

## The Issues Regarding the Refinement of Effective Management of the Company

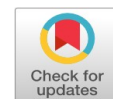
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**Abstract:** Despite of the active participation of our country in the condition of globalization, a lot of problems still exist. The essential role for solving the given problems is granted to the audit. For making the right decisions, governmental agencies as well as economic entities should possess the complete and accurate information. Since the area of economic activity overshoots country's borders and the local legislation, international legislation as well as legislation of the country, in which business relationships are carried, should be taken under consideration. The process of audit of such type of operations is quite complex and lengthy process. Thus, audit should be carried out by highly qualified specialists. The effective management of the company that is a precondition for economic growth and sustainability is dependent on the reports prepared by auditors. The goal of the research is to analyze and evaluate the current state of regulating the financial statements of auditing in Georgia, identifying the priorities of regulating the accounting and auditing spheres. In this work are described in detail the aim of Internal Audit, functions, obligations, its hierarchical structure, audit process on its own and its main parts: planning, distance monitoring, conclusion of act, issued recommendations, and its inspection. The work reveals that the information obtained by the internal auditors should be transparent and adequate. In this work are also shown innovation attitudes and methods, which are new in Georgian companies and are being implemented in Internal Audit. Very soon the programs will become very progressive and many big companies will not be able to work without it. The research is the prospect of improvement of accounting and audit national system, combined with organizational-legal and financial relations established in the management of the budgetary resources of the country and targeted use of state property. The objective of the research is the state financial control and non-state sector in Georgia: development of reform in accounting regulation and auditing regulation, education and certification of accountants (auditors), efficiency of investment activities, and valuation of business valuation .

**Keywords:** Audit company, Control, Effective management, Globalization

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### INTRODUCTION

We live in the era where technologies are developing every day. What was in the past even not dreamable, today there are many programs and strategies for companies to be managed effectively. Corporate management is a guarantee that companies are effectively managed. In our work, we can see how internal audit encourages, especially big companies, to manage them effectively. Small companies, which are managed by their owners, are less likely to have necessity of internal audit services, because even owners can manage controlling measures. For the work of internal audit to be effective by the means of truth, the following should be done:

- It should be provided enough amount of financial means and human resources.
- It should be organized to have probated working methods; have highly qualified personnel.
- Must be independent and objective.

In last few years, functions of internal audit have been broadened and today, working area of internal audit is no longer limited to perform traditional functions or low-level management. Nowadays, internal auditors participate in all levels of management, and activities of internal audit include unconventional issues, such as management assistance in determining corporate objectives and evaluating results achieved in the objectives set.

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The auditor should consider all the potential risks of risk, since any risk may ultimately affect the financial results of the company or the problems of the functioning enterprise, as well as the auditory opinion.

The analysis of state financial control environment gives us possibility to work out financial control, to the subjects and objects in the form of united system of financial control which makes possible to effectively execute functions of control for nurturing aims and assignments of financial control, adoption of financial strategies worked out by the enterprise with joint methods and means for control, and providing increase of quality of efficiency.

Following recommendations are offered to improve existing situation in the field of accountancy registration and audit, namely: Incessant increase of institutional possibilities of regulatory bodies for the purpose of monitoring and providing relevance with the requirements of financial reports (Pailodze et al., 2013). The combination of methodological-practical recommendations and measures as a result of the research can be used in legislative-normative regulation of accounting, financial reporting audit, and controlling system in Georgia.

## **LITERATURE REVIEW**

In the work are used the works of foreign and Georgian scientists. We quote:

Kokrashvili Ketevan, Abzalava Anzor, Kutateladze Rusudan, Pailodze Nino, Kutateladze Ketevan, Sulashvili Giorgi, *Global Processes and Georgian Economic Policy*. Nowadays when the integration of states is growing fast, it is urgent to study the rules of behavior which they resort to in case of conflicts and disagreements. The reason of disagreement in many ways is the foreign policy carried out by separate countries, as the market participants define production and export capacity and structure as well as level of international division of labor due to the competition among them (Kokrashvili et al., 2016; Tokmazishvili, 2015).

Evgeni Baratashvili, Nino Pailodze, Ana Bolkvadze, Giorgi Sulashvili, *Potential of Comparative Management and Aspects of its Application in Georgia*. At the present stage in our country intensifies cooperation with different business cultures, actively developing the process of implementation of Georgia in the global business system that requires us to develop a specific concept, including in the field of management. With the entry of Georgia into the international community, exchange of experience will only intensify. It is clear that the achievement of goals such as the doubling of the National Product increases the competitiveness of Georgian enterprises and can't be recorded without foreign management experience. On the other hand, knowledge of the areas of comparative management can be used in the process of choosing the path of socio-economic development of Georgia.

## **RESEARCH METHODOLOGY**

In the work of the research process were used methods of analogy, abstraction, statistical observation, system approach, comparative analysis methods, etc. Practical generalization of the theoretical conclusions of compatibility with practice is based on the works of foreign and Georgian scientists, in which are discussed the methods, approaches, and models of accounting and audit regulation.

The research base is the legislative normative acts of Georgia: The Law on "Entrepreneurs", "On Audit Activity"; "Information on the Accounting and Financial Reporting Report"; Decree issued by other regulatory bodies in the accounting and auditing field; EU directives concerning regulating accounting and financial reporting audits; Tax Code of Georgia; Georgian Tax Code Commentary; International Auditing Standards. Internal Audit is a new activity in Georgia. Its foundation has started in government sector with law on government internal firm financial control (Dianita, 2015; Widilestariningtyas & Karo, 2016).

## **RESULTS AND DISCUSSION**

Audit, as an indivisible and important element of the modern economy, is represented as an element of state administration. Its form is determined not only by the form of state controlling but by the form of non-state controlling as well. Control is the inevitable and conclusive stage of any decision-making

process. It is recognized as the method, which ensures the implementation of the objectives set by the management structures, the determination of the ways to improve the utilization of economic resources, the detection of imperfections and violations, and correction of their results. Therefore, its role in successful functioning of an organization is important. It may be considered as an inevitable condition for the successful implementation of managerial functions. It should be noted that control is an independent function, by which the process of operation of the entity and compliance of the decision made regarding them are checked. The main criteria for controlling are that it is carried on the basis of principle of unity which is acceptable for every controlling individual, despite of their interests and scale of activities. The measures of control are the established procedures that are carried out at every stage of management. Measures of controlling should be directed towards the minimization of the risks and at the same time be effective. Control measures can be considered effective in case if they are relevant, consistently feasible, complete, and efficient and directly related to the objectives of controlling (Keteva et al., 2016).

The function of an audit company is the examination of financial condition of client company on the basis of the signed agreement and the issuance of competent audit report. The customers may be, first of all - the company's founding partners, banks, tax authority, etc. They are all interested in the financial condition of the company. Founders are interested in financial condition of the company for making correct managerial decisions (Pailodze et al., 2013).

With the application of the methods of control, mistakes can be corrected on time and in case of necessity, tax statements can be reconfirmed, which allows to reduce the tax risk by 70-80%, by which company will avoid possible penalties and fines imposed by the tax authority. At the same time, accounting and reporting of the company will become reliable that is very important for the companies operating in a market economy (Bolkvadze, 2012).

Control is a broad term and includes every aspect of state, economic, and public activities. The inevitability and the refinement of the methods of internal control are stipulated due to the fact that with the establishment of the control system, organization ensures the management of risks, their minimization, and, therefore, achievement of goals, which, in turn, is reflected by the efficient and rational utilization of resources that eventually increases productivity and influences the successful operation of the organization. The establishment and development of the system of internal control have a significant role in the system of State governance. Internal control that is represented by the form of internal audit in a public sector assesses effectiveness of risk management, control and the process of management with the systematized, disciplinary approach, and is directed towards the perfect fulfillment of institution's objectives. Activities of internal audit include: monitoring the internal control, inspection of financial and operational information, consideration of operating activities, consideration of the compliance with legislation, risk management, and management (Bolkvadze, 2012).

The main objective of developing the mentioned concept is the creation of functional audit that meets the requirement of modern economy, the refinement and making of the methods of an audit in compliance with international standards. The importance of internal audit is also noticeable due the fact that it implies not only the financial audit, but also the audit of the relevance, effectiveness, and examination of informational technology and making appropriate recommendations ([www.rs.ge](http://www.rs.ge), 2016). Therefore, during the conduction of internal audit, accounting and financial reports of an entity are being audited for the ascertainment of the compliance with the Georgian Legislation and standards (Financial audit); Analysis and the study of the legitimacy and purposefulness of utilization, management, and protection of State funds, state-owned other material goods and state-owned valuable intangible assets (Compliance audit); Analysis and estimation of efficiency, effectiveness, and productivity of the decisions and activities made within the sphere of compilation of state programs, utilization and management of investment, financial, human, material, and other resources (Effectiveness audit); Estimation of the adequacy and effectiveness of the system of financial management and control (System Audit); Checking and estimating the adequacy of informational technologies and protection of safety system for guaranteeing confidentiality, integrity, and ensuring the accessibility to information ([www.geostat.ge](http://www.geostat.ge), 2016). The above mentioned types of an audit and appropriate recommendations enable organization to have informational technologies (implemented in practice) that do not contain any danger and do not put

under the risk the activity of an organization (Informational Technologies' audit) ([www.ifac.org](http://www.ifac.org), 1998).

Recently, the audit of new directions has become more actual issue. The driving force of modern economy are new technologies. Such type of the audit of new directions is called technological audit. Such types of an analysis are mainly conducted by large audit companies and due to the field, it is difficult and no methodology for its conduction exists. Auditors rely on different studies regarding the effectiveness of new technologies, about how demanded the expenses related to creation of new model technology will be, how tradable will it be, and what economic consequences will the company achieve. Technological audit gives us the conclusion regarding the expected results and expediency of introduction of new technologies (Baratashvili, Pailodze, Bolkvadze & Sulashvili, 2015).

With the development of informational technology, effective fulfillment of goals and objectives has become dependent on computer systems for majority of the state agencies and services. The issues regarding the storage, processing, and protection of information in the given system have a significant effect on the accuracy and security of financial data of public institutions (Abzalava et al., 2015).

## CONCLUSION

Audit activity is a necessary element for effective management of company. Audit activity helps businessmen to manage risks facing the business. The legalization of business had significantly increased the demand on conduction of an audit among entrepreneurs. To be more protected against tax authorities, financial statements prepared (Balance sheet, Income statement, Statement of Cash flow, a Capital Flow Statement, accounting policy, and explanatory remarks) by the company should be checked by a competent auditor.

Nowadays, the real demand on audit service exists. The demand itself has led to the formation of healthy competition among auditors (audit firms) and as there is a business rule, in a competitive environment, the performer of the work with higher quality wins, which means that the quality of audit service should be improved (Pailodze et al., 2016).

In the modern conditions, application of modern informational technologies in audit activities has a significant role in increasing the productivity and ensuring increasing of the quality of an audit of the operations of economic entities. It significantly changes the method of conducting an audit and at the same time, it requires the special knowledge and technical equipage of audit companies that should be taken under consideration for near future. IT has become the indivisible part of modern economy. The development of the given sphere had made a significant contribution to globalization of an economy, strengthening the relationships, and rapid exchange of information, which has touched all areas of modern economy. The development and active application of informational technology in the process of auditing it as well as in estimation of results have also begun in an audit as in one of the institutes of modern economy. The elaboration of new informational technologies is necessary for the development of an audit and the improvement of the accountancy that will promote the development of the given sphere and eradicate the existing deficiencies.

The reforms made in Georgian Economy have led to the establishment and development of new economic institutions, which regulate the relationship among economic and business entities. Among the given institutes, the important role should be granted to an audit, which is an integral part of market relations. Development of audit activity in Georgia has shown that it is impossible to directly import the methods of conduction of an audit that are used in capitalistic countries in a Post-Soviet economy that is under the condition of reorganization. That is why the active works are undergoing in Georgia on the concept of audit activities.

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