Biljana Jovkovic[1], Slavica Jovetic[2], Snezana Ljubisavljevic[3]

ACHIEVED DEVELOPMENT LEVEL OF INTERNAL AUDIT IN SERBIAN BANKS EMPIRICAL RESEARCH

This paper aims to explain the role and importance of internal audit in banks in general, to distinguish between different functions of internal audit in banks in Republic of Serbia and to show the achieved level of development of internal audit in Serbian banks by empirical research on the example of 28 banks in RS. There is also an attempt to examine the correlation between the size and the origin of a bank, on the one hand, and organization and tasks of internal audit, on the other.
Keywords: internal audit, statistically significant difference, the tasks of internal audit, survey, correlation coefficient.

Біляна Йовковіч, Славіца Йоветіч, Снежана Любісавлєвіч

РІВЕНЬ РОЗВИТКУ ВНУТРІШНЬОГО АУДИТУ В СЕРБСЬКИХ БАНКАХ: ЕМПІРИЧНЕ ДОСЛІДЖЕННЯ

У статті пояснено роль і значення внутрішнього аудиту в банках в цілому, описано різні функції внутрішнього аудиту в банках Республіки Сербії, проаналізовано досягнутий рівень розвитку внутрішнього аудиту в них шляхом емпіричного дослідження на прикладі 28 банків. Досліджено залежність між розміром і приналежністю банку, з одного боку, і організацією та завданнями внутрішнього аудиту, з іншого.
Ключові слова: внутрішній аудит, статистично значущі відмінності, завдання внутрішнього аудиту, опитування, коефіцієнт кореляції.
Форм. 4. Табл. 5. Рис. 3. Літ. 11.

Биляна Йовкович, Славица Йоветич, Снежана Любисавлевич

УРОВЕНЬ РАЗВИТИЯ ВНУТРЕННЕГО АУДИТА В СЕРБСКИХ БАНКАХ: ЭМПИРИЧЕСКОЕ ИССЛЕДОВАНИЕ

В статье объяснена роль и значение внутреннего аудита в банках в целом, описаны различные функции внутреннего аудита в банках Республики Сербии, проанализирован достигнутый уровень развития внутреннего аудита в них, путем эмпирического исследования на примере 28 банков. Исследована зависимость между размером и принадлежностью банка, с одной стороны, и организацией и задачами внутреннего аудита, с другой.
Ключевые слова: внутренний аудит, статистически значимые различия, задачи внутреннего аудита, опрос, коэффициент корреляции.

Introduction. The environmental factors which have especially influenced banking operations in recent years are: deregulation, information technologies, and globalization. The modern world banking is characterized by emphasized changing dynamics for which we use the term "banking revolution". In these conditions of the increasing volume and diversification of the activities carried out by banks, the role and importance of internal audit in banks is increasing. The regular work of the internal audit's organizational unit is to provide an independent evaluation, testing, and assessment of bank's activities. The importance of internal audit is reflected in the fraud and losses of 5 bln. euros in Societe Generale Bank, caused by the non-func-

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[1] PhD, Teaching Assistant, University of Kragujevac, Serbia.
[2] PhD, Full Professor, University of Kragujevac, Serbia.
[3] PhD, Assoiciate Professor, University of Kragujevac, Serbia.

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tioning system of internal controls. Another example of the lack of internal control is the case of Barings Bank, which has not complied with the procedure of duties separation.

As for the theoretical framework of internal audit here are some of the most important definitions of internal audit which include the purpose, objective, and tasks of this function. In the professional practice of internal auditing it is defined as "the activity of an independent, objective assurance and consulting activity designed with the aim to create added value and improve banking operations" (Stanisic, 2008: 7).

The task of internal audit is "to investigate, examine, and evaluate the internal control system and their effectiveness in the activities of each particular business area, to report on the findings and to propose solutions to the management" (Meigs, Wittington, Pani, 1988: 181).

Gerald Vinten points out that "the internal audit is a continuous and comprehensive research of seemingly good organizations with the goal of insight into the actual state or position of a bank and its environment in order to achieve better control over the future operation" (Pickett, 1997: 7).

Internal audit is carried out within organizational cycles in a bank (Rossel, 2007: 6). "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organizations operation. It helps an organization's accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes (Pickett, 2011: 2). "According to Robert Moeller "internal auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization" (Moeller, 2005: 3).

The definitions indicate that internal audit is a consulting activity which, in addition to regular tasks, allows the creation of bank's added value, i.e. adding value to owner's shares.

1. FUNCTIONS OF INTERNAL AUDIT IN RS BANKS.

According to the Law on Banks and other financial institutions (RS Official Gazette 107/2005) and the amendments to the Law (Official Gazette of RS 91/2010), the regularity controls of a bank and the efficiency of internal control system are performed by the internal audit and committee on banking supervision. The main task of internal audit's organizational unit is to provide the board of directors with independent and objective opinions on the issues that are subject to audit. Internal audit also performs consultancy activity aimed at improving the existing internal control system, and assists the board of directors in achieving its objectives. Internal audit performs all of the above by applying a systematic, disciplined, and documented approach to the evaluation and improvement of the existing methods of risk management, control, and process governance. In accordance with these responsibilities the law defines the following internal audit functions:

— the assessment of the adequacy and reliability of the internal control system of a bank and control functions of banking operations harmonization;

— ensuring that risks are adequately identified and controlled;

— determining the weaknesses in the operation of a bank and its employees, as well as the cases of default and excess of power, and preparing proposals to eliminate those weaknesses, and recommendations on their prevention;

— meetings with the board of directors, and committee on banking supervision;

— regular preparation of reports on internal audit activities and delivering them to the board of directors and committee on banking supervision.

The internal audit must be organized for these tasks as an independent organizational unit in a bank.

Specific objectives of the research result from the application of specific statistical methodologies, which are:

— The formation of a statistical database that would allow obtaining scientific information presented on the basis of different quantitative and qualitative methods. The database in the paper includes information of the cross-sectional study and if the research continued it would enable creating a database of time series. Their updating should be performed annually.

— Classification of banks by their size and testing whether there is a statistically significant difference in assessing the importance of internal auditing tasks for large, medium and small banks.

— Determining the degree of quantitative agreement between bank size and manners of organizing internal audit in each bank separately.

— Defining and measuring the statistical significance of interactive relationship between bank size and tasks.

— Determining the statistical validity of the survey.

2. RESEARCH HYPOTHESES.

The null hypotheses of the research are:

— There is no significant difference between bank size and organization of internal audit in it.

— There is no significant difference between bank size and assessment of the importance of internal audit's tasks in banks.

— There is no statistically significant difference between the arithmetic means of features (tasks) and responses to all the questions between large, medium, and small banks in the population, e.g. the population is homogeneous regarding the observed features.

3. METHODS AND TECHNIQUES OF THE RESEARCH.

3.1. The type of the study.

The research was conducted in the first quarter of 2011 in Serbia with the use of cross-sectional study – the survey. The survey included 28 banks in the Republic of Serbia.

The empirical research included the following 3 areas:

1) Methods and techniques of the research;
2) Basic data on banks;
3) The organization and tasks of internal audit in the banks.

As for the methods and research techniques in the paper, the empirical research involves all activities from the beginning of data collecting, through questionnaires, to the application of research results in social practice. The performing of the research included:

— Pre-research, with project reconstruction if necessary, since the collection of data on the research project and coworkers on the one hand and on the very appearance and subject of the research on the other, begins with it;

— The collection, sorting, grouping, and processing of data for empirical research (statistical description method);

— Data analysis (statistical analysis);

— Conclusion and views on research findings based on quantitatively derived conclusions;

— Recommendations on the use of research results in practice (Milosavljevic, Radosavljevic, 2003: 462).

We have used general scientific methods in the paper (statistical, modeling, and analytical and deductive method), specific research methods, processes of reasoning, and research methods, e.g. data collection techniques that are available to the researcher during the research (analytical and synthetic method, systemic view, abstraction-concretization, generalization-specification, classification, and induction-deduction). Specific data collection techniques or methods used in the paper are: scientific observation, scientific experiments, researching the cause, content analysis, historical comparative method, classification and measurement of the case study, survey, and interview. The most common techniques and methods of the analysis in the paper are survey, statistical method, and content analysis.

3.2. Variables.

Variables in the survey are large, medium, and small banks, the tasks of internal audit in banks which are classified into 6 groups, and ratings of the responses of 28 banks surveyed regarding the internal audit's tasks.

3.3. Subsets and the sample.

The survey was conducted in 28 elementary units of which 8 are large banks, 10 medium banks, and 10 small banks. The survey included all large and medium banks in the Republic of Serbia, which means that those are two subsets, strata. The conclusion for small banks is that the research was conducted on a simple random sample of 10 elementary units. The survey was completed by employees of banks in the internal audit department.

3.4. Description of the measuring instrument.

The questionnaire consists of two main parts. At the beginning of the survey, banks provide the basic data, and these data are grouped into 6 questions. The second part of the questionnaire includes 7 questions relating to the manner of audit organization. The scales are, depending on the questions and choices, different and range from 1 to 3 (the size of banks, organization of banks, and membership in the external or internal body of a company), and from 1 to 5 (the subordination of internal auditor, evaluation of tasks).

3.5. The statistical methodology.

All the collected data on the banks surveyed were saved in Microsoft Excel 2007 database. The analysis of statistical data was performed using the method of:

— Statistical description: the data were collected, grouped, and displayed using a histogram of circuit; relative frequencies, arithmetic mean, standard deviation of each response for all large, medium, and small banks were determined;

— Statistical analysis: the hypotheses of distribution normality were tested; hypotheses on the statistical significance of differences between arithmetic means were tested; simple linear correlation coefficients were determined and hypotheses on their statistical significance were tested.

Statistical analysis was performed by computer aided statistical program SPSS, version 15.0 (10). In the analysis, the following statistical tests were used: Shapiro-Wilk's test and t-test, which is determined by the rules and terms of statistical methodology. For determining the statistical significance, the level of confidence was $\alpha = 0,05$ and $\alpha = 0,01$.

4. RESEARCH RESULTS.

4.1. Basic data on banks.

The data were grouped into the following 6 questions: name, location, and the country of origin; domestic or foreign bank; bank's organizational form (head office, subsidiary, representative office of the foreign bank), subsidiary/representative office, district; banking group or holding; total employees number, total income in 2010, total assets in 2010, total capital and capital stock of the bank in 2010.

The banks that did not want to fill out questionnaires explained that reasons for this were the lack of time and secrecy. Of the total number of banks, 61% are the banks with foreign capital, while 39% are domestic banks.

It is important to note that when it comes to foreign banks these are mostly domestic banks with foreign capital. Foreign capital of domestic banks in most cases comes from the following countries: France, Greece, Germany, Austria, Belgium, Slovenia, and others.

The number of head offices − 54% of the surveyed, the number of subsidiaries − 39%, and the number of branches − 7% of the banks.

From the total of 28 banks surveyed, 8 largest banks by the number of employees are: Intesa, Komercijalna bank, Vojvopanska bank, Raiffeisen bank, Postanska stedionica, and Eurobank IFG.

Medium banks according by number of employees are: Credit Agricole, Unicredit Bank, Agrobanka, Hypo Alpe Adria Bank, Razvojna banka Vojvodine, NLB bank, KBC bank, Piraeus bank, and AIK bank.

Small banks according to the number of employees in the RS are: Univerzal banka, Volksbank, Cacanska banka, Credy banka, Srpska banka, Opportunity bank, Dunav banka, Jugobanka-jugbanka, and the Bank of Moscow.

Based on the collected data it is noticed that the bank Intesa takes the first place by the total assets and total income, followed by: Eurobank, Unikredit, Raiffeisen Bank, Komercijalna banka, Hipo Alpe Adria, Alfa bank, AIK bank. The arithmetic mean of the total assets of the top 5 banks is 228.339.298 thousand dinars. The arithmetic mean of the total income of the top 5 banks is 32.939.815 thousand dinars. The data on the banks mentioned are given in Table 1.

Table 1. **The total income and total assets of the 5 largest banks in Serbia, ths dinars**

Bank name	Total income	Total assets
Banka Intesa	97.505.730	359.123.000
Eurobank IFG	59.382.418	180.889.979
Unikredit banka	42.700.000	166.982.191
Raiffeisen banka	36.397.803	178.833.012
Komercijalna banka	32.929.815	255.868.309
AVERAGE VALUE	53.783.153	228.339.298

5 largest banks according to the total capital are: Intesa, Raiffeisen, AIK, Eurobank IFG, and Komercijalna banka. According to the capital stock the largest

banks are: Eurobank IFG, Intesa, Komercijalna banka, Raiffeisen, and AIK bank. The arithmetic mean of the total capital of the top 5 banks is 46.722.200 thousand dinars, while the capital stock amounts to 28.249.600 thousand dinars, as shown in Table 2.

Table 2. **Total capital and capital stock of the 5 largest banks in Serbia, ths dinars**

Bank name	Total capital	Capital stock
Banka Intesa	57.289.000	28.446.000
Raiffeisen banka	50.031.000	27.466.000
AIK banka	44.168.000	25.391.000
Eurobank IFG	41.069.000	31.482.000
Komercijalna banka	41.054.000	28.463.000
AVERAGE VALUE	46.722.200	28.249.600

4.2. The organization and tasks of the internal audit of RS banks.

4.2.1. The organization of internal audit. This part of the questionnaire includes 7 questions of which the first 4 are related to the organization, and the other 3 to the tasks of internal audit in the bank and they are of closed type.

The answer to the question of under which function the bank's internal audit is organized, was the same in almost 100% of the banks surveyed: the internal audit is organized as an independent organizational unit, which is in accordance with the legislation.

Whether the internal audit is organized as a sector, service, or department of the bank is shown in Figure 1.
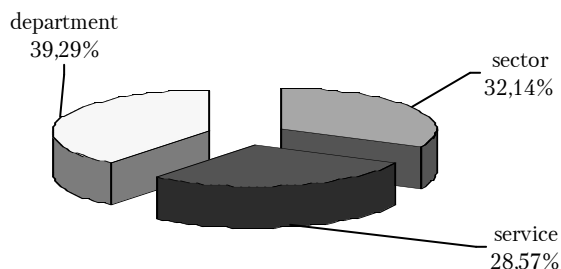

Figure 1. **The organizing units of internal audit in Serbian banks**

Figure 1 shows that the number of banks that have sector, service, or department of internal audit is almost uniform, which is consistent with the division of banks into large, medium, and small.

To the question of whether internal auditor is a member of the board of directors, member of external audit, or an independent person, almost 100% of the respondents said that the internal auditor is an independent person, which is also regulated by the law.

The question of whether the internal audit is subordinate to the bank management (a), board of directors (b), supervisory committee (c), audit committee (d), or shareholders assembly (e), the banks responded as follows:

50% of the banks believe that internal audit should be subordinated to the board of directors, which is in accordance with the law. 25% of the respondents said that internal audit is subordinate to management, and 11% − to the audit committee (Figure 2).
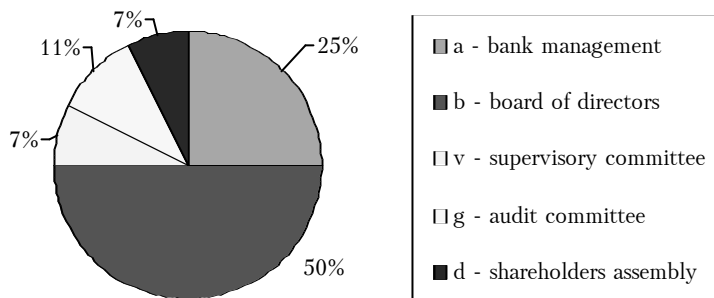
7%
11%
7%
25%
50%

- a - bank management
- b - board of directors
- v - supervisory committee
- g - audit committee
- d - shareholders assembly

Figure 2. **Hierarchical subordination of internal audit**

4.2.2. Testing the quantitative agreement between the variables. Quantitative agreement between the variables is measured by the correlation coefficient, which is a positive square root of determination coefficient (Jovetic, 2007: 471).

The correlation coefficient indicates the degree of quantitative agreement between the variables X and Y.

The correlation coefficient of the population is:

$$\rho = \frac{\mu_{11}}{\sigma_x \sigma_y}, \tag{1}$$

where μ_{11} is the covariance of the X and Y series, σ_x is the standard deviation of the X series, and σ_y the standard deviation of the Y series.

The correlation coefficient of the sample is:

$$R = \frac{\mu_{11}}{s_x s_y}, \tag{2}$$

where the numerator, the covariance, can also be marked as *cov(XY)*, and it demonstrates the correlation between variables X and Y. If the covariance equals 0, there is no correlation between the phenomena.

The correlation coefficient shows, in addition to the strength, the direction of dependence between the phenomena, because it takes values from the interval *[-1;1]*, so that it is $-1 \leq R \leq 1$. If the correlation coefficient equals -1, then the conclusion is that there is perfect inverse quantitative agreement between the phenomena. If the correlation coefficient is close to 1 it can be concluded that there is a high degree of positive correlation between the variables.

The simple linear correlation coefficients between small, medium, and large banks (Y) are calculated in the paper, as well as: the form of organization of the internal audit in a bank — sector, service, department (X_1); the internal auditor is a member of: the board of directors, external audit, an independent person (X_2); and the internal auditor is subordinate to: the board of directors, supervisory committee, audit committee, or the shareholders assembly (X_3).

The variable Y — the following scale values indicate the size of the bank: 1 — large banks, 2 — medium banks, and 3 — small banks;

The variable X_1 — the following scale values indicate the organizational form of the internal audit: 1 — sector, 2 — service, and 3 — department of the internal audit;

The variable X_2 — the following scale values indicate the internal auditor is a member of: 1 — the board of directors, 2 — external audit, and 3 — an independent person;

The variable X_3 — the following scale values indicate the internal audit is subordinate to: 1 — bank management, 2 — board of directors, 3 — supervisory board, 4 — audit committee, and 5 — shareholders assembly of the bank. Table 3 shows the simple linear correlation coefficients.

Table 3. **Simple linear correlation coefficients, Student's t statistics, and p significance**

ORGANIZING INTERNAL AUDIT				TASKS			
I	II	III	IV	V	VI	VII	VII
coeff.	value	t	Signific. p	coeff.	value	t	Signific. p
R_{x1y}	0,1517	0,7827	0,4409	R_{xay}	-0,05	-0,2519	0,8031
R_{x2y}	0,1035	0,5306	0,6002	$R_{xb,y}$	-0,18	-0,9443	0,3537
R_{x3y}	0,2722	1,4423	0,1612	$R_{xv,y}$	0,03	0,1491	0,8526
				R_{xgy}	-0,15	0,7699	0,4483
				$R_{xd,y}$	0,18	0,9578	0,3470
				$R_{xe,y}$	-0,22	-1,1319	0,268

If the correlation coefficient is over 0,75 it indicates a strong connection between the variables, if it is between 0,5 and 0,75 it indicates poor connection, and if it is below 0,5 it does not show the connection between the variables. Since all 3 of the correlation coefficients are below 0,5, it indicates that there is no quantitative agreement between: the bank size and manner of the organization of internal audit; bank size and internal auditor's status; bank size and the subordination of internal auditor to the bank body. However, this conclusion can be unreliable, because the statistical significance of the impact depends on the standard error of the correlation coefficient as well. For this reason the hypotheses on statistical significance of the connection, the correlation coefficient of the population, were tested (Jovetic, 2007: 474).

The analysis of the statistical significance of the linear dependence or independence of variables, evaluated using R — the correlation coefficient of the sample, is governed by the procedure of defining and testing the null and alternative hypothesis.

The null hypothesis H_0:ρ=0 means: the simple linear correlation coefficient of the population, ρ, statistically, does not significantly differ from 0, i.e. there is no linear correlation between the observed variables.

Alternative hypothesis H_1;$\rho \neq 0$ means: the simple linear correlation coefficient of the population, ρ, statistically, significantly differs from 0, i.e. there is a statistically significant linear correlation between the observed variables.

The testing for small samples, $n < 30$ (the number of banks is 28, i.e. it is less than 30), is carried out using the Student's t-test statistics:

$$t = \frac{R}{\sqrt{1-R^2}}\sqrt{n-2}. \tag{3}$$

Concluding procedure is a standard procedure for the two-tailed t-test.

The third and fourth column in Table 3 show the test statistics and the corresponding probabilities for all 3 correlation coefficients.

Since $|t| < t_{v,a/2}$ and $p > 0,05$, the null hypothesis for all 3 responses is accepted, which means:

— the organization of internal audit does not depend on bank size;
— the status of internal auditor does not depend on bank size;

— the subordination of internal audit does not depend on bank size.

The second and third conclusions are logical, as banks comply with legislation. Even though a large percentage of banks (36%) responded that their internal auditor is subordinate to management and audit committee, which is illegal. The conclusion concerning the organization form of the bank is surprising as well. It would be logical that large banks had, as a form of internal audit's organization — sector, medium banks — service, and small banks — department of the internal audit, which is not the case in Serbia.

4.2.3. Internal audit tasks. The questions 5, 6, and 7 in the questionnaire were related to the tasks of internal audit.

The internal audit tasks listed in the questionnaire are:

a) The assessment of the compliance of the operation with the law, policies, business practice, and management procedures;

b) The assessment of the effectiveness of accounting system and internal control system;

c) Detecting and preventing errors and illegal acts;

d) Timely preparation of quality financial statements;

e) The contribution to corporate governance;

f) Adding value to share owners.

The value scale of 1—5 indicates:

1 — I completely disagree

2 — I do not agree

3 — I cannot decide

4 — I agree,

5 — I completely agree.

The banks responded in % as follows:

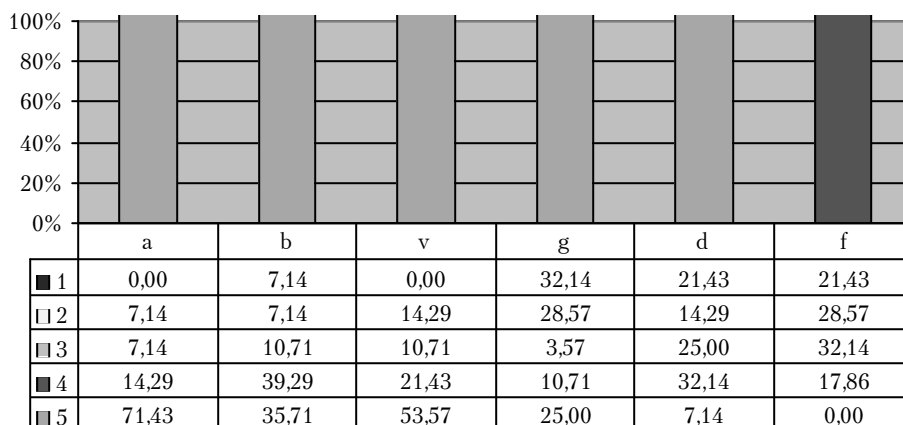|	a	b	v	g	d	f
■ 1	0,00	7,14	0,00	32,14	21,43	21,43
▢ 2	7,14	7,14	14,29	28,57	14,29	28,57
▣ 3	7,14	10,71	10,71	3,57	25,00	32,14
▪ 4	14,29	39,29	21,43	10,71	32,14	17,86
▫ 5	71,43	35,71	53,57	25,00	7,14	0,00

Figure 3. **Banks' internal audit tasks, %**

A large number of banks (71.43% of the respondents) absolutely agrees that the primary task of internal audit is (a) the assessment of compliance of the operation with laws, policies, business practices, and management activities. More than half of the banks surveyed (53.57%) completely agree that the internal audit contributes to

preventing and detecting errors and illegal acts. Many banks agree (39.29%) that the secondary task is (b) the assessment of the effectiveness of accounting system and internal control system. It is surprising that large number of banks completely agrees that the internal audit's task is:

— d — timely preparation of quality financial statements (32.14%), and
— f — adding value to share owners (32.14%).

Although the main task of bank's management is timely preparation of financial statements, internal audit affects the quality of financial statements preparation, in an indirect way, by improving the internal control system. If internal audit is defined and implemented in a manner to complete the tasks from the scope of work, it indirectly contributes to adding value to the shares of bank's owner. More than a third of the banks surveyed (32.14%) agrees that internal audit contributes to corporate governance.

4.2.4. Testing the hypotheses on the equality of arithmetic means. Since the respondents were tasked to assess 6 major tasks of internal audit on the scale from 1 to 5, these were the responses of large, medium, and small banks assessed with the scores from 1 to 5. The application of statistical methodology was carried out in several steps:

— the first step — the statistics of all 28 banks were calculated;
— the second step — the hypotheses on the equality of empirical and normal distribution were tested, and
— the third step, the hypotheses on the equality of arithmetic means of the responses, concerning the internal audit's tasks of small and large banks, and small and medium banks, were tested.

Since the sample is less than 50 elementary units, the testing of the hypotheses on the equality of empirical and normal distribution was carried out using the Shapiro-Wilk test (Table 4).

Table 4. **Tests of Normality**

Shapiro-WIlk			
Tasks			
I	II	III	IV
Questions	Statistics	df	Sig.
1.	,605	28	,000
2.	,809	28	,000
3.	,745	28	,000
4.	,801	28	,000
5.	,886	28	,006
6.	,880	28	,004

a) Lilliefors Significance Correction (10)

The null hypothesis is: the distribution can be approximated as normal.

The alternative hypothesis is: the distribution cannot be approximated as normal.

Since the sig. (column IV) for all questions equals zero, the alternative hypothesis is accepted which means that the empirical distribution cannot be approximated as normal, or the characteristic, task assessments, do not follow the normal distribution. However, since $n \approx 30$ for each research applies the same, that if the sample size/population is over 30, according to the central limit theorem, the observed characteristic/feature follows a normal distribution and all the conclusions that are drawn on the population concerning this characteristic are valid (Jovetic, 2007: 240).

The variance of population σ^2 is unknown, the sample is small banks. The sample size is $n_m = 10$, thus the testing of the hypothesis is performed using the Student's standardized random variable (Jovetic, 2007: 264).

The first hypothesis tested is:

Is there a difference in the average score between the average score of compliance of the operation with the law, policies, business practices, and management procedures between the small bank and average score of hypothetical value $i0$ (the average score of large banks to this question is 4,5)?

The statistics of the sample and answers to the first question are:

— the number of elementary units in the sample $n_I = 10$,
— the average score in the sample $x_I = 4,4$,
— standard deviation in the sample $s_I = 0,9829$.

The null hypothesis: the arithmetic mean of the population sample from which the sample is selected and arithmetic mean of hypothetical value are equal, i.e. $H_0: = 0$.

Alternative hypothesis: the arithmetic mean of the population from which the sample is selected and arithmetic mean of hypothetical value are different, i.e. $H_1; \rho \neq 0$

This is a two-tailed test. Test statistics is the standardized Student's random variable:

$$|t| = \left|\frac{\overline{x} - \mu_0}{s_{\overline{x}}}\right| = \left|\frac{\overline{x} - \mu_0}{s / \sqrt{n}}\right|. \tag{4}$$

Since $|t < t_{v,a/2}|$ and $p > 0,05$, at the risk of error $\alpha = 0,05$ and $\alpha = 0,01$ the null hypothesis is accepted which means there is no difference in the average score, concerning the first question, between the population from which the sample was selected and hypothetical value (the average score of large banks to the first question), or the population is homogeneous concerning the responses to the first questions.

In the same way, the hypotheses were tested for each response and all the values are shown in Table 5.

Since $|t < t_{v,a/2}|$ and $p > 0,05$, (see Table 5, columns II and IV), with the risk of error $\alpha = 0,05$ and $\alpha = 0,01$, in all the cases the null hypothesis is accepted, which means that there is no difference in the average score of responses between the population from which the sample was chosen and hypothetical value, the average score of responses of large banks on the internal audit' tasks (Table 5, column V). In case of testing the differences between the arithmetic means of samples and hypothetical value, the average score of medium banks' responses concerning the internal audit's tasks (Table 5, column V), since $|t| < t_{v,a/2}$ and $p > 0,05$ (Table 5, columns II and IV) in all the cases, with the risk of error $\alpha = 0,05$ and $\alpha = 0,01$, the null hypothesis is accepted which means there is no difference in the average score between the population from which the sample was selected and hypothetical value, the average score of medium banks' responses on internal audit's tasks, or the population is homogeneous concerning the responses on internal audit's tasks. Also, the same conclusion can be drawn based on the analysis of the correlation coefficient (Table 3, columns V, VI, VII, and VIII). Since the correlation coefficients between bank size and score of responses concerning the internal audit's tasks are not statistically significant ($p > \alpha$), the null

hypothesis is accepted, which means that the score of responses regarding the tasks of internal audit does not depend on bank size, so the conclusions obtained by analyzing the relative frequency of all the banks also apply to small, medium and large banks.

Table 5. **T-test statistics for each response regarding the tasks and risks**

Small sample and hypothetical value (mean of the subset I - large banks)				
Tasks				
I	II	III	IV	V
Question	T test statistics	The number of degrees of freedom (df)	Sig (2-tailed) p	The mean of the score of large banks M_0
I	-0,327	9	0,751	4,5
II	-1, 018	9	0,335	4,13
III	0,264	9	0,798	4,00
IV	-1,077	9	0,309	2,88
V	1,289	9	0,230	2,63
VI	-1,523	9	0,162	2,63
Small sample and hypothetical value (mean of the subset II - medium banks)				
Tasks				
I	II	III	IV	V
Question	T test statistics	The number of degrees of freedom (df)	Sig (2-tailed) p	The mean of the score of medium banks M_0
I	-0,655	9	0,529	4,6
II	-0,468	9	0,462	4
III	-0,528	9	0,610	4,3
IV	-1,114	9	0,294	2,9
V	0,905	9	0,389	2,8
VI	-1,724	9	0,119	2,7

Conclusion.

The development of internal audit as an instrument of decision-making is the result of complex and turbulent business conditions of today. Under of rapid development of techniques and technology, increasing competition, globalization, diversification and decentralization of banks, the manners of decision-making are changing significantly. This leads to a particularly emphasized role and importance of planning, organization, and control at all hierarchical levels.

The task of internal audit becomes the research of plans, programs, policies, and procedures in order to be able to objectively evaluate them at all levels. Also, the task of internal audit is to monitor critically the achievement of an overall plan and individual plans, inform the management of deviations from the standards and planned objectives, make recommendations and advise on possible remedial actions that could remove the observed deviations.

Based on the survey and diversity of the responses, we can conclude that the internal audit in RS banks still has an unclear context. World experiences are not better and show that about 73% of internal audit services exist for less than 20 years, so this may explain why a large number of banks did not have enough time to adapt to the tasks of internal audit and to completely understand them.

The survey conducted on 28 banks in Serbia showed the following:

— Foreign banks are dominant in the Republic of Serbia (61%);

— Head offices were surveyed the most (54%), afterward subsidiaries (39%), and branches (7%);

— Banca Intesa is the largest bank in the Republic of Serbia according to the largest number of criteria;

— Internal audit in banks is evenly organized as a sector (54%), service (39%), or department (7%). Based on the calculated correlation coefficients we can conclude that there is no quantitative agreement between bank size and manners of organizing internal audit and bank size and internal auditor's status.

— 50% of banks in the Republic of Serbia consider that internal audit is subordinate to the board of directors;

— The primary task of banks observed is the assessment of compliance of the operation with the law, policies, business practices, and management procedures;

— There is no difference in the average score of responses concerning the tasks of internal audit between the population from which the sample was chosen and hypothetical value, i.e. the population is homogeneous concerning all the questions on the tasks of internal audit.

— The correlation coefficients between bank size and score of responses regarding the tasks of internal audit are not statistically significant, which justifies the acceptance of the null hypothesis: the score of responses concerning the tasks of internal audit does not depend on bank size. Not one response was correlated with bank size.

It is interesting to note that the internal audit is going to include new and more diverse domains such as: quality audit, environmental audit, entrepreneurial audit, management audit, strategy audit, and the like. One thing is certain: the internal audit has become an internal consultant with protective character instead of repressive one. Furthermore, the internal audit is a universal activity that can be applied to all banks and in all segments of a bank. Thus, the internal audit is a function that controls all other functions.

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