Kristina Peštović[1]
Dijana Rađo[2]
Marina Živković[3]

PROFESSIONAL PAPER
UDC 657.6(497.11)
657.6-051-057.3
DOI: 10.46793/Rev26113.183P
Received: 15.04.2026.
Accepted: 29.05.2026.
Published: 30.06.2026.

Trends in the Development of Internal Audit by Sectors in the Republic of Serbia

Abstract: *This paper presents the trends in the development of internal auditing in the Republic of Serbia. From a theoretical perspective, the development trends are presented through a comparative overview of the basic specificities of legal regulations related to internal auditing within organizations from the real sector, banking sector, insurance sector, public sector, and leasing sector. The practical part of the paper presents an analysis of the trend in issued certified internal auditor certificates in the period from 2008 to 2025. In addition, an analysis of certified internal auditors according to the specific sectors in which they are employed is provided. The largest number of certified internal auditors are employed within the real sector, which also corresponds to the distribution of organizations according to the mandatory establishment of internal auditing.*

Keywords: *internal auditing, certified internal auditor*

[1] Faculty of Economics in Subotica, University of Novi Sad, Serbia.
E-mail: kristina.pestovic@ef.uns.ac.rs
ORCID iD: https://orcid.org/0000-0001-9851-1025

[2] Faculty of Economics in Subotica, University of Novi Sad, Serbia.
E-mail: dijana.radjo@hotmail.com
ORCID iD: https://orcid.org/0000-0002-0702-5695

[3] Faculty of Economics in Subotica, University of Novi Sad, Serbia.
E-mail: marinazivkovic01@gmail.com
ORCID iD: https://orcid.org/0009-0008-1572-6548

INTRODUCTION

Internal auditing plays a key role in modern business operations, as it provides an independent assessment and assurance that business processes, controls, and risk management activities are implemented effectively and in compliance with standards, laws, and other regulations. Observing the scope of internal auditing activities, it can be noted that its scope is exceptionally broad compared to other types of auditing, and therefore internal auditing is of great importance in ensuring the continuity of an organization's operations. According to the 2024 definition of Institute of Internal Auditors, internal auditing represents the independent and objective provision of assurance and consulting services aimed at adding value and improving organizational operations. Internal auditing assists organizations in achieving their objectives through a systematic and disciplined approach to evaluating and improving corporate governance processes, risk management processes, and internal control systems (4). The definition itself implies that internal auditing may review the entirety of corporate governance processes, risk management processes, and elements of internal control systems. In addition to conducting these audit activities, which belong to assurance services, internal auditing may also provide consulting services. Internal auditing established in this manner represents a prerequisite for improving business performance and contributes to strengthening confidence in the organization, both among employees and among external stakeholders, including investors, creditors, and regulatory bodies.

Internal auditing has numerous specific characteristics from the perspective of the subject of auditing and the purpose of its existence within organizations. Internal auditors also play an important role in the control and evaluation of financial statements. Their independent assessment ensures that financial data are accurate, complete, and compliant with relevant standards and regulations. This is particularly important for publicly traded companies and entities subject to regulatory requirements, since inaccurate or fraudulent financial reporting may have serious consequences for a company's reputation and financial position. The role of internal auditing in ensuring compliance of business operations with laws and regulations is also of great importance. Internal auditors assess whether an organization complies with all legal and regulatory requirements, thereby reducing the risk of penalties, legal consequences, and reputational damage. One of the key contributions of internal auditing is ensuring integrity and ethics in business operations. The role of internal auditing is not only to identify irregularities, but also to develop awareness of ethical business conduct and integrity within the organization. This is especially important for developing a corporate culture that promotes transparency and accountability at all organizational levels.

Internal auditing assists management and boards of directors in making better decisions through the provision of reports and recommendations. Internal audit reports and recommendations provide valuable insights into business processes and support strategic decision-making aimed at the long-term growth and stability of the organization.

The importance of internal auditing has also been recognized through legal regulations that prescribe its mandatory establishment within certain organizations. In addition to the legal obligation to establish internal auditing, it is necessary for internal auditors to be properly trained in order for internal auditing to adequately respond to all requirements and fulfill the purpose of its existence. This means that the importance of the internal auditing profession has been recognized at both the global and local levels through the mandatory introduction of regulations regarding the certification of certified internal auditors.

The main objective of this paper is to provide an overview of the current state and development of the internal auditing profession in the Republic of Serbia in accordance with the certification of certified internal auditors. First, an overview of internal auditing regulations specific to Serbia is presented. Thereafter, data on the number and trends of certified internal auditors from 2008 to 2025 are presented at both the aggregate level and according to specific business sectors. The data used in the research were collected from the publicly available database of the register of certified internal auditors maintained by the Chamber of Authorized Auditors.

SPECIFICITIES OF THE LEGAL REGULATION OF INTERNAL AUDITING IN SERBIA

The specificity of the legal regulation of internal auditing in Serbia is reflected in the fact that this area is regulated by a number of different laws applied depending on the business sector. Each of these regulations governs specific requirements and obligations related to internal auditing in accordance with the characteristics of a particular industry. In addition to the mandatory application of professional standards prescribed by the Institute of Internal Auditors, legal regulations also define issues such as the obligation to establish internal auditing, its scope of work, the minimum number of employees engaged in internal auditing activities, reporting dynamics, lines of responsibility, and other organizational and functional matters. The legal regulation of internal auditing in Serbia may be observed through the following areas:

- legal regulation at the level of companies
- legal regulation at the level of banks
- legal regulation at the level of insurance companies
- legal regulation at the level of public sector entities
- legal regulation at the level of leasing companies

According to the Law on Companies (6), internal auditing must be established in public joint-stock companies, while limited liability companies, general partnerships, and limited partnerships are not obliged to establish internal auditing. At least one internal auditor must be employed in a public joint-stock company. At the level of the internal audit function, a head of internal audit is appointed, who informs and reports on the activities of internal auditing to the audit committee, board of directors, or supervisory board (depending on the organizational structure of the company). According to the aforementioned law, the responsibilities of internal auditing include compliance reviews, supervision of the implementation of accounting policies and financial reporting systems, control of risk management systems, monitoring business operations from the perspective of the corporate governance code and providing recommendations for the improvement of company policies and procedures.

Figure 1. Legal regulation in the field of internal auditing in Serbia (modified according to Peštović et al., 2024)

Internal auditing in banks represents a legal obligation in accordance with the Law on Banks (5). Every bank is required to establish an internal audit function, whereby at least one person must be engaged in internal audit activities and possess an appropriate professional qualification prescribed by the Law on Auditing. The appointment of the head of internal audit falls under the authority of the bank's management board.

The head of internal audit has a significant role in the organization and functioning of this function. Their responsibilities include the development of the internal audit methodology, adoption of internal working instructions, determination of methods and deadlines for preparing and submitting reports to competent authorities, as well as defining procedures for monitoring the implementation of recommendations and measures aimed at eliminating identified irregularities. The head of internal audit regularly reports on the results of internal audit activities to the bank's management board.

The law also prescribes the minimum scope of activities that internal auditing in banks must perform. Primarily, internal auditing evaluates the adequacy and reliability of internal control systems, as well as the effectiveness of the bank's compliance function. Furthermore, its task is to ensure the timely identification and control of risks to which the bank is exposed.

In addition, internal auditing identifies weaknesses in the bank's operations and employee performance, determines cases of non-fulfillment of obligations and abuse of authority, and proposes measures for eliminating identified irregularities and preventing their recurrence. Internal auditors regularly hold meetings with the management board and the committee responsible for monitoring the bank's operations, while reports on implemented activities are periodically submitted to these bodies for the purpose of monitoring and improving bank operations.

In accordance with the Law on Insurance (7), all insurance companies in the Republic of Serbia are obliged to establish and ensure the uninterrupted functioning of internal auditing. The law prescribes that internal auditing must have at least one full-time employed internal auditor, thereby ensuring continuity in supervision and control of operations.

The scope of internal auditing activities in insurance companies encompasses a wide range of activities aimed at improving the security and efficiency of operations. Its primary role is the continuous monitoring, control, and improvement of operational systems within the insurance company. Particular importance is attached to the assessment of risk management systems, including both existing and potential risks to which the company may be exposed. Furthermore, internal auditing evaluates the adequacy and reliability of internal control systems, verifies the implementation of risk management procedures and processes, controls accounting procedures and the organization of accounting activities, as well as the reliability, accuracy, and timeliness of financial reports and management information. Based on identified findings, internal auditing provides opinions, recommendations, and proposals for measures aimed at eliminating irregularities and improving existing procedures and operating systems.

Internal auditing is accountable to the supervisory board of the insurance company, to which it regularly submits quarterly and annual reports. This reporting obligation represents one of the specific features of the legal regulation of internal auditing in the insurance sector. In addition, the law prescribes the content of these reports in order to ensure continuous monitoring of the quality of internal audit activities.

The establishment and functioning of internal auditing within public sector entities are regulated by the Law on the Budget System (9), as well as by the Rulebook on Common Criteria for Organizing, Standards and Methodological Guidelines for the Operation and Reporting of Internal Auditing in the Public Sector, together with other relevant regulations (3). Article 85 of the Law on the Budget System (9) prescribes the obligation to establish internal auditing within public sector entities. Internal auditing of public sector entities is directly accountable to the head of the public sector entity.

Internal auditing within public sector entities may be organized in several ways. The first model involves the establishment of a separate, functionally independent organizational unit within the public sector entity, directly accountable to the head of the institution. The second possibility is the establishment of a joint internal audit unit by two or more public sector entities based on a mutual agreement and with the approval of the Central Harmonization Unit. The third model implies that the internal audit of one public sector entity may, based on an agreement and with prior approval of the Central Harmonization Unit, perform internal audit activities for another public sector entity as well. The following model assumes that the internal audit function may also be performed by the internal audit unit of the competent direct beneficiary of public funds. Finally, the fifth model prescribes that if conditions for organizing internal auditing in any of the aforementioned ways do not exist, these activities may be performed by an internal auditor employed by the public sector entity or by a person contracted to perform internal auditing activities.

Due to the large number of public sector entities, the criteria for the mandatory establishment of internal auditing are prescribed in detail. Thus, all public sector entities employing more than 500 employees are obliged to organize internal auditing. Furthermore, direct beneficiaries of the budget of the Republic of Serbia that have indirect budget beneficiaries within their jurisdiction must establish a separate functionally independent internal audit unit, except for those having the status of bodies within another direct budget beneficiary. Regardless of the number of employees and other criteria, separate functionally independent internal audit units must obligatorily be established by the National Assembly, the High Judicial Council, ministries, the Republic Health Insurance Fund, the Republic Pension and Disability Insurance Fund, the National Employment Service, and others.

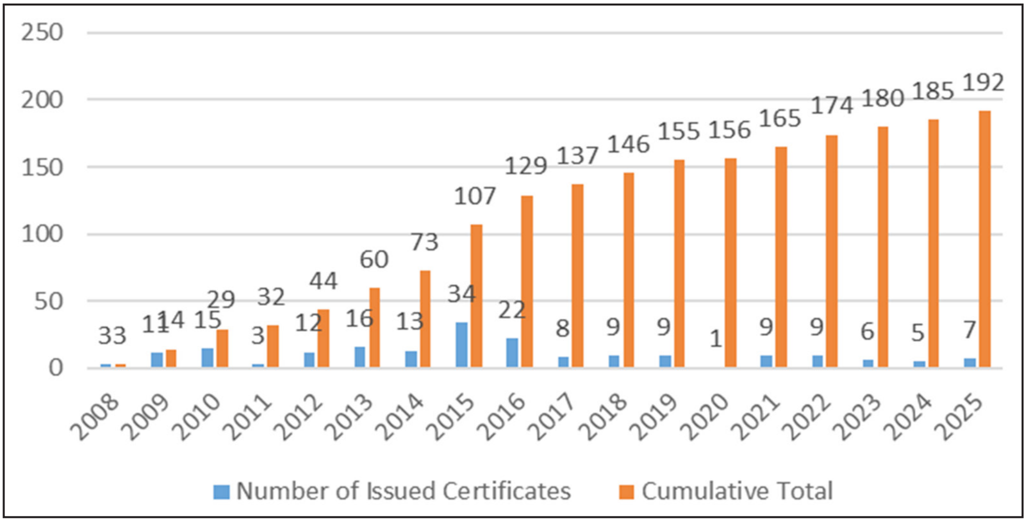
Internal auditing in the public sector is focused on evaluating financial management and control systems, risk management systems, compliance of operations, reliability of financial reporting, protection of assets, and other aspects defined by the Rulebook on Common Criteria for Organizing, Standards and Methodological Guidelines for the Operation and Reporting of Internal Auditing in the Public Sector. Unlike companies in the real sector, where only one internal auditor is required, internal auditing in the public sector must employ at least three internal auditors. One of these persons performs the function of the head of the internal audit unit.

According to the Law on Financial Leasing (8), the establishment of internal auditing in leasing companies (financial leasing providers) is mandatory in the Republic of Serbia. A specific feature of this regulation is that it also prescribes that the leasing provider may entrust internal audit activities to another entity within the financial sector headquartered in the Republic of Serbia. Accordingly, internal auditing within leasing companies in the Republic of Serbia may be internally organized (the internal auditor is employed within the leasing company) or entrusted to another entity from the financial sector (outsourcing). The main purpose of establishing internal auditing within leasing companies is the protection of business operations, risk control, prevention and detection of irregularities, ensuring lawful operations, and ensuring the security and quality of reporting to the National Bank of Serbia.

ANALYSIS OF TRENDS IN THE NUMBER OF CERTIFIED INTERNAL AUDITORS IN SERBIA

Data on the number of issued "Certified Internal Auditor" certificates in Serbia for the period 2008–2025 indicate a gradual but uneven development of the internal auditing profession within the domestic institutional and business environment. Observed through a time series, a pronounced growth trend in the total number of certified internal auditors can be identified, with the cumulative number increasing from only 3 certificates in 2008 to a total of 192 certificates by the end of 2025.

Figure 2. Number of issued Certified Internal Auditor certificates and cumulative total in the period from 2008 to 2025



In the initial phase of the observed period (2008–2011), the annual number of issued certificates was relatively low and unstable. Following the modest beginning with 3 certificates in 2008, a more significant increase occurred in 2009 and 2010 (11 and 15 certificates, respectively), which may indicate growing recognition of the importance of internal auditing and the strengthening of regulatory requirements in the field of business management and control.

The period from 2012 to 2016 was characterized by more stable and intensive growth, with a particularly pronounced increase in 2015, when as many as 34 certificates were issued, representing the highest annual value during the entire observed period. This finding may be interpreted as a consequence of increased requirements for the establishment of internal audit functions, particularly within the public sector, as well as the growing importance of compliance with international standards of professional internal auditing practice. During this period, the cumulative number of certified auditors nearly doubled.

After 2016, a phase of slower but continuous growth can be observed. The annual number of certificates generally ranged between 6 and 9, indicating market stabilization and the attainment of a certain level of professional maturity. An exception was recorded in 2020, when only 1 certificate was issued, which may be associated with the consequences of the COVID-19 pandemic, limitations in the organization of training and examinations, and the overall slowdown in professional activities.

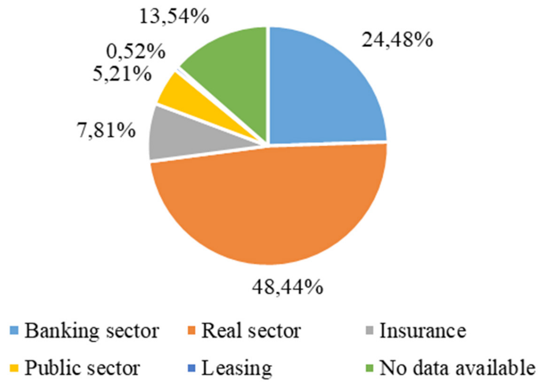
In the post-pandemic period, a stagnation in the certification of internal auditors in Serbia has been observed. In 2025, 7 certificates were issued. This may indicate that the internal auditing profession in Serbia has reached a certain level of institutional consolidation, with the number of new certificates increasing at a more moderate pace.

The presented data confirm that the development of the internal auditing profession follows broader changes in the systems of corporate governance, financial control, and regulatory frameworks. Generally observed, the growth in the number of certified professionals may be considered an indicator of the strengthening of the professionalization of internal auditing, the improvement of internal control systems, and increased awareness of the importance of risk management within organizations. At the same time, fluctuations in the annual number of issued certificates indicate the sensitivity of this process to economic, institutional, and social factors.

ANALYSIS OF TRENDS IN THE NUMBER AND REPRESENTATION OF INTERNAL AUDITORS BY SECTOR

The following figure presents data on the distribution of certified internal auditors according to the sectors in which they are employed.

Figure 3. Distribution of certified internal auditors by sector



The analysis of the structure of certified internal auditors according to business sectors indicates significant differences in the representation of internal auditing among various segments of the economy and public system in the Republic of Serbia. Out of a total of 192 certified internal auditors, the largest number originates from the real sector, followed by the banking sector, while the remaining sectors are considerably less represented.

The highest share is recorded in the real sector, with 93 certified internal auditors, accounting for 48.44% of the total number. This finding indicates that nearly half of all certified internal auditors are employed in companies operating outside the financial sector, including manufacturing, trade, service, and other non-financial companies. Such dominance may be explained by the increasing need to strengthen internal control systems, risk management, and corporate governance in private companies, particularly in a large number of enterprises that are legally required to establish internal auditing. In addition, the requirements of foreign investors, international business standards, and the need for more efficient resource management contribute to the greater engagement of internal auditors within this sector.

The banking sector ranks second, with 47 certified internal auditors, representing 24.48% of the total number. The banking sector has traditionally been the area in which internal auditing is institutionally the most developed due to the high level of regulatory requirements, strict supervision, and a pronounced need for risk control. Through its regulatory framework, the National Bank of Serbia requires a developed system of internal control, risk management, and a functional internal audit system, which explains the significant presence of certified professionals in this sector. Although banks are subject to the strictest internal auditing requirements, their percentage share remains lower than that of the real sector, which may be explained by the smaller number of banking institutions compared to the total number of companies operating within the real sector.

The insurance sector accounts for 15 certified internal auditors, or 7.81%. Although insurance companies also operate in a highly regulated environment and are obliged to establish internal audit functions, their number is considerably lower compared to the banking sector. The reason for this may be the smaller number of insurance companies operating on the market, as well as differences in the organizational structure and size of these institutions.

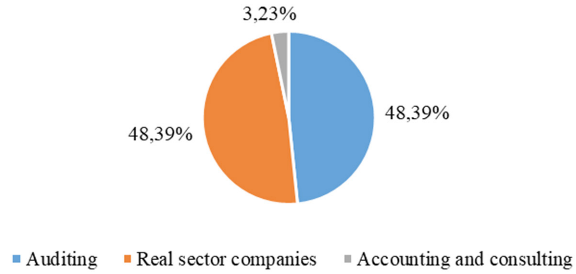
It is also characteristic that, although there is a separate certification for internal auditors in the public sector, as many as 10 internal auditors operating within the public sector possess the “Certified Internal Auditor” designation. These data should be interpreted together with the data on “Certified Internal Auditors in the Public Sector” in order to draw adequate conclusions.

The leasing sector has the lowest representation, with only 1 certified internal auditor, accounting for 0.52% of the total number. Financial leasing providers are legally required to establish internal auditing in accordance with the Law on Financial Leasing, although they also have the possibility of outsourcing internal audit activities to other financial institutions. According to data from the National Bank of Serbia, there are currently 13 leasing companies operating in Serbia, one of which is undergoing liquidation proceedings. The figure of only one certified internal auditor within leasing companies should be interpreted with caution, considering that the register of issued certificates contains an additional 26 certificates without information regarding the sectors in which their holders are employed, as well as the fact that internal auditing may be externally outsourced.

Figure 4 presents the number and structure of issued certificates within the real sector.

Based on the available data, it can be observed that out of the total of 93 issued certificates in the field of internal auditing, the highest representation is recorded in auditing firms and companies from other areas of the real sector, where 45 certificates were identified in each category, together accounting for as many as 90 out of the total 93 certificates. Such a distribution indicates that the internal audit function is equally significant both in professional auditing organizations and in large business entities operating outside the financial sector.

Figure 4. Structure of certified internal auditors within the real sector



With regard to other areas of the real sector, internal auditing is most commonly represented in companies operating in industries of particular economic and regulatory importance, such as coffee production, the pharmaceutical industry, the oil and gas sector, as well as companies providing gambling and betting services. A common characteristic of these industries is the high level of business risk, complex business processes, significant financial turnover, and pronounced legal obligations regarding business control. For this reason, the legislative framework often requires the establishment of internal audit functions as a mechanism for monitoring business compliance, managing risks, and protecting company assets.

On the other hand, only three certified internal auditors are employed in accounting and consulting firms, representing a negligibly small share within the overall structure. Such findings may indicate that these firms primarily focus their core business activities on providing external services to clients, such as accounting advisory, tax planning, and consulting services, while the need for formally organized internal auditing within the firms themselves is significantly lower, as is the scope of internal audit services they provide to other companies.

CONCLUSION

Internal auditing in the Republic of Serbia is comprehensively regulated through a number of laws in accordance with the specific characteristics of the operations of different organizations. Through legal regulation, mandatory certification, and continuous professional education, the quality of internal auditing activities is improved. Only a properly established internal audit function is capable of responding to broad organizational requirements and fulfilling the purpose of its existence.

Internal auditing in the Republic of Serbia may be considered a relatively young profession compared to internal auditing professions that were intensively developed during the second half of the twentieth century. Although it is a young profession, it has demonstrated a significant growth trend. The growth trend in the cumulative number of certificates confirms the gradual strengthening of the internal audit function in Serbia, while variations in annual values indicate the need for further improvement of professional education, regulatory support, and promotion of the importance of internal auditing within the modern business environment. According to the data of the Chamber of Authorized Auditors, there are currently 192 certified internal auditors in Serbia. Nearly half of the certificates relate to certified internal auditors employed in the real sector, while almost one quarter relates to the banking sector. Such a distribution also reflects the representation of organizations that are legally obliged to establish internal auditing in the Republic of Serbia.

The internal auditing profession is significantly improved through the continuous education and professional certification of internal auditors. Certification enables auditors to acquire specialized knowledge in the areas of risk management, internal controls, corporate governance, and compliance of business operations with regulations. Through professional training and development, internal auditors keep pace with changes in legislation, international standards, and modern auditing methods, thereby contributing to the higher quality performance of their duties. Professional certification simultaneously increases the credibility of and confidence in the work of internal auditing, both within organizations and among external stakeholders. The importance of internal auditors' competencies has also been recognized in the contemporary literature. According to Beke-Trivunac and Jeremić (1), the Institute of Internal Auditors issued the Global Practice Guide: Internal Audit Competency Framework in 2025, defining the competencies required for modern internal auditors according to different areas and functions. In this way, education and certification contribute to strengthening the role of internal auditing as an important instrument for improving business operations and organizational governance.

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Trendovi razvoja interne revizije po sektorima u Srbiji

Apstrakt: *U radu su prezentovani trendovi razvoja interne revizije u Republici Srbiji. Sa teorijskog aspekta trendovi razvoja prezentovani su kroz komparativan prikaz osnovnih specifičnosti zakonskih regulativa koje se odnose na internu reviziju na nivou različitih organizacija iz realnog sektora, sektora bankarstva, osiguranja, javnog sektora i lizinga. U praktičnom delu prezentovana je analiza trenda izdatih sertifikata ovlašćenih internih revizora u periodu od 2008. do 2025. godine. Takođe, prezentovana je analiza sertifikata ovlašćenih internih revizora prema pojedinim oblastima u kojima su interni revizori zaposleni. Najveći broj ovlašćenih internih revizora zaposlen je u okviru realnog sektora, što odgovara i rasporedu organizacija prema obaveznosti uspostavljanja interne revizije.*

Ključne reči: *interna revizija, ovlašćeni interni revizor.*