

INTERNAL CONTROL SYSTEM OF ACCOUNTING IN CONNECTION WITH CORPORATE GOVERNANCE

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Abstract

Each legal entity is required by law to keep accounts as it related to their internal audit - audit, which is an integral part of corporate governance. This transparency based on sufficient information, objectivity and credibility of information and open communication deepens the common link between the various stakeholders and ultimately enhance trust and loyalty to the company, firm or company, leading to the very prestige of the legal entity, the synergic effect of its corporate culture.

Key words: *Accounting, management and corporate governance, internal control system, audit, internal accounting regulations, organization of accounting, information function of accounting, accounting units, balance sheet, profit and loss account, financial statements, accounting principles, inventory of assets and liabilities, synthetic and analytical evidence*

1 Introduction

A very important part of management as a purposeful human activity is an efficient and universally oriented control – audit. In this respect it is possible to say that decisive influence on quality of management and protection of account unit property has its internal control system.

Internal control system as an instrument of management is very broad and various, therefore the aim of the contribution will be the issues concentrated mainly on company governance and management related to internal control system rules, where undoubtedly important role has accounting of the appropriate accounting unit. During the processing of accounting data itself, because of different concerns of the owners and managers, we can meet their calculated manipulation. This is to point out also some of negative effects that within some accounting units are still lowering not only an internal control system effectiveness but financial audit itself.

1.1 Accounting as a tool of internal control – financial audit

According to Řezáč (2009, s. 346), at first, financial audit was defined as a systematic process of objective gaining and evaluation of proofs regarding information about economic and financial activities and events and its aim was to find out to what extent these information were in accordance with given criteria and notification of results to involved parties.

In the Czech Republic obligatory audit applies to legal persons which are required by commercial law, accounting law and or some regulations to verify its final accounts by auditor. It is evident that this factual aiming of audits was oriented mainly to the company area. In our regulation of law the definition of internal control system is missing, nevertheless considering foreign literature an internal control system is called a system of operational, financial, registration and other controls. This system is created by a company management by means of rules and provisions leading to a proper and efficient way of administration and management of accounting units.

It follows that very important instrument and subject of control are practically all branches of company information system. However prime and irreplaceable component of internal control system is accounting, because just on it depends the ensuring of control of company property protection and accounting information reliability and thus creation of barriers to stealing or misappropriation and last but not least to an entrepreneurial subject bankruptcy.

Accounting when fulfilling its tasks in the area of internal control starts to exert influence also on layout of a company organization structure. In the mainland European and Anglo-Saxon countries it takes place in different ways and various extents, as well. This is given by traditions, customs and economic, social and legislative provisions of particular country.

1.2 Internal accounting regulations – important element of internal control system

Nowadays because of continuous amendments of laws is nearly impossible to manage perfectly the whole scale of their content, which has a negative influence on internal control system, too.

Although in this respect there is an increasing administrative work, the issue is that this administration is heading for implementation of order, improvement of working discipline, determination of exact duties to particular departments and subsequently to their employees and it eliminates a lot of misunderstandings. This contributes of course to increase of internal control system efficiency. In this respect we have in mind mainly accounting units of entrepreneurial type.

Although lot of obligations follow directly from general rules of law, there is a wide range of fields including accounting that every unit adjusts according to its discretion. But each decision must be supported with written document that is one of the main subjects of prospective external control and affects also an internal control system of an accounting unit. This fact is ignored very often in practice.

All accounting units are obliged to keep accounting in proper, provable, understandable and transparent way which guarantees permanency of accounting records. An accounting unit fulfils this statutory obligation also through the system of in-house regulations containing some procedures in accordance with the specific conditions of particular accounting unit. Formation of in-house regulations is used to fulfil the obligations given by legislation, nevertheless it causes relatively large and time consuming work and that is why they should be approved by the highest responsible executive for given level of power.

Internal accounting rules are on the one hand obligatory their existence follows directly from legislation and on the other hand self-imposed, their existence can be derived from legislation only indirectly.

Internal regulations system should be annually reviewed or checked. Review and changes of in-house regulations must comply with not only changes in legislation, but also practical experience gained in the course the of the regulations use.

It is necessary to state, unfortunately, that some of accounting units still trivialize the meaning and contribution of the accounting regulations for proper keeping of their accounting thus also the necessity of their drawing up.

Specific example, as stated Stefanovová (2011, p.129) is SkyEurope Airlines j. s. c, East European low-cost carrier, whose annual loss reached amount in ten millions euros. The company management neglected its obligation to control in relation to company accounting. There was also detected a suspicion of economic results falsification, which in end result had left its marks on the company bankruptcy. Also the licence to air transport operation was lengthened without provision of the final account. And there arises a question “Who is responsible for the licence prolongation?”

Unfortunately, the cases ending with insolvency or bankruptcy are on the increase, due to the fact, that business prevails over intelligence. In this respect it should be noted that the cases when an accounting unit has ignored the internal accounting regulations and as a result of this has kept its accounting improperly, can be solved with the help of the Act on accounting, § 37 art. 1 letter i) and the sanction up to 3% of total assets value can be imposed by appropriate control authority, e.g. revenue authority employee during financial (tax) inspection.

1.3 Basic conditions for proper functioning of internal control system

1.3.1 Organization of accounting

Organization of accounting belongs to the main condition for proper functioning of an internal control system. The task of particular accounting units is to create own company informational system in compliance with methodology regulated by Ministry of Finance of the Czech Republic that will serve

for monitoring and evaluation of its state and activities and providing information both for its own and other authorities (e. g. revenue authority) need. In this respect the question of effective organization of accounting departments and accounting works, choice of proper accounting method, drawing up of appropriate chart of accounts, marking of tangible assets with inventory numbers, working out of internal accounting regulations of entrepreneurs etc. is of great importance.

From above mentioned follows the fact that responsibility for economic operations performing must be divided among two or more persons and it is one of the basic principles of internal control. In this way also higher labour productivity within performance of specialized activity can be reached. If responsibility connected with certain economic operation is divided, the probability of company's property thefts and misappropriations is substantially decreasing.

1.3.2 Accounting and its informational function

In major part of private companies exists among managers, owners, but also among creditors, investors, government and other external users, the conflict of interests. To this in many cases a statutory audit is joined, that can this conflict of interests further deepen. With some small companies that are not subject to audit, auditor does not enter, unless the owners decide to carry out independent verification of results whether in a form of audit of information system or in the way of consultancy. Also within the small companies can arise the need of independent audit of accounting statements, especially in case of banks or other important creditors' interest.

In big companies there is always a potential conflict between managers and owners. While the owners are supposed to be involved in maximization of their wealth, the managers are concentrated on their own incomes.

Managers must periodically report to the owners on the results of their activities, which are the basis of their evaluation. Unfortunately, market failure is becoming also in this area.

The example, as mentioned Stefanovová (2011, s.110) is this time in the Czech background an example of OP Prostějov Profashion – the most significant European producer of men's and women's ready-to-wear clothes with a long tradition of tailoring and textile production. The company went bankrupt and as the cause of the failure were considered not only factors related to cheap competition from Asia and Poland. Disadvantageous fluctuation of Czech koruna exchange rate, decline of demand as a result of financial crisis, but at all the most important aspect was the fact, that there was not carried out in-depth audit that would point out sharp practice of the company management.

By means of suitable dividing of responsibility for economic operations performance both among the departments and particular persons there is usually fulfilled also next important task of internal control with the help of accounting, i. e. strengthening of advantages and reliability of accounting information.

It will concern some information necessary for decision about optimal location of resources, which are at their disposal.

To fulfil tasks laid on accounting, there is necessary to determine, who the main users of accounting information are and what their need of information is. Based on this recognition it is possible to determine what kind of information the accounting must provide to its users.

If accounting information should meet the requirements laid on accounting as a whole, they must fulfil certain important characteristics.

To the important characteristics of accounting information belongs especially:

- relevancy alias importance,
- objectivity alias impartiality,
- seasonableness,
- comprehensibility,
- comparability.

1.4 Accounting records

As Bartková (2013, p. 5) mentions, methodical elements determining a form of accounting work represent some instruments through them are recorded some changes of company property and resources of its financing to which come during an accounting period. One of the advantages of accounting is a system of accounting information checks that are an inseparable part of accounting method. The documents are subject to the check and they must be reliable and provable source of information about the changes of company's property and financial means.

Control of accounting documents takes place during the whole accounting period before the information contained in accounting documents are entered into accounts. At the end of an accounting period is the control of accounting ensured via inventory check, trial balance sheet (turnover, table) and list of analytic records and others.

Outputs of financial accounting are presented by means of basic accounting statements, as it set by Act on Accounting and these statements are:

- Balance sheet,
- Profit and loss account,
- Attachment.

Final accounts can contain further statement of financial flows and statement of changes of own capital.

Within keeping accounting and composition of the accounting statements the accounting units are obliged to respect some rules - legal standards which guarantee to users of financial accounting information the right information ability and comparability in their structure and content.

Financial accounting then is standardized - regulated via ministry of finance.

Basic legal regulations adjusting the area of accounting are:

- As amended by Act No. 563/1991 Coll., on Accounting,
- Implementing provision to the Accounting Act No. č. 500/2002 Coll., as amended
- Czech Accounting Standards 001 – 023.

If an entrepreneur decides to locate the seat of the company in tax heaven, he is not obliged to keep accounting, present accounting statements nor file an income tax return. He can practically conceal the true owner of the company.

According to Act No. 40/2009 Coll., Criminal Code, effective date 1. 1. 2010, is punished:

„Whoever does not keep books of account, accounting entries or other documents serving to reflect the position of his (its) economic management and property, or their supervision, although under the law he (it) is obliged thereto, or who presents false or grossly distorting data in such books of account, accounting entries or other documents, or who destroys, damages, makes useless or conceals such books of account, accounting entries or other documents, and thus endangers someone else's property rights or the timely and proper

tax assessment. The same sentence shall be imposed on a person who provides false or grossly distorted data in documentation required for entry into the Commercial Register or conceals in such documents fundamental facts or who presents in materials serving to drawing up expert opinion attached to application for entry into the Commercial Register false or grossly distorting data in such documents or conceals fundamental facts or who endangers someone else's rights that without purposeless postponement does not carry out application for entry of data required by law into the Commercial Register or does not store document into Collection of Documents although he is required by law or obliged according to contract”.

It follows that accounting includes both methods of calculated manipulation with data and methods that require high qualification and are uncovered with difficulties.

1.5 Accounting principles

Significant component of internal control is accounting principles compliance.

Accounting principles according to Strouhal (2012, pp. 18–21):

- Principle of faithful and honest depiction of reality – accounting units are obliged to keep accounting so that final accounts drawn up on its basis reports faithful and honest reflection of objective of accounting and financial situation of accounting unit.
- Principle of accounting unit – it means that information in accounting are relating to one definite accounting unit which is of great importance to its users.
- Principle of measurement (appreciation) in monetary units – object of accounting can be only such activities of accounting unit that can be measured with the help of monetary units.
- Principle of evaluation in historical prices – means depiction of property in accounting in acquisition price. In the area of financial instrument appreciation is nowadays used also current market pricing co called appraisal in real values.
- Principle of constant buying power of monetary unit – assumes that there does not exist inflation in economy and monetary unit is still the same buying power (unrealistic assumption). However in practice is regarded as the principle breaching až high rate of inflation when valuation of accounting items is recounted through inflationary coefficients.
- Realization principle – according to the principle we should accept revenue at the moment of its realization not at the moment of its payment.
- Principle of caution – means that there should be showed only such profits that are really reached by the accounting unit and also realized but also expected losses that are known to the moment of the close of accounting.
- Principle of consistency – it is required so as the accounting unit in case of possibility of choice uses the same ways of accounting and evaluation during the accounting period..
- Principle of objectivity of accounting information (principle of impartiality) – it assumes that the data stated in accounting statements are disinterested and based on verifiable facts.
- Principle of measurement of comprehension income in regular intervals – it assumes that accounting unit looks into its financial performance in regular intervals, so called accounts periods, for which it compiles comprehensive income.
- Principle of preference content to form – means that we should evidence accounting operations according to their real nature (content) no fault off according to their legal regulation (form).
- Criterion price vs. utility – costs on finding out of information should not exceed utility that results from the gaining of the information.

1.6 Inventory of property and liabilities

During the entrepreneurial process comes to large movement of property and it is no doubts that important and irreplaceable instrument of internal control system are also stocktaking of property and obligations.

Their task is to find out what is the true state of these quantities, if the protection of property is ensured, the property is properly maintained and if registration records of property and obligations are true. These are just properly carried out inventories of property and obligations that already in some accounting units have saved significant values that could be getting lost, destroyed, abused or were not use in the correct way. Je tomu tak proto, because through an inventory the accounting units verify at the day of regular and extraordinary annual accounts, if the quantity of property and liabilities keeping in accounting is in accordance with the reality.

There are more negative findings in this respect. It is very important to realize that inventory of property and obligations are irreplaceable parts of factual re-examination of the accounting correctness (also operative record keeping) and also of the whole internal control system. Therefore inventories absence or their underestimation or disrespecting can cause severe damages of an accounting unit property.

1.6.1 Evaluation of internal control system level from the point of view of an accountant and auditor

In the area of accounting and enterprise a great importance is attached to both behaviour rules and direct personal responsibility for their decisions and derived responsibility for consequences of other persons' decisions. In the extreme case an immoral behaviour can be the subject of criminal prosecution, e. g. tunnelling, wilful bankruptcy, various activities oriented to tax frauds etc.

Within last years is the attention of professional and wider public in the Czech Republic and abroad concentrated on ethical behaviour of professional accountants. Occurrence of the topic of ethic in accounting approximately is relatively equivalent to sporadic occurrence of domestic publication sources (e. g. The book Ethical management in the company of authors Putnová a Seknička from 2007) mentioned that attitude of companies in relation to ethic compliance is generally known, financial and tax institutions consider it to be an inessential superstructure. From analysed publications, company culture, day-to-day practice and from findings of financial authorities follows that the role of ethic is rather declining and expectations of post-revolution period did not arrive. On the other hand the number of pages dealing with accounting frauds is growing.

Review states that the interests of financial statements and annual reports users are often subordinated to intentions of the company to present itself in public in much better light. Machinations with accounting statements, distortion of data about volumes of concluded contracts with the aim to improve company profile, misappropriations of financial funds by company management, loss of rating and loss of external credit financial resources as a result of releasing of accounting manipulations, failure of control instruments, concentration of the power to one person or a group of persons, irresponsibility, disinterest, lack of scruples and pursuit of only financial funds, is inseparable part of today's society that in end result leads to devastation of the society as a whole. In the future it is necessary to have a think about ethics and morals.

As mentions Řezáč (2009, p. 347) the area of ethic and social audit is not still sufficiently adjusted even in Anglo-Saxon world. Although we suppose that the difference between ethic and social audit certainly exist. In the world of enterprise it is increasingly often and usual way of control (auditing) the form of social audit including four basic fields which is economic and social development of a company, employment policy, environmental policy and charity. These dimensions are able to cover both interests of employees and interests of stakeholders.

Within an accounting profession have to be kept ethic conditions and impartiality.

Ethical Code assigns on professional accountants the obligations to keep five basic ethic principles, which are:

- Clean criminal record,
- objectivity,
- professional capacity and appropriate care,
- confidentiality of information,
- the professional behaviour.

Ethic is thus a foundation stone of accounting profession but also managers and owners of a company. In the whole complicated and interconnected chain of ethical behaviour take an important place also the accounting professionals especially these, who are members of a company management and are responsible for the quality of the accounting statements.

Their honesty is often heavily tested because they can easily come into conflict of interests with their surroundings. To support their professional honour and responsibility contribute both compact set of accounting standards, that should be followed, and ethical codes published by professional institutions binding for the members of these institutions.

An important part of an internal control system is unquestionably also internal audit or rather company control creating in some respects even „backbone“ of this system particularly in the process of accounting unit property protection. It has irreplaceable mission and status in the process in the process of establishing of required order and its maintaining within a company. Even the existence itself of this department is of benefit to the company from the psychological point of view. It is a department that in contrast to others specialized structures of accounting unit with respect to audit, has some advantages and strengths because it is focused on control as an instrument of managerial control. There belong mainly internal auditors or rather company examiner who should to the fullest extent use and check accounting, carry out an inventory of property and obligations, pay attention to condition of internal accounting regulations and observance of given rules during labelling of property with inventory numbers. But also here come to suspicion of frauds within auditor activities that can result for example in dramatic leavings of clientele.

Forensic accounting integrates accounting, audit and investigative abilities of weaknesses of accounting, internal controls and motives for economic criminality.

Restatement means a revision of final accounts on suspicion of mistake, fraud etc.

So far constantly undervalued so called behavioural accounting takes into consideration a crucial decision making of creators as a part of a company value, an effect of behaviour with the aim to understand better the influence of decision making process. More valuable company is the one that under the same situation in accounting statements has more efficient experienced management.

As declared Drábková in the journal *Accountancy* No. 8/1013, particular forms can appropriately complement each other. One of the very effective cooperation in the process of manipulation with accounting statements detection is the relation between external and internal audit. The aim of audit companies is to express their opinion of financial position of particular company in given period. For review and revelation of important inaccuracies caused by manipulated accounting statements has an auditor possibilities adjusted through international auditor standards of auditors and ethical code of the Chamber of auditors. Further as Drábková declares, the aims of internal audit are more voluminous and miscellaneous and are not limited only to economic and financial areas. It deals also with company processes in detail. Internal audit performance is not conformed to the legal rules therefore it can be changed depending on company management and people who are carrying out an audit.

1.6.2 Consequences of internal control system failure

In this chapter are mentioned some negative cases that come to existence in business organizations and corporations as a result of internal control system failure. It concerns mainly the cases when individuals or small groups of people without needed scruples want to get rich dishonestly, fast and without any effort. In this case we talk about various more precisely miscellaneous forms of misappropriation of accounting units property as a result of cash embezzlement or misappropriation as a consequence of its insufficient protection, cash payments without proper letter of attorney, abuse of purchase both in cash or by means of an invoice, forbidden manipulations with material in stock, frauds during inventory and the like.

In this cases – whose enumeration is not and cannot be exhaustive – here comes to existence justified question „What have been doing the company control or rather where have an internal audit remained? For some findings are regarded as a consequence of insufficient or a low effective control activity also the people performing control as their profession as well as accountants and accountancy of an accounting unit which is not always kept exactly according to effective general regulations. These are just mentioned imperfections in keeping of specific company accountancy that in a lot of cases have enabled misappropriation of company property and embezzlement. To some particular companies belong Vítkovice j. s. c. and Deza j. s. c. etc.

During discussions of these and similar particular examples of property misappropriation it is necessary to state that there has failed fully or at least partially mainly the internal control system of an accounting unit whose important part formed also accounting. It is primarily absence of internal control system or some of its substantial components or provisions that enabled or made easy to commit above mentioned or similar criminal offences.

1.6.3 Suggestion of basic principles for internal control system formation

Based on mentioned theoretical and practical experience we suggest the procedure during the formation of effective internal control system:

- current situation analysis,
- SWOT analysis,
- new procedures launch,
- Beneish model.

1.6.4 Analysis of current situation

Before control systems beginning it is possible to analyse all circumstances leading to the implementation of internal control systems. Here a range of questions help us:

- Mission of internal control system,
- What meaning it has for organization of its activities,
- Its object and way of managerial control performance,
- How is determined a level of management and risks management,
- What is a role of managerial control during determination of desired policies – financial, budgetary etc.,
- What is the role of internal systems during financial and nonfinancial processes uniting,
- What extent and content of internal regulations is determined in relation to the extent of department activities,
- A participation of particular managerial components in control, what is measured and monitored etc.

1.6.5 SWOT analysis

Within internal control systems during launching of managerial control comes more often to these imperfections:

- Determination of accounting form and content of internal regulations including the definitions of needed documentation essentials is missing,
- It is not determined the way of control, maintenance and improvement,
- Reports of internal operational regulations are missing,
- In definition of own internal systems of organization is not determined their extent and contents,
- Requirements of own budgetary process are not ensured,
- Ensuring of insufficient division of activities, duties and tasks with regards to persons not to needs of organizational structure and job descriptions,
- Incorrectly designated powers and responsibilities,
- Carried out control is not documented or large documentation for partial way of management often does not describe the real processes of an accounting unit,
- Not corresponding description of reality without archiving and without updating,

- Redundancy of activities in connection with qualification of workers,
- Repetitive descriptions of activities in different documents that are mutually exclusive,
- Used documents are outdated,
- Insufficient familiarization of workers with their competences and responsibilities.

1.6.6 New procedures launching

Demanding nature of demands on control systems requires a change of attitude to the management of control in the area of financial processes. First of all we have on our mind a certain change of human factor behaviour. Above all we should concentrate on mutual communication that can often result in differences on the view of given issue which is a subject of communication and can be interpreted by quite different „language“.

To eliminate long term barriers in the field of communication can contribute an adjustment of managerial system with rules given and negotiated in advance. It is needed to announce them with obligatory character for responsible persons.

With discovered imperfections and ways of their correction deals „the Conception of development of control and managerial systems“. This conception that belongs to upper control systems, determines as a basic element of control systems the control environment delimiting both formal and informal rules that have influence on procedures of public sector employees.

From the practice can be concluded superiority of informal rules that can be a source of outdated and not very suitable procedures and as a result of them the subjects of public sector are undergoing needed changes only very slowly.

Currently the centre of attention have become the needed steps to improvement of effective redistribution and allocation of financial funds and their flows which is included into international activities in the frame of European Union. Thus public finance sphere gains the importance that is connected with the need of openness of public budgets, economy, efficiency and purposefulness of public funds management.

The bodies of public sector therefore try to strengthen the launching of economy rate, range of service, efficiency and others. Integration of control and audit systems in law on financial control in the public sector requires continuous monitoring and evaluation whose realization is connected with current state analysis and verification of control mechanisms adjustment. These control systems are putting in the context with general characteristic of the control environment.

Public trust in a level of public finance governance, as a whole, is the immediate reflection of dealing with public funds which is connected with a need of creation of integrated systems that should manage the demanding tasks. The development of efficient conceptual frame designated today already famous abbreviation „PIFC“ – Public International Financial Control is created of three basic elements that is system of financial management and control, system of internal audit and central harmonization of both these systems.

The aim of the system is:

- To secure so as mutual relationships all of the public sector subjects, used methods and procedures would arrange the utilization of managed public funds in conformity with approved intentions and objectives including appropriate legislation.
- To apply a principle of correct administration, principle of transparency, effectiveness and money-savings including reliability, seasonableness and completeness of information about stated facts of these subjects. Examination of these systems including consequent regulations is connected directly with running changes of internal and external control environment that is partly opposed to a possibility to continue with work on further improvement of internal systems quality which is enabled by the law on financial control. It is necessary to realize the irreplaceable role of internal control systems and therefore it is needed:
- To support construction and organization of adequate managerial and control systems,

- To update, improve the quality and improve the current systems.

Development of perfect control systems is time demanding and its success depends on gradual realization of needed steps and choice of attitudes. Right understanding and concentration of all workers participated on the development of control systems is an essential part of its realization.

From above mentioned follows that internal control system is a tool essential to fulfilment of duties in the frame of prescribed legal regulations or caused by reality of very demanding requirements.

1.6.7 Model Beneish

Table No. 1 Economic criminality in particular regions 2012

Region	Number of discovered criminal acts	Clear-up rate (%)
Praque	6713	37,6
Central Bohemia	2895	40,2
South Bohemia	1491	60
Plzeň	1012	69,1
Carlsbad	638	80,9
Ústí nad Labem	2401	55,2
Liberec	1001	48,9
Hradec Králové	1169	52
Pardubice	1035	53,6
Vysočina	930	62,2
South Moravia	2879	44,1
Olomouc	1322	58,9
Moravia-Silesia	3090	40,3
Zlín	1057	56,7
CZ in total	27633	47,9

Source: MAP OF CRIME: Where does economic crime go into frenzy? A half of crimes is not clarified :Economic crime in particular region in 2012. 10.6.2013 11:16:52, roč. 2013. Accessible from <http://zpravy.kurzy.cz/352758-mapa-zlocinu-kde-zuri-hospodarska-kriminalita-polovina-zlocinu-se-neobjasni/>

From the table of the research about economic criminality in particular regions in 2012 follows, that the cause of fraud disclosure at elimination of coincidence are just internal factors of internal control system and corporate culture. It means that internal audit and sophisticated internal systems of risk management play important role during uncovering of fraudulent actions in commercial plant.

Special position in indication of manipulated statements forms takes mathematical Model Beneish, that serves to catch fraudulent financial operations and transactions and base on it is possible to find out, if a company manipulates its accounting values or not. To prevent financial straits from happening, some companies manipulate profits this way, that they change e.g. depreciation rates, or create some accounting tricks, which need not be illegal. This mathematical formula uses data from financial statements of a company.

2 Conclusion

If we speak about the ethical code, internal audit, social audit or only control, it is always necessary to overcome opportunism of specific interest groups, which have influence not only on political power administration, but also performance of businesses, firms and companies themselves. This way it can be prevented practices that are part of corruption and bribery. There is also the need to overcome not only globalization pressures, which can represent threat both to national identity and moral integrity, but also individualism with position of power. It is necessary to realise, that a company culture, given by successful integration of ethic plays an important role in the field of mutual relationships between employers and employees and it is based on social responsibility of managers, who could be in moral and qualification readiness to bear possible implications of their acting.

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