

# Challenges and Opportunities in Internal Auditing in Public Institutions and Agricultural Companies: A Qualitative Approach through Focus-Group Method

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## *Abstract*

*This paper examines the challenges and opportunities associated with internal auditing in public institutions and agricultural businesses. The study uses focus group methodology, involving six participants from various agricultural entities, to gain a detailed understanding of their perceptions and experiences. The analysis focuses on the efficiency and effectiveness of internal audit procedures, identifying both the strengths and weaknesses of these processes, as well as specific challenges and opportunities for improvement. It also discusses the impact of the particularities of the agricultural sector, such as seasonality and volatile climatic conditions, on the internal audit process. The results reveal that agricultural institutions face significant challenges, including excessive bureaucracy and limited resources, but also considerable opportunities through the use of advanced technologies and standardization of procedures.*

**Keywords:** *focus group, internal audit, agricultural entities*

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## 1. Introduction

Agricultural institutions and companies play a key role in the economy, both nationally and globally. These entities are responsible for ensuring food security, managing natural resources and contributing to rural economic development (Dumitru et al., 2023). Agriculture not only provides the livelihoods for a large part of the world's population, but also supports related industries such as food processing, transportation and retail trade (FAO, 2020).

In an ever-changing world characterized by challenges such as climate change, volatile markets and increasingly stringent consumer demands, agricultural institutions need to adapt rapidly. For this reason, they must not only be efficient in production, but also ensure long-term sustainability and competitiveness (World Bank, 2021). In addition, the specificities of the agricultural sector, such as the

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seasonality of activities and dependence on climatic conditions, require a level of flexibility and adaptability that differs significantly from other economic sectors (OECD, 2019).

Given the strategic importance of agriculture, companies and public institutions in this sector are subject to a complex legislative and regulatory framework that imposes strict standards of compliance (Dumitrub et al., 2023). These regulations not only target environmental protection and food safety, but also the efficient management of resources and public subsidies (European Commission, 2020).

Internal auditing plays a crucial role in ensuring the efficiency, effectiveness and compliance of processes in agricultural institutions and companies. It not only provides an independent and objective assessment of business activities, but also contributes to improving risk management and strengthening corporate governance (Institute of Internal Auditors, 2019).

In the agricultural context, internal audit takes on even greater importance due to the particularities of the sector, such as price volatility, variability in climatic conditions and the complexity of the supply chain (Sterie et al., 2023). These require close monitoring and increased adaptability, which can be ensured through a well-implemented internal audit system (PwC, 2020). By periodically assessing internal processes, auditing helps to identify weaknesses and opportunities for improvement, thus enabling agricultural entities to adapt quickly to market changes and new regulations (Deloitte, 2018).

Internal audit also plays a key role in the efficient management and use of resources, including public funds and European subsidies, which are vital to support agricultural activities (Popescu and Mocuta, 2023). By rigorously monitoring how these resources are managed, internal audit helps prevent fraud and ensure compliance with national and international regulations (Dragomir et al., 2023).

## **2. Material and method**

To conduct this research, we used focus group methodology, which is a qualitative research technique commonly used to collect data about participants' opinions, experiences and perceptions on a specific topic. Focus-group methodology is well documented in the literature and provides a detailed and nuanced perspective on the topics of interest (Morgan, 1997; Krueger & Casey, 2015). The focus group consisted of six participants, each representing a public institution or a commercial company with an agricultural focus. Participants were selected based on their expertise and function within the institutions, ensuring a balanced representation between public institutions and commercial companies.

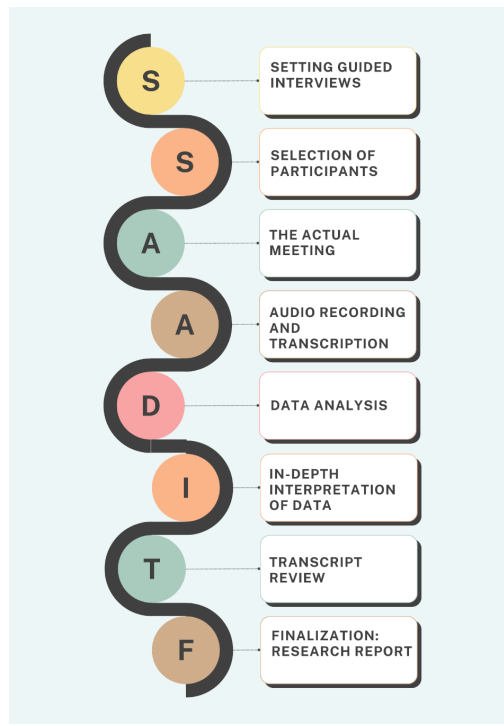
Data collection was carried out through structured and semi-structured discussions, allowing participants to express their views and experiences related to internal audit. We used a set of guided questions to facilitate the discussions and to ensure that all relevant topics were covered. The meeting was held on 24.04.2024

and the process of centralizing the information took until 09.06.2024, which was done through the Google Meet platform.

The questions to the participants were structured around the following main themes:

1. Efficiency and effectiveness of internal audit procedures:
  - How do you assess the effectiveness of your institution's internal audit procedures?
  - What are the main strengths of these procedures?
  - What weaknesses have you identified in the internal audit procedures?
2. Specific challenges encountered in internal auditing:
  - What are the main challenges you face in conducting internal audit?
  - How do limited resources affect the internal audit process in your institution?
  - What measures have you implemented to overcome these challenges?
3. Audit process improvement opportunities:
  - What improvement opportunities have you identified for internal audit procedures?
  - How can technology improve the effectiveness of internal audit in your institution?
  - What best practices from other institutions would you consider useful for your institution?
4. Impact of the particularities of the agricultural sector on internal audit:
  - To what extent do the specificities of the agricultural sector influence the internal audit process?
  - What are the greatest difficulties encountered due to the seasonality of agricultural activities?

Focus group discussions were audio-recorded and transcribed with the participants' consent to ensure the accuracy of the data collected. Data analysis was carried out thematically, identifying the main themes and sub-themes relevant to the study objectives. This thematic approach allowed a thorough interpretation of the data and highlighted key issues related to the internal audit process in public institutions and agricultural companies. The transcripts were also reviewed for accuracy and consistency of the data collected (Figure 1.).



**Figure 1. Stages of the focus group process**

*Source:* according to Krueger. and Casey, 2015 and Morgan, 1997

The focus group consisted of six participants, each representing a public institution or a commercial company with an agricultural profile, as shown in Table 1, without detailing the institution/company or the name of the interviewee (Table 1).

**List of participants**

**Table 1**

No. crt.	Name	Institution	Position within the institution	Coding
1	Represent 1	Commercial company 1	Procedures Officer	S1
2	Represent 2	Public institution 1	Represent	I1
3	Represent 3	Public institution 2	Auditor	I2
4	Represent 4	Public institution 3	Represent	I3
5	Represent 5	Commercial company 2	Represent	S2
6	Represent 6	Commercial company 3	Economic Director	S3

*Source:* according to focus group organized on 24.04.2024

Further, SWOT analysis was used, which is a strategic tool used to assess the strengths (Strengths), weaknesses (Weaknesses), opportunities (Opportunities) and threats (Threats) of an organization or project (Gürel & Tat, 2017).

### 3. Results and discussions

In the focus group, discussions were structured around prepared questions in order to get a clear picture of the efficiency and effectiveness of internal audit procedures, the challenges encountered, opportunities for improvement and the impact of the particularities of the agricultural sector on the audit process.

#### **A. Efficiency and effectiveness of internal audit procedures:**

An analysis of the responses in the table shows that the effectiveness of internal audit procedures varies depending on the resources available and the complexity of the regulations. Multinationals and large companies have well-structured and standardized procedures supported by advanced technology, while small firms rely on minimal procedures derived from legislative requirements. Public institutions often face bureaucratic challenges and limited resources, which can affect the thoroughness and frequency of internal audit. Key strengths of internal audit procedures include standardization, use of advanced technologies, well-defined legislative framework, and staff expertise. Large companies and multinationals benefit from well-structured procedures and modern technologies, while public institutions and small firms value simplicity and compliance with legislative requirements, as well as the involvement of young enthusiasts. Analysis of the responses shows that the main shortcomings in internal audit procedures include rigidity in application, excessive bureaucracy, inexperienced staff and lack of modern monitoring tools. These weaknesses can lead to delays, errors and difficulties in adapting to local changes and international requirements.

#### **B. Specific challenges encountered in internal audit:**

The analysis of the responses shows that the main challenges in conducting internal audit include adapting procedures to local specificities, dealing with the complexity of regulations and bureaucracy, lack of experience and limited resources, and maintaining compliance and integrity in the context of stringent international requirements. These challenges highlight the need for adaptable strategies and the use of modern technologies to improve the efficiency of the internal audit process. Limited resources variably affect the internal audit process. Multinationals have access to sufficient technological and financial resources, while public institutions and smaller companies face significant challenges related to the lack of qualified staff and lack of funds for continuous training. This can lead to reactive and inefficient audit procedures, increasing the risk of errors and difficulties in maintaining compliance and quality standards.

The analysis of the responses shows that the measures implemented to overcome the challenges range from continuous training programs and the use of advanced digital platforms to outsourcing audit services and implementing digitized document management systems. These measures help institutions and companies to maintain high audit standards and respond effectively to identified challenges.

### **C. Efficiency and effectiveness of internal audit procedures:**

The analysis of the responses shows that the measures identified to improve internal audit procedures include the simplification and standardization of processes, full digitization of documentation, the use of online platforms for reporting and monitoring, and collaboration with external consultants and international partners for the exchange of best practices. These measures are essential to increase the efficiency and effectiveness of internal audit processes. It also emerges from the analysis of the responses that technology has the potential to significantly improve the efficiency of internal audit. The main benefits mentioned include automation of repetitive processes, use of advanced data analytics, full digitization of documentation and use of online platforms for reporting and monitoring. These measures can reduce the time needed to process information, improve coordination and reduce human error, thus contributing to more efficient and accurate internal auditing. At the same time, implementing good practices identified in other institutions can bring significant improvements in internal audit processes. These include the use of integrated risk management systems, specialized audit software, advanced data analysis and real-time monitoring techniques, as well as working with external consultants to share insights and best practices. These measures help to increase the efficiency and accuracy of internal audit, thereby improving compliance and the quality of the processes audited.

### **D. The impact of agricultural sector specificities on internal audit:**

Specificities of the agricultural sector, such as seasonality of activities and dependence on climatic conditions, significantly influence the internal audit process. These aspects require increased flexibility in audit planning and continuous adaptation to changing circumstances. In addition, government subsidies and European funding require an additional level of rigor in verifying compliance and correct use of funds. Institutions and companies in the agricultural sector must be prepared to adjust audit plans according to unforeseen changes in weather and market conditions, while maintaining constant and detailed monitoring of all processes to meet rigorous international customer requirements and quality standards.

The seasonality of agricultural activities also imposes significant challenges on the internal audit process. During peak periods of agricultural activities, resources and staff are concentrated on field operations, which makes it difficult to perform internal audit in a timely manner and can lead to delays and omissions in the verification and reporting processes. Small and medium-sized firms experience these difficulties most acutely, lacking the additional resources to effectively manage audit during busy periods.

Following the collection and analysis of data on the responses from representatives of public institutions and agricultural companies, a SWOT analysis was carried out to identify the strengths (Table 2), weaknesses (Table 3), opportunities (Table 4) and threats (Table 5) associated with the internal audit process. This analysis

provides a clear picture of how different entities manage and can improve internal audit activities in the context of the specificities of the agricultural sector.

### Centralizing the focus group's strengths

**Table 2**

No. crt.	Strength	Entity
1	Standardization and use of advanced technologies: <ul style="list-style-type: none"> <li>• Well-structured and uniform procedures.</li> <li>• Use of advanced digital platforms for monitoring and reporting.</li> </ul>	S1
2	Well-defined legislative framework and staff experience: <ul style="list-style-type: none"> <li>• Compliance with national and European regulations.</li> <li>• Qualified and experienced staff in audit processes.</li> </ul>	I1
3	Involving young people in audit: <ul style="list-style-type: none"> <li>• Enthusiasm and willingness to learn from young auditors.</li> <li>• Mentoring and partnerships with academic institutions.</li> </ul>	I2
4	Clarity and well-defined structure of procedures: <ul style="list-style-type: none"> <li>• Well established and organized procedures.</li> </ul>	I3
5	Adaptability and flexibility: <ul style="list-style-type: none"> <li>• Digitized document management system.</li> <li>• Rigorous procedures meeting international requirements.</li> </ul>	S2

*Source:* according to focus group organized on 24.04.2024

### Centralization of weaknesses identified after the focus group

**Table 3**

No. crt.	Weaknesses	Entity
1	Rigidity in applying procedures: <ul style="list-style-type: none"> <li>• Difficulties in adapting quickly to local specificities.</li> <li>• Dependency on IT infrastructure can create problems in case of breakdowns.</li> </ul>	S1
2	Excessive red tape and regulatory complexity	I1
3	Lack of experience of young auditors: <ul style="list-style-type: none"> <li>• Omissions and incomplete understanding of the complexities of internal audit.</li> <li>• Limited financial resources for advanced audit technologies.</li> </ul>	I2
4	Lack of modern monitoring tools.	I3
5	Limited human and financial resources: <ul style="list-style-type: none"> <li>• Minimal audit procedures, reactive and not always sufficient.</li> <li>• Lack of a dedicated internal audit department.</li> </ul>	S3

*Source:* according to focus group organized on 24.04.2024

### Centralizing the opportunities identified from the focus group

**Table 4**

No. crt.	Opportunities	Entity
1	Automate processes and quickly identify problems.	S1
2	Simplification and standardization of procedures: <ul style="list-style-type: none"> <li>• Full digitization of documentation.</li> <li>• Partnerships for exchange of best practices.</li> </ul>	I1
3	Use of automation technologies: <ul style="list-style-type: none"> <li>• Reducing the time required for audit processes.</li> <li>• Developing continuous training programs.</li> <li>• Limited financial resources for advanced audit technologies.</li> </ul>	I2
4	Full digitalization of audit processes: <ul style="list-style-type: none"> <li>• Implementation of audit management software.</li> <li>• Regular training and professional development sessions.</li> </ul>	I3
5	Expand the use of digital systems and training programs: <ul style="list-style-type: none"> <li>• Implement real-time monitoring technologies.</li> <li>• Working with external consultants for best practices.</li> </ul>	S2

*Source:* according to focus group organized on 24.04.2024

### Centralization of the threats identified by the focus group

**Table 5**

No. crt.	Threats	Entity
1	Rapid changes in regulations and legislation: <ul style="list-style-type: none"> <li>• The need for constant and rapid adaptation can create difficulties.</li> </ul>	I1 and I3
2	Dependence on climatic conditions and seasonality <ul style="list-style-type: none"> <li>• The seasonality of agricultural activities requires constant adjustments to audit plans.</li> </ul>	All agricultural entities
3	Lack of dedicated human and financial resources <ul style="list-style-type: none"> <li>• Insufficient resources to maintain an optimal level of audit.</li> <li>• Limitations in accessing advanced technologies and continuous training.</li> </ul>	S3 and I2
4	Rigidity in applying global procedures: <ul style="list-style-type: none"> <li>• Difficulties in adapting quickly to the local specificities of each branch.</li> </ul>	S1

*Source:* according to focus group organized on 24.04.2024

### Conclusions

The institutions analyzed demonstrated varied approaches in implementing internal audit procedures. For example, S1, as a multinational, benefits from standardized procedures and advanced technology, which allows them to maintain strict and effective control over their operations. In contrast, smaller companies such as S1 face significant challenges due to limited resources and minimal,



reactive procedures. A common denominator among public institutions such as I1 and I3 is excessive bureaucracy and regulatory complexity. These make the audit process more difficult and can lead to delays and reduced efficiency. Technology plays a key role in improving internal audit processes. Deploying technology, advanced data analytics and digital platforms can automate and streamline processes, reducing the time and resources required. Institutions such as I1 and S3 have recognized the importance of digitizing documentation and using online platforms for reporting and monitoring as solutions to overcome current challenges.

The agricultural sector has unique particularities that significantly influence the internal audit process. The seasonality of agricultural activities requires flexibility in audit planning and climatic variability can cause sudden changes in the audit program. For example, during peak periods, such as planting and harvesting, resources are concentrated on field operations, making it difficult to conduct the audit. Institutions must be prepared to adjust audit plans according to climatic conditions and the seasonality of farming activities to maintain the efficiency and accuracy of audit processes.

To remain competitive and compliant with international regulations, institutions and companies need to constantly adapt internal audit procedures. The agricultural sector, in particular, is faced with stringent product quality and safety requirements imposed by international customers and legislative regulations. S3, for example, has implemented rigorous procedures to meet these requirements. In addition, institutions need to be prepared to respond quickly to legislative changes and integrate new regulations into their audit processes to maintain compliance and integrity of operations.

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