

REGULARITY AUDIT RELATED TO THE ORGANIZATION OF THE ACCOUNTING SYSTEM ACCORDING TO THE EUROPEAN DIRECTIVES OF A JOINT STOCK COMPANY

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Abstract: *The internal audit helps the entity attain its objectives by an organized approach, to evolve and improve the efficiency and the effectiveness of the management system based on the risk, control and management processes administration. As well, it examines the operations, mainly to cause the improvement and leads to the strict application of the policies and procedures established by the trading company, contributing to the addition of an extra value.*

Key words: *internal audit, accounting system, risks, internal control, management.*

Introduction

“The internal audit is an independent and objective activity that provides an insurance to the company related to the control level on the operations, guides it to improve its options and contributes to the addition of an extra value.” [1]

The audit appears as a consequence of the manager’s need to be informed on the carrying out of the activity of the entity it leads, at all the levels. During its development, the audit was imposed and diversified numerous new objectives. Depending on the objectives set for an audit mission, various classifications appeared. Among these, the regularity (conformity) audit – class of the internal audit: examines and appreciates whether the rules and procedures are well applied, whether the organigrams, the information

systems etc. are respected; it substantiates on a reference system and acts by findings and amendments related to the application, interpretation, potential deficits or disequilibrium caused and the consequences thereof which it reports to the economic entity’s management; its purpose is to compare the reality to the appropriate reference system, the rule to the reality, what it should be to what it is in fact; examines whether the disposals, rules and procedures that are defined for the entity are respected. Regularity manifests compared to the internal rules of the economic entity and the compliance manifests compared to the legal and regulating disposals. Both cases, there is a comparison of the reality to reference systems.

The audit activities include elements related to the examination of financial and

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operation information carried out by reviewing the means used to identify, measure, classify and report such information. As well, they include the investigation of specific problems, detailed check of the transactions, balances and procedures; check of the compliance with laws, regulations and other requirements external to the entity, as well as with the policies and directives applicable in the field.

The regularity audit related to the organization of the accounting systems according the European directives implies the examination both from the point of view of the compliance with the regulating reference related to the organization and operation of the trading company and from the financial – accounting nature one, as well of the methodological procedures of administration and accurate assessment thereof and of appropriate information of the manager, also taking into account the financial effects generated by such operations.

The activities and objectives that are included in the action field of the internal audit are carried out from the point of view of the efficiency and effectiveness of the management system (internal control), of accountancy and of the actual administration activities, all these being rigorously assessed.

The application field of the internal audit, related to the financial – accounting information, includes the examination of the regularity, efficiency and management having the aims to express an opinion on the good control of the responsibilities on this information and to provide solutions for the improvement thereof.

Regularity Audit of the Accounting System

The internal audit examines to what extent are observed the operation rules set by the economic unit and, if this is not the case, why these are not observed. As well,

it expresses an opinion on the internal control mechanisms governing the accountancy operation and whether they allow the person in charge to execute an efficient control on the activity.

The audit objectives and the activities meant to be audited, pertaining to each objective, related to the organization of the accounting system in accordance with the European Directives are:

- a) Checking the compliance with the applicable framework of financial reporting.
 - Assessing the used accounting principles and the significant estimations made by the management, according to the accounting regulations complying with the European Directives.
 - Assessing the general presentation of the financial statements.
- b) Checking the observance of the correlations within the financial statements, as well as analyzing the structure of the administration board administration report.
 - Drafting and filling in the financial statements.
 - Correlations within the financial statements.
 - Analyzing the administration board administration report from the structural point of view.
- c) Organizing the accounting and technical – operation records.
 - The way of filling in the mandatory accounting registers.
 - The way of filling in other documents used in accordance with the form of accounting record.
 - Matching the patrimony operations to the appropriate accounts.
 - Principles of chronological and systematic registration in the accounting records.

The execution of the audit mission includes its preparation by making the risk analysis afferent to the auditable objectives and the analysis of the strong points and of

the weak points, the intervention on the spot to collect proofs using audit techniques and instruments and, in the end, recording and reporting the irregularities.

The step of preparing the audit mission implies complete information of the auditors of the audited activity. This

documentation refers to the being aware of the regulations in the field and also being aware of the particularities related to the activity that is to be audited.

The specific procedures and documents for this step may be schematically presented in figure no. 1.

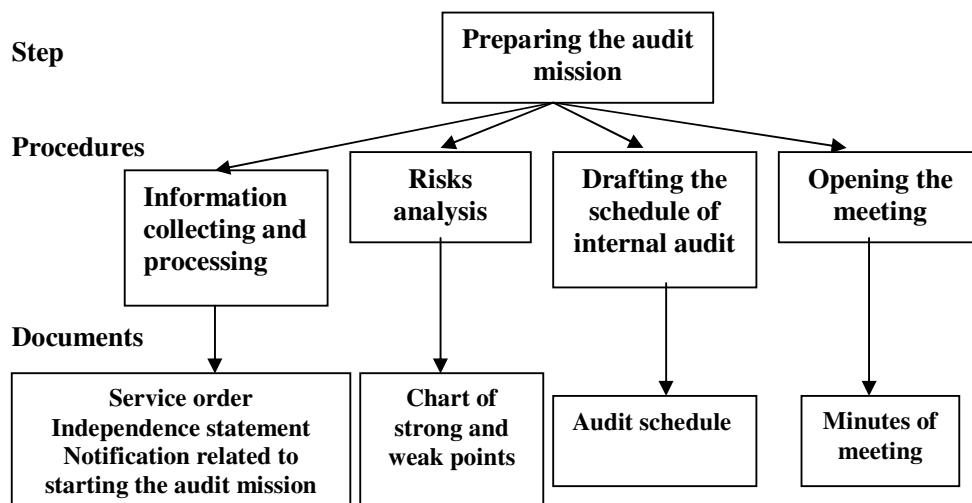


Fig. 1. The procedures and documents afferent to the step of preparing the audit mission

Source: adapted after Chițu, A.G., (coord.), Pitulice, M., Chițu, A., Case Studies Related to the Public Internal Audit, CECCAR Publishing House, Bucharest, 2005

The purpose of the risks analysis is to identify the threats within that entity, the controls and procedures that may prevent, eliminate and diminish the threats, as well as the assessment of the internal control. The risks analysis criteria are: appreciation of the internal control, quantity and quality appreciation and the ratio granted to each risk factor is established function of the importance thereof for the audited activity so that together they represent 100.

The auditor set the risk classes and the points' intervals as it follows:

RISK	POINTS
SMALL	1.0-1.9
MEDIUM	2.0-2.4
IMPORTANT	2.5-3.0

After the analysis carried out on the auditable objectives and activities, we find a low risk and the existence of an increased degree of trust, except for the audited activity related to „Chronologic and Systematic Registration Principles in the Accounting Records” where there is a middle risk and the trust degree is also a middle one.

The step of actual execution of the audit activity resides in collecting information from documents, its analysis and assessment. The used procedures imply the interview of the personnel within the financial – accounting department, the check of the accounting registrations, data and information analysis, assessment of the efficiency and effectiveness of the internal controls etc. For each objective to be

analyzed, the auditor drafts a check questionnaire-list, with questions related to the activities that are to be audited. If anomalies or dysfunctions are found, a problems' identification and analysis sheet shall be drawn up.

Conclusions

Auditing the accounting system organization of a joint stock company highlights the fact that the users of accounting information do not dispose of a thorough analysis related to the information contained in the financial statements, thus a detailed presentation of such information is necessary. As well, it is necessary to review, adapt and change the accounting program in order to provide in real time all the accounting information the users thereof need and the implementation of an information system within the institution, as there is not a clear image of the documents' circuit both within the accountancy department as well as within the relations with the other departments of the entity.

The findings gathered by the auditors as well as the proposed recommendations are included in the internal audit report that consequently attains its objective as far as information of the management related to the audited activity is concerned. The governance is responsible for the entity attaining its objectives, for the reliability of the financial reports, for the efficiency and effectiveness of the made operations and for the observance of the laws in force, for the report to those whom it may concern.

The observance of the norms of the professional authorities, of the laws and regulations in force leads to the

improvement of the communication between auditor and those in charge with the governance, leading to the increase of the relevance of the information presented in the financial statements. The role of the professional accountant is thus intensified, especially after Romania's joining the European Union, moment that lead to the compliance of the Romanian accounting system with the European Directives in the accountancy field (IV-th and VII-th Directives) and in the audit field (VIII-th Directive).

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