

Corporate culture of the audit company

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Abstract: *Audit firms are among the companies that have set rules for the performance of their activities. In addition to the many legislative standards that are required to be accepted, each company has its own internal rules, how to conduct an audit, how to communicate within the company, how to behave within the company within the scope of work duties. These rules are called a common name - corporate culture. The result of their acceptance in the company's environment is not only the regulation of the working environment, but also their presentation towards the external environment and the building of a long-term brand of each company.*

Keywords: *audit firm, corporate culture,*

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1 Introduction

Audit firms are, in accordance with the Act on Statutory Audit (Act No. 423/2015 on Statutory Audit and on Amendments to Act No. 431/2002 Coll., On Accounting, as amended, as amended, hereinafter "Act on Statutory Audit "). In the Statutory Act, the term "audit company" is used, auditing standards use the term "firm". For this reason, we will be inclined to unify the concepts and only the term company will be used in the article. Legal entities that are registered in the list of audit companies maintained by the Office for the Supervision of Audit Performance (Domaracká Kňazková, 2020). An audit firm from another Member State is a legal entity or another person who is licensed and registered in another Member State, and its legal form is not decisive. In the case of a third-country audit firm, it is a legal person or another person who is licensed and registered in a list of audit firms in a State other than a Member State, the legal form of which is not decisive. In each of these types of companies, there are rules on how not only the main activity, in this case the performance of the audit, but also all other activities related to the life of the company are carried out. The way in which individual activities are performed, the sequence of rules that people in a company should follow, is referred to as corporate culture. The rules for performing individual activities can be both formal and informal. In this paper, we will focus primarily on the corporate culture of companies that are not single person. In the case of small, resp. The rules of one-person audit firms are not so detailed, and the code of conduct does not have to be written, but there must be room for developing a culture where integrity and ethical behaviour through communication and exemplary management behaviour is preferred (ISQC 1, A27).

2 Methodology and Data

The subject of the paper is an analysis of the use of corporate culture in audit firms that perform their activities in the Slovak Republic. We obtained the database of audit firms from the website of the Office for the Supervision of Audit Performance. The list of these companies is also listed on the website of the Slovak Chamber of Auditors.

3 Requirements for corporate culture in an audit firm

ISQC 1 The International Standard on Quality Control for Firms Carrying Out Audits and Verifications of Financial Statements and Contracts for Other Assurance Services ("ISQC 1") regulates the rules for audit firms so that audits can be performed to verify and verify: that the audit firm has audited its financial statements in accordance with International Standards on Auditing (ISAs) and ISQC 1.

For an audit firm to perform a quality control, it must have rules, procedures, and a system in place that all employees are familiar with. Each company will thus develop procedures that regulate the following situations (ISQC1, paragraph 16):

- a) management's responsibility for quality in the company,
- b) relevant ethical requirements,
- c) acceptance and continuation of relations with the client and specific orders,
- d) human resources,
- e) performance of the contract,
- f) monitoring.

The introduction of an internal corporate culture presupposes that the company, including management, emphasizes corporate rules and procedures so that the work is performed in accordance with the requirements of individual ISA standards of applicable legislation and that audit reports are issued appropriate to the circumstances (Mokošová, 2016), (Kareš, 2016), (Tumpach, M., Máziková, K., Kuceková, M. 2015).

Ways of implementing a corporate culture in an audit firm can take a variety of forms, whether as training seminars, meetings, formal or informal interviews, visions, newsletters, or information records (Pham, AV., Pham, MH, Truong, C. 2021). . Rules and procedures can be part of internal company documentation and training materials, as well as part of procedures for evaluating partners and employees so as to strengthen the company's opinion on the importance of quality and how to achieve it in practice (Pollak, Dorčák, Markovič, 2020).

The impact on the establishment and subsequent compliance with corporate culture rules is also supported by the International Standard on Auditing ISA 240, The Auditor's Responsibility for Fraud in the Audit of Financial Statements. For the purposes of this standard, the primary responsibility for preventing and detecting fraud is those of the entity and the management. Therefore, it is important that management places great emphasis on fraud prevention, which can reduce opportunities for fraud, and deterrence, which can persuade individuals not to commit fraud due to the likelihood of detection and punishment. This requires the creation of a culture of honesty and ethical conduct, which can also be supported by the active oversight of those charged with governance (ISA 240.1).

4 Corporate culture in an audit firm

In 2021, there were 233 audit companies operating in the Slovak Republic (www.udva.sk, 13.7.2021). The oldest companies have been operating on the audit market since 1993, the youngest were included in the list of audit companies in 2021. 20 audit companies operate in the network. A network is a grouping of cooperative firms that includes a statutory auditor or an audit firm that is clearly focused on sharing profits or costs or has joint ownership, control or management, common quality control policies and procedures, a common business strategy, uses a common trademark or a significant part of professional resources (Statutory Audit Act, §2 para. 12). In two cases, there are 2 audit firms operating in the territory, which are in one network - BDR, SPOL. s. r. o., BDR Consult spol. Ltd. and AUDITORSKÁ A ÚČTOVNÁ SPOLOČNOSŤ, s.r.o., A-Consultatio spol. Ltd.

Table 1 List of audit firms

License number	The name of the audit firm	Networking
6	BDR, spol. s r.o.	Moore Stephens International Limited
14	Deloitte Audit s r.o.	Deloitte Touche Tohmatsu Limited (DTTL)
23	BDR Consult spol. s r.o.	Moore Stephens International Limited
28	Grant Thornton Audit, s.r.o.	Grant Thornton International
40	PKF Slovensko s.r.o.	PKF International Limited
93	ALFA AUDIT, s.r.o.	ALFA AUDIT, s.r.o.
96	KPMG Slovensko spol. s r.o.	KPMG
147	Rodl & Partner Audit, s.r.o.	roedl
161	PricewaterhouseCoopers Slovensko, s.r.o.	PricewaterhouseCoopers International Ltd.
236	Mazars Slovensko, s.r.o.	Mazars
245	BMB Partners s.r.o.	LeitnerLeitner
246	AUDÍTORSKÁ A ÚČTOVNÁ SPOLOČNOSŤ, s.r.o.	Consultatio
247	A-Consultatio spol. s r.o.	Consultatio
257	Ernst & Young Slovakia, spol. s r.o.	Ernst & Young Global
269	VGD SLOVAKIA s.r.o.	Nexia International
278	MANDAT AUDIT, s.r.o.	HLB INTERNATIONAL
304	TPA AUDIT, s.r.o.	Baker Tilly International
339	BDO Audit, spol s r.o.	BDO International
370	Crowe Adwartis Assurance s.r.o.	Crowe Horwath International
412	LeitnerLeitner Audit SK s.r.o.	LeitnerLeitner

Source: Processed based on data on www.udva.sk, 13.7.2021

Companies involved in the network are obliged to adhere to the corporate culture of the network. In the case of audit firms operating in several countries, the network generally respects the differences resulting from the operation of companies in individual countries (Meluchová, Mateášová, 2017). The differences are mainly due to non-uniform legislation (each country has its own legislative environment for the performance of audit activities).

Conclusions

Corporate culture in audit firms can take several forms. The most common form is the "general and soldiers" type. Another may be "just in time", which is based on employees who, if necessary, stay at work and complete it outside working hours. The third type is "overgrown organization", where usually the boundary in (<https://blog.pwc.cz/>, 13.7.2021) is not clearly defined.

Audit companies that work within the network have their corporate culture usually set according to the network, which has developed detailed rules of conduct in the company, not only in the direction from management to employees, but also vice versa. In addition to the written rules, informal rules are followed as to how employees communicate, how they perceive the company they work for.

Clearly defined rules set in the company ultimately have an impact on the performance of their activities and maintenance in the market (Kubaščíková, 2017), (Petera, Wagner, Pakšiová, 2020). In the case of audit firms, the setting of rules and procedures is more important because the auditor must necessarily perform several activities in the

performance of his / her activities, as he or she expresses an opinion on whether the financial statements give a true and fair view, regardless of whether it expresses an opinion on a subject of public interest or on another subject (Kňazková, V., Ondrušová, L., 2020).

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