

## The Influence of The Banking System as A Security Factor of Financial Management and Control in the Republic of Serbia with the Application of an Innovative IT System

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### ABSTRACT

The aim of the paper was to present the functioning of the banking system in a realistic and innovative way through three forms of introducing control with the aim of reducing business risks at all observed levels of business, with the application and presentation of the impact of IT systems on business. This was achieved by collecting a sufficient level of theoretical data in previous literature and comparing them with practical results regarding the relationship between the banking system and the application of IT systems that simulate all this. We conclude that observing the banking system is a very important and delicate task in the functioning of numerous legal entities in an economy, and it can be improved by applying IT systems that will support the functioning of the banking system. The umbrella framework of the banking system is the established central bank in an economy, which in real conditions in the functioning of the economy in the Republic of Serbia is the National Bank of the Republic of Serbia, which introduces controlling systems using an innovative IT system.

## 1. INTRODUCTION

The banking system as part of the overall system of business decision-making in the economy of a country should be viewed as part of the overall system of making management decisions by top management, namely: state bodies, business entities, as well as citizens who are governed by their interests related to monetary transactions, and all of this is connected to the processes of continuous introduction of innovative IT systems that enable proper recording of monetary transactions [1-5].

The banking system is largely dependent on technological changes (especially IT systems), and innovative IT systems in business activities can change numerous directions of action in the economy, especially within the framework of optimizing the use of funds [6-10]. Changes in software solutions and other practical innovative approaches in business activities occur very quickly and such changes are almost immediately visible in businesses that are essentially related to monetary

transactions in the economy, enterprises, and citizens [11-13].

In addition, the new software that is being introduced requires a strong influence of top management on making valid management decisions because they all affect the optimization of the disposal of funds both in the economy and in the citizens [14,16]. All this leads to the observation of a wide range of impacts of IT systems on the economy, banks, and citizens, with the note that all this is observed through the movement of monetary funds, the movement of which should be safe, optimal, or close to it, which largely depends on the safe functioning of IT [17-19].

## 2. MATERIALS AND METHODS

In the paper, the authors used and collected publicly available research with the aim of using it to form a theoretical model of behavior as possible business models for the banking system, a larger number of companies in real business and citizens,

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provided that the same entities are observed through the application of the use of usable IT systems as the basis for improving business and control that will be usable for the purpose of optimizing business decision-making.

The connection between real business with monetary systems and banking transactions in the economy and the use of innovative IT systems in this paper is shown in the research results as a possible realistic model of behavior of heterogeneous entities that essentially apply IT systems in banking transactions.

Digital transformation, the application of new software solutions in banking and finance that use IT, is observed in this paper in three ways:

1. The importance of the professional workforce engaged,
2. Regulatory regulation and
3. The specification of controls.

In order to achieve real economic growth both for the economy within the framework of financial capabilities and for individual companies in relation to the available human resources that are allocated to tasks such as internal audit, it is necessary to create both material and organizational conditions for their work in relation to the postulates of forming internal audit, namely:

- In relation to business efficiency,
- In relation to the expected effectiveness,
- In relation to available funds,
- In relation to annual and medium-term planning of internal audit,
- In relation to the duration of tasks that are allocated in the focus of top management and available personnel working in internal audit and other control bodies,
- In relation to the submission of documents on the work of internal auditors, etc.

Normative regulation requires that the management of human resources in the work of the banking system, and especially the public sector of the Republic of Serbia regarding the work of internal audit is a very delicate and current issue that includes as realistic an approach as possible to get acquainted with all aspects of the real work of internal audit in companies of key importance.

Some of the key messages would be:

- The internal audit should be adapted to the circumstances within the subject of the audit and should be based on an audit risk assessment with the existing personnel structure,

- Providing an opinion on internal controls is not the only purpose of auditing in companies,
- Examination of the structure of corporate governance in the subject of audit and examination of the success of management in the medium term should become equally important for the adoption of views and opinions of the internal auditor,
- Audit findings should be presented in a timely manner in internal audit reports in order to ensure that appropriate measures can be taken in a timely manner by the company's top management.

The third part of the observation, or rather the specification of controls, examines the application of internal controls, internal audits, financial control and cash management in an economy.

### 3. RESULTS

The analysis of the situation that precedes the introduction of internal audit as an analyzed form of control in the economy and companies should include the following:

- During the formation of internal audit in companies, top management has expectations that all those responsible for the management of asset management in the companies are fully responsible for the management of these activities on the one hand, and on the other hand, to take care of available personnel.
- Internal audit is conducted in accordance with the law and relevant standards, and that the means necessary for conducting internal audit work should be used economically, effectively and properly in accordance with the internal audit plan.
- One of the goals of the state bodies of the Ministry of Finance is to establish rapid response and provide better services for all users, which requires the entire internal audit system to be focused on performance measurement where cooperation is possible between public and private sector organizations.
- Cooperation between the public and other sectors in the country will result in a comprehensive and possibly usable program for the use of internal audit in the country.
- The goal is for internal audit to enable better and safer safeguarding of public funds.

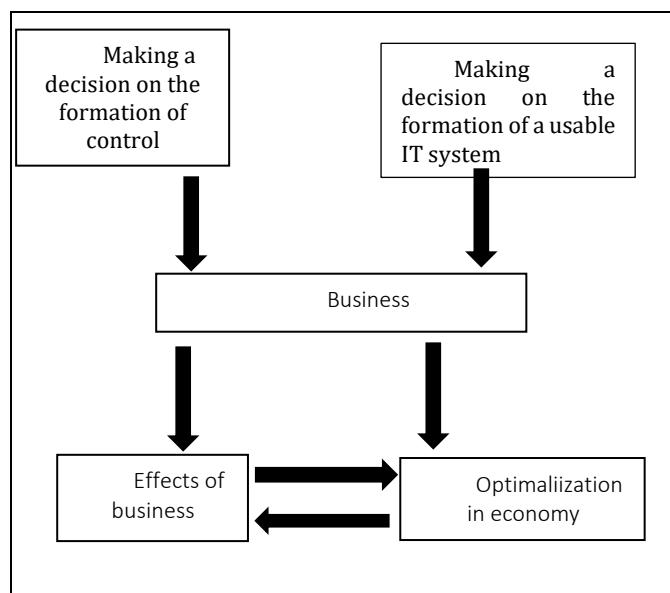
- The primary responsibility is to establish safe business between the public and other sectors of the economy, and to conduct business in accordance with the law and appropriate standards, and to manage public funds with absolute integrity, and to spend them for their purpose. In order to fulfill this responsibility, it is necessary for state bodies and all persons responsible for managing public affairs to establish and maintain an appropriate structure for managing their affairs and keeping funds available.

Internal audit in the public sector "adds value" not only through analysis and reporting on what happened, but also "looking ahead", ie identifying areas where improvements are possible and encouraging good practice. In this way, internal audit contributes to the promotion of improved management standards, better management in the

decision-making process, and better use of taxpayers' funds. Internal audit in the public sector is an important link in the chain of responsibility, because it strengthens responsibility, both in terms of elected or appointed persons, as well as in terms of users, taxpayers and citizens in a broader sense, which is achieved through independence of the auditor from the subject of the audit;

- a wide range of audit work in the public sector,
- the ability of auditors to make the results of audits and reviews available to the public and democratically elected representatives who are responsible for financing the relevant activities.

The authors point out that this way of doing business can improve the business of many companies in the short term. The authors presented the possible impact on business in Figure 1.



**Figure 1.** Presentation of the possible application of IT systems in the economy, businesses and citizens in relation to the real money supply of small states.

#### 4. DISCUSSION

In this paper, the authors tried to show a possible model of the use of controls that is especially used by the application of internal audit in the economy of small economies, but also with the application of a usable IT system where they need to understand that there is a wider public interest in the audit of public funds. This stems primarily from the fact that taxpayers are obliged to pay taxes, and therefore have a special interest in ensuring that public funds are managed in an appropriate manner, because unlike shareholders in a company who have the ability to decide for themselves whether to buy or sell their shares.

In addition, public sector bodies, as corporate entities, are usually not engaged in the production of goods, that is, they do not provide services whose primary purpose is resale on the open market, and therefore their primary goal is not to make a profit. These bodies therefore exist to provide cost-effective public services, where overall staffing and management are of great importance.

Therefore, citizens rightly expect that state bodies and public funds use only justified and intended, and that there are high standards of integrity and that these funds are used in the most efficient way, which is accepted through the legal responsibility of public sector auditors. Therefore, it is necessary to plan the audit in the public sector

in relation to a broader perspective, that is, it must be taken into account that public funds must be managed in an appropriate manner and in accordance with the concepts of "value for money".

In summary, auditors should accept the fact that the requirements relating to the audit of assets are much broader and include: analysis of the effectiveness of the internal control system; the audit also deals with aspects of correctness, as well as the structure that ensures economy and effectiveness in the use of public funds; considering the legality/correctness of transactions; analytical approach to work, where the starting point should be an overview of the characteristics of the subject of audit, the responsibilities and problems faced, and the management and organization of the subject of audit; an active approach, through which audit work, where possible, is characterized by a constructive attitude that ensures change, which is reflected in maintaining a constructive and adequate relationship with employees, as well as in the time and approach applied in reporting on the findings of the internal audit.

## 5. Conclusion

The importance of implementing controls using innovative IT within the framework of monitoring the money supply used in the operation of the economy is observed in three ways. The first observation is within the framework of the banking system that operates within an economy. The second observation system is within the framework of the functioning of state bodies and the economy. The third system is the observation of the functioning of the money supply within the life and work of citizens. These are general principles that every economy must respect in the functioning of the process of optimizing the management of money resources of an economy. The continuous and significant impact on the business of enterprises through the implementation of the connection between the money supply, i.e. the banking system of an economy, and innovative IT systems should also be observed within the framework of realistically established controls at all levels of management. The given presentation of a possible model (Figure 1) refers to the possible application in several economies that have accepted the above, as it will lead to optimization in the operations of economies such as the Republic of Serbia, but also more broadly.

## Conflict of interest

The authors declare no conflicts of interest. Furthermore, no financial assistance was received.

## Ethics Committee

This study was conducted in accordance with the Declaration of Helsinki.

## Author Contributions

Study Design, SP, DS and MD; Data Collection, SP; Data Interpretation, DS, and MD; Manuscript Preparation, SP; Literature Search, DS and MD. Author has read and agreed to the published version of the manuscript.

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