

BEHAVIORAL ASPECTS OF INTERNAL AUDIT**Introduction**

The aim of this article is to present internal audit in the light of a selected theory of institutional economics. Among many theories explaining different aspects of functioning of contemporary institutions, the most interesting one seems to be the behavioral theory of the firm, but reasons for audit can also be found elsewhere, e.g. [Grzesiak, Kabalski, 2016]: the agency dilemma, the transaction cost theory, the property rights theory and more. This article should be seen as part of behavioural finance, which combines psychology and sociology to analyse, among others, the ways in which the human psyche influences people's decisions in the field of finance.

The notion of internal audit

The contemporary internal audit was shaped in 1941 with the founding of the Institute of Internal Auditors (hereafter referred to as IIA) in the United States. The 1947 definition of internal audit described it as “an independent appraisal of activities within an organisation for the review of accounting, financial and other operations as a basis for service to management. As a form of control, it conducts its tasks by measuring and assessing the effectiveness of other types of control” [Statement... 1947].

One of the first definitions of internal audit characterised by a comprehensive approach to audit activities that fully reflects the essence of internal audit was formulated by Mautz, Tiessen and Colson. These authors defined internal audit as “a service for higher management and other stakeholders that involves: (1) monitoring of management control systems, (2) anticipating, identifying and estimating risks that may threaten the assets and activities of an enterprise (organization), (3) identifying current and potential gaps in control systems and emerging risks and (4) making recommendations to improve control systems, respond to risk and achieve goals by an enterprise (organization) [Mautz, Tiessen, Colson, 1984].

According to the definitions of audit, it supports an organisation in achieving its goals through systematic and consistent actions aimed at assessing and improving the effectiveness of risk management, as well as enabling improved effectiveness of the control system and organization management processes [Gumińska, Marchewka-Bartkowiak, Szelaq, 2012: 98].

Internal audit in the light of the behavioral theory of the firm

Unlike classical and neoclassical economics, behavioral economics makes it possible to understand how people make decisions and what influences them. It is supported by cognitive theory, social psychology and anthropology [Śliwowski, Wincewicz-Price, 2019: 9]. The psychological approach to phenomena and behaviors studied in economics and management was popularised by an American psychologist and economist D. Kahneman. His ideas lead to abandoning the rational *homo economicus* paradigm of neoclassical economics. Natural inclinations of people are

studied by psychological and experimental economics, and achievements in these fields have been used in the behavioral theory of the firm.

Behavioral economics can be divided into several movements (several behavioral theories). From the perspective of this research paper, the most interesting is the behavioral theory of the firm, most fully explained by R.M. Cyert and J.G. March [Solek 2016: 8].

According to behavioural theory, an organisation is a collection of various people and groups of people (stakeholders), and all of them have their own goals and requirements. These goals may conflict with each other and with the goals of the entire organization. Stakeholders compete with each other, which makes it impossible to indicate the explicit purpose of the organization. Rather, what can be indicated is a number of goals postulated by different groups, from among which the final goal is chosen by the board (or the owner). The goal does not have to be fully achieved, it is important that it is achieved to a satisfactory degree. Since each member of the organization has their own goal, it can be said that each of them is driven by their own motivations.

One important point of the discussed theory is the conviction that the activities of people and organizations are not fully rational. This is due to the fact that individual entities operate in conditions of uncertainty regarding both the environment and themselves. Entities are looking for information they need to function, but only in those areas where problems appear [Solek, 2016: 15].

The ownership entity is not the same as the managing entity and there are conflicts between them and other groups of stakeholders. In the short term, these conflicts are resolved by increasing wages (cash payments, additional payments, loose payments and delegation of powers) [more in: Solek, 2016: 10, 15].

In view of the above, in the light of behavioral theory conducting internal audit can be justified by the existence of these different goals of different people or groups of stakeholders having different scopes of information. An internal auditor acts as an intermediary who evaluates various events, processes and systems occurring within a given organization in an independent and objective manner.

From the point of view of an internal auditor, it is important that in the light of this theory, an organization performs sequential searches for satisfactory solutions, and when these are found, alternative options are not considered. When making decisions, members of the organization act routinely (maybe even mechanically) and use practical principles to minimize the cost of obtaining and processing additional information. This routine results from the fact that obtaining information is time-consuming and expensive. For example, you can routinely calculate the price, i.e. always set it with a specific markup for costs [Solek, 2016: 12, 14]. Taking this into account, the role of internal auditor defined by IIA in the Standards for the Professional Practice of Internal Auditing and in the definition of internal audit fits perfectly in the behavioral theory. The internal auditor's primary task is to add value and streamline the organization's operations. Audit consists of a systematic and orderly assessment of processes: risk management, control and organizational order, and contributes to improvement in these areas. Ensuring the effectiveness of these processes, internal audit helps an organization

achieve its goals [International Standards for Professional Practice ..., 2016]. Therefore, an internal auditor participates in the search for satisfactory solutions, proposes to improve processes and applied control mechanisms and procedures, striving for the solution as close as possible to the optimal.

Apart from that, information received by managers is subject to cognitive distortions, as (lower level) managers want to ensure safety and power for themselves. These distortions consist in overestimating future cost estimates and lowering forecasts of effects, e.g. profit. Distorting information guarantees a certain margin of freedom in the event of adverse circumstances and an unplanned increase in costs. If the conditions in which the organization operates are favorable, these distortions strengthen the position of management (thanks to obtaining better results than planned) [Solek, 2016: 11-12]. The role of an auditor seems to be important also in this aspect. An independent and objective assessment of various areas of the organization's operations, including finances, increases the reliability of the presented data and information; internal audit should, by definition, reduce the extent of information distortions.

Conclusions and suggestions

Internal audit has for many years been the subject of interest for scientists in Poland and worldwide. However, most studies devoted to internal audit are of methodical and practical nature or analyse the problem of internal audit from the formal and legal perspective. In the Polish literature on the subject, only few studies attempt to embed internal audit in theoretical movements of economics or management. One example can be the articles of L. Grzesiak and P. Kabalski [2016, 2018].

The authors of this article continue and supplement theoretical considerations, focusing attention on behavioral theory of the firm, which provides a good justification for the purposefulness of conducting internal audit in an organization. In our opinion it would be advisable to continue research on the behavioral aspects of internal audit, because this theory allows us to predict and explain specific human behavior in an organization. If an internal auditor considers these aspects, an audit can be carried out not only in accordance with its methodology, but also taking into account a wide spectrum of human behaviors, which could turn it into a tool of interpersonal communication in an organization. Who knows, maybe soon a new movement of internal auditing will be separated - behavioral audit?

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ІНСТИТУТ АДМІНІСТРАТИВНИХ БАР'ЄРІВ У РОЗВИТКУ ПІДПРИЄМНИЦТВА ТА ФОРМИ ЙОГО РЕАЛІЗАЦІЇ

Вступ. Трансформація сучасної економіки відбувається через трансформацію не тільки базових економічних відносин, але і інститутів публічного управління та адміністрування в контексті глобалізаційних та євроінтеграційних процесів, які визначають обмеження та матриці поведінки економічних суб'єктів. Підприємництву належить особлива та водночас важлива роль в економічному житті країни. Тому забезпечення усунення бар'єрів на шляху його розвитку слід вважати одним із пріоритетних завдань адміністративно-правового регулювання національної економіки. Запорука успішного рішення даного завдання – її теоретичне осмислення та ефективне практичне впровадження.

Основна частина. Серед опублікованих наукових робіт, після 2010 року, що мають відношення до обраної теми, ми б у першу чергу виділили праці таких науковців: Филюк Г.М., Масько А.М., Квасній З.В., Чистоклетов Л.Г., Онищук І. І., Філик Н.В., Рибікова Г.В. Адміністративні бар'єри – це встановлені рішеннями законодавчих та виконавчих органів влади правила, дотримання яких є обов'язковою умовою провадження господарської діяльності на відповідних ринках товарів і послуг. У відповідності з даними правилами встановлюються платежі за проходження процедур, без яких легальне продовження діяльності ускладняється або практично неможливо. Доцільно розглядати адміністративні бар'єри як особливий інститут, оскільки інститути (відповідно до дослідницької концепції, що складається в рамках нової інституціональної економіки) розглядаються як набір формальних і неформальних правил, підкріплених механізмом забезпечення їх дотримання. Окремі компоненти даного інституту створюються не тільки свідомо на основі передбачувані групами спеціальних інтересів розподільних наслідків, але і як побічний результат існуючої практики інституційних змін, що відображають взаємодію між організаціями щодо підтримки і зміни системи правил і/або механізмів, що забезпечують їх дотримання.