information on members of MCs and the directors is at low levels (16%)
3. The main obstacle for exposure of information and transparency issues is the lack of legal requirements (duties) expressed (56%)



Concrete examples of compensation and information on members of the supervisory board in the Albanian jsc

JSC th in Albania such as Vodafone, Albtelecom, Raiffeisen Bank, Bank Account AMC, Birra Tirana, Stephen & Co., do not provide information about all the members of the Supervisory Council.

- Raiffeisen Bank provides information to members of the supervisory council but all its members are also the executive director of the bank management.

- Birra Tirana and Stefani & Co. - Members of the Supervisory Board are also its owners.
- Albtelecom, Vodafone, AMC and Credins provide no information at all on the Supervisory Board. Information on the remuneration of the Supervisory Board - JSC th None of the above mentioned information does not give bonuses not only to members of the Supervisory Council but also management staff of companies.

Albanian legislation on audit and audit committees in the supervisory board

Our commercial companies law, which regulates the composition of the corporate boards on which constructed their operating statutes, one does restrictions. This means that, in principle and by law, the Supervisory Boards may consist of specialists and people who know the economy, technology, business, finance, art direction and business management etc. Shareholding in those companies where shareholders are not natural persons but legal persons, companies and other business entities, representatives mandated by the Supervisory Boards can be managers of graduates in this field. If shareholders are subject, then they could mandate their representatives in councils.

Minority representatives in joint stock companies, by law, have spaces to be represented on supervisory boards.

Company law stipulates that members of the executive board can take two types of awards:

1. Special Award for participation in council
2. extraordinary bonuses

Special reward for participation in the sessions of the Supervisory Board appointed as annual fixed. This means that:

- a) it does not depend on the outcome of the activity of society (profit or loss)
- b) it is exempt from any indexation of whatever nature

3. Exceptional rewards are entrusted to the executive board members for missions or exceptional terms, ie. that do not fall under the usual functions of the supervisory council and have no permanent character (eg. A study trip abroad, a market research).

4. On the other hand the law is mandatory in matters of conflict of interest of members of the executive board, indicating that any member of the executive board can not be a member of the directorate. If a member of the supervisory board appointed member of the Board, his mandate in the supervisory board once it pass the new position. According to our law, "Supervisory Board exercises continuous control over the directorate for management of the company on its part." From

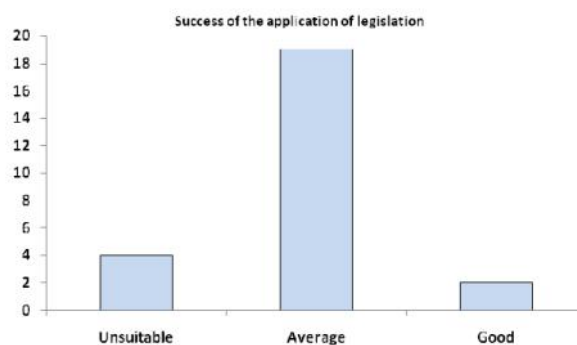
a numerical standpoint supervisory board shall consist of not less than three members and no more than twenty-one members. The number of members should be vedided by three. Law also provides the cases of conflict of interest which automatically excludes certain categories of persons. So can not be the company's auditors:

5. Founders, contributors in nature, persons who receive special advantages, members of the management or supervisory board of the company or its subsidiaries.

6. The members of the board or supervisory board of the companies who own 1/10 of the company capital in question or companies that this company owns.

7. Individuals that have different ties of kinship with the persons cited in paragraph a.

A very important thing for people who conduct audits is their independence, they should be independent of the audited legal entity and should not participate in the decision-making entity. Only in this way it avoided any conflict of interest (as personal interest, familiarity, intimidation or distrust) that would be created and that will divert appearance of objective and fair. The audit process should not perform individuals that have a connection, direct or indirect financial, business or employment between the legal entity being audited and individual carrying out the audit. Owners, partners or shareholders of an audit firm, as well as members of the management or administration of the company or a company associated with it, are not allowed to interfere with the conduct of an audit in any way which jeopardizes the independence and objectivity the auditor that performs the audit.



Conclusions

To have a successful management audit should be a separation of roles between the chairman of the board and chief executive officer of the company (CEO)

- As chairman of the board should be elected an independent director in order to be more

transparent and objective to the performance of managers

- përforohet that legislation should be developed and more in the area of governance and also have laws that impose liability manager or audit anyone who abuses his position for personal interests
- Shareholders should be more active in the respective companies
- Ensure that auditors should be rotated within a period of time in order to ensure their independence
- The audit committee should be independent leadership and information in order to avoid another scandal
- Members of the audit committee should be able to question management performance
- Auditors should reduce the number of non-audit services in order to reduce the risk of corruption
- Through the management audit would increase investor confidence for the company
- The local public JSCs a significant part of the board of directors are seized
- The need to improve from Albanian environmental legislation and the crop
- audit committees with independent high, with more expertise in governance and ownership of scarce shares are more effective dismissal of statutory auditors have issued reports unfavorable to the company.

- Audit committees are a monitoring mechanism to enhance ethical behavior and not for personal benefit decisions in the organization.

Recommendation

Albania must establish companies voluntarily even though the legislation still has not set this as a prerequisite.

- Need to increase the number of specialists in the field of auditing management.
- Must have an awareness of the importance of audit committees
- Need to create an internal mechanism of the respective companies that break the dependence that internal auditors CEO and encourage them to be more transparent

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