

HOW FINANCIAL STATEMENT AUDITS DELIVER KEY BUSINESS INSIGHTS?

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ABSTRACT: *The accounting system is a set of forms, procedures and financial means used for data processing regarding the operations of an economic agent. The accounting system produces a notification for the economic agent's operations, it consists of documents and reports. At the same time, he considers the efficiency of those operations for various interestedly groups: shareholders, creditors, public authorities. These documents and reports represent a way of communication between those in need of economic information. In today's modern society, increased complexity of socio-economic phenomena and their consequences, made necessary the appearance of consulting activities carried out by highly qualified specialists. The accounting financial audit represents the control for attesting or certification of the documents and records, of the accounting system. For auditors, the continuous improvement of the accounting system brings real help to their customers and reduces the audit works, in terms of improved efficiency and quality.*

Keywords: audit; business; accounting system.

I.

INTRODUCTION

The modern economy is in a constant state of flux, with dramatic changes in an accelerated rhythm, based on financial decisions taken by the use of accounting information based on their accuracy and relevance. For the outcome to be at the expected level decisions this information needs to be properly understood and to comply with economic events based on which they were generated.

Today all capital markets participants, from investors and analysts to managers and CEOs and regulators require a high level of transparency. [7]

The audit represents a contribution of credibility on the accounting information released by a patrimonial unit. Accounting information is a public good and honest addressed equally to all its

users - owners, employees and third parties and the accounting system must be able to identify, compute, classify, distribute, synthesize and present operations performed.

All company activities are carried out in a specific social environment, consisting of employees, suppliers, creditors, customers, banking system, financial institutions etc. These, in turn, exist in general social environment of the market economy, which includes the economic, legal framework, government influences, international influences, social-cultural factors, demographics factors, etc.

An essential condition of the ordinary course of business is real and operative information about heritage, economic and commercial activity performed and the results, profit or loss.

Ensuring fairness, accuracy and the reality of this information is a matter of great responsibility of the financial

accounting audit. This activity "is currently the top of the pyramid of the accounting profession". [17]

II. AUDIT CONCEPTS

The financial audit experiences a special importance for an enterprise because this, and other services that can be given by auditors, add value to an enterprise by providing assurance on financial statements. Audit services have become a necessity for investors because they want concise and accurate information and believes that they are the most trusted sources of information due to the independent character of the audit. [23]

International Standards of Auditing (ISA) through standard ISA 200, points out that the audit is a report that focuses on the analysis and verification of records of an entity and the physical inspection of assets. The purpose of an audit is to enable the auditor to express an opinion on how the financial statements are prepared in all respects in accordance with reporting standards or other existing criteria.

Taking into account the elements mentioned above, we might say that the financial audit means the operation that aims the auditing of financial statements and also assurance of the elements.

In literature the audit is defined as "a certification service for financial statements of compliance with generally accepted accounting principles and references in all significant aspects." Another definition describes the audit as the accumulation and evaluation of evidence regarding the information to determine and report on the degree of correspondence between the information and established criteria. The audit must be done by a competent and independent person. [19]

III. NORMALIZATION FOR FINANCIAL AUDIT

The term audit was introduced by Anglo-Saxon offices of accounting expertise, four decades ago. Although the goals and concepts, currently leading the audit, were almost unknown in the early twentieth century, the audit of one type or another entered the recorded history of trade and government finances.

The word audit comes from the Latin verb "audire", who's meaning, originally "to listen" has been transformed by the Anglo-Saxon practice since the beginning of 60s, today meaning, in the strict sense, professional examination, verification, performed by competent experts on information, in order to express an independent opinion in accordance with a quality standard [18]

The original meaning of the term auditor was "the one who hears" and it was fitting the period in which government accounting records were only approved after a public reading, aloud.

Audit activity dates back to the beginnings of economic history, once the first state structures were created, limiting themselves only to the control of accuracy and compliance of accounting information. It is a function of organized society along the whole history of the world. In fact, early audit of accounting are located back in time to Egypt and Imperial China.

The object of the audit activity has progressively evolved from correcting specific fraud in the records, to fully and fair assessment reports issued by an entity and critical analysis of its procedures and structures. [21]

The practice of liberal accounting profession is dependent on the regulatory framework in which this is done. This framework has undergone profound structural changes in recent years for political, social, economic reasons.

The global financial auditor profession regulation is based on rules of American origin because U.S.A. is one of the countries with the most experience of financial audit. The regulation is carried

out by the International Federation of Accountants (IFAC). Standards issued by IFAC are:

- International Standards of audit, assurance and related services engagements;
- International Standards on Quality Control;
- Code of Ethics and Professionalism;
- International Standards on vocational education;
- International Accounting Standards for the public sector.

From the ones mentioned above, International Standards of audit, assurance and related services engagements and the Code of Ethics and Professionalism are exclusively those governing the financial audit profession.

"The Association of Certified Accountants' (ACCA) aims to strengthen the global profession based on consistent application of standards, having values in accordance with the needs of employees from all sectors, preparing accountants for business and giving them a successful career at international level, those who manage to obtain the qualification. It promotes sustainable business value and wants to increase the carrying value in terms of reputation and influence globally, working in partnership with 80 other IFAC and accountancy partnerships worldwide. [12]

At EU level, the regulatory framework for the audit profession works using the collaboration of the European Commission with the European Parliament, the Council of the European Union and also the bodies responsible for coordinating the operation of the financial audit activity. In this regard, the European Commission is drawing up proposals while the Parliament is the body that approves it. The basic legal act by which the regulation of audit is Directive 2006/43 / EC of the European Parliament and the European Commission in May 2006.

Currently, the International Standards on Auditing (ISA) are those on which the financial audits of financial

information are conducted, standards that are issued by the International Federation of Accountants (IFAC), through the Council for International Auditing and Assurance Standards Board (IAASB).

Most of audit services in the world are made by only four accounting firms known as the "Big 4". These firms audit more than 80% than all firms in the United States, completely dominating the industry, providing a wide range of management services and insurance. Although they are identified as single companies, the four accounting firms have created a network of independent companies, based on mutual agreements to set quality standards. "The Big 4" are: [9]

Deloitte LLP, headquartered in New York, is number one in the United States and is the result of the merger of several companies over time, with several areas: consulting, financial advisory services, tax, growing companies and so on.

PwC (PricewaterhouseCoopers) is listed as the number two US accounting firm and was founded in 1849 in London. This company offers a variety of services, including: audit and assurance, advisory, IFRS reporting, tax.

Ernst & Young, headquartered in London, is number three in the top 100 US accounting firms and was formed by the merger of two companies: Arthur & Young and Ernst & Ernst. Arthur Young and Ernst Alwen firms have been opened with their brothers, but their companies merged in 1989, after their death. Ernst & Young is in over 150 countries. [2]

KPMG, headquartered in Amsterdam, is the fourth largest accounting firm in the "Big 4". It was founded in 1911 and has been consistently voted as one of the best places of employment. It offers three main services: audit, tax and advisory services.

IV. CONCLUSION

Although in our country is not considered mandatory the audit activity is critical for business success, for the protection of shareholders and employees of a company.

There is already a general agreement about the social responsibility of the economic operator on the assessment of its activity, even in terms of self-interest, it must be made by comparing its performance to the level of Customer Satisfaction. This is a reflection of the awareness that care for the 'needs' real client must be the priority on profits. [6]

The information, on which today is assaulted the economic agent, the changes of the revolution that took place in transmitting, storing and processing information, the possibility of using methods and techniques of management and control, unthinkable before, all shows, once again, that the system of information can facilitate, but also frustrate the economic agent in achieving his target.

In these conditions, when the need for innovation in all areas is vital, a modern economic agent, more sophisticated and more demanding, more responsible and more interested in adapting to uncertain future - audit system must be developed and aligned with the European and international norms .

In conclusion, the audit is an important activity for an enterprise as a whole as it can help its development and a research area of interest to a wide audience such as investors, creditors, the State, employers, employees and others who rely on the objectivity and integrity of auditors. This is a relatively new activity in Romania, and over time has changed in order to adapt to the requirements of companies. If at first this activity involved only error checking accounts, financial audit today comprises several lines of

reflection, thus becoming a very rigorous process also because of the increasingly complex accounting.

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