

# THE SOCIAL ROLE OF THE ACCOUNTING EXPERTISE: COMPARATIVE ASPECTS REGARDING THE ACCOUNTING EXPERTISE AND CONTROL ACTIVITIES

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## **Abstract:**

*Concerning its scope, the expertise exceeds the limits of the control/evaluation activity, since it is an individual work indicating opinions and professional clarifications, by reference to certain objectives and quality. Thus the attitude and the behaviour of the professionals accountants involved in those two activities must comply with the highest professional expectations. The specific coordinates of the accounting expertise activity grants it an unique character, unmistakable with the overall economic-financial activities.*

**Key words:** *accounting expertise, control, professional accountant*

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Expertises, in general, and accounting expertise, in particular, are associated with control activity (economic, financial, accounting, managing, fiscal, etc).

Concerning its scope, the expertise exceeds the limits of the control/evaluation activity, since it is an individual work indicating opinions and professional clarifications, by reference to certain objectives and quality.

From a social point of view, the control activity and the accounting expertise activity generate implications that influence the proper development of economic activities, the strict fund administration and management, the fair distribution of the economic results among social partners, it helps avoiding waste, providing for the state budget, applying the **law**, increasing the general wealthfare; legal accounting expertise helps to fairly analyse some causes that are addressed in specialized research or that are debated in legal courts. Thus the attitude and the behaviour of the professionals accountants involved in those two activities must comply with the highest professional expectations.

The specific coordinates of the accounting expertise activity grants it an unique character, unmistakable with the overall economic-financial activities.

The thorough analysis of the two activities which make the object of the accounting profession identifies the existence of an incidence area which groups inscribed *similarities* of certain common reference criteria.

*a*<sub>1</sub>) Both activities have the information provided by the financial-accounting documents as documentation basis (financial reports, primary documents, accounting records, reporting documents, etc.).

*a*<sub>2</sub>) Both activities use methods and techniques specific to accountancy as science and practical activity (progressive methods; digressive methods; the reconstitution of the turnovers, balance accounts and values registered in the primary documents which underlie the recordings in accountancy; the performance of certain cross-scores between the accounting positions; the check-up of the arithmetical calculations; the check-up of the assessment way for the assets elements; the check-up of the observance way concerning of the accounting methodology; the check of the method performance; the analysis of the way

in which the financial-accounting information is transcribed in the reports directed to the audience, etc.)

*a<sub>3</sub>*) The performed researches are reported in both cases to regulation of legal character from different areas of specialization (contributions, mergers, divisions, liquidations, salary rights, capital markets, insurances, tax obligations, community funds, NGOs, public institutions, credit institutions, etc.)

*a<sub>4</sub>*) Both activities suppose the compliance with the ethical and deontological principles ruled by means of a ethical code and accordingly, a high level of morality. The part of each ethical code is to regulate standards of professional and moral conduct which should ensure the increase of the service qualities, a good management of the social and professional relationships, the increase of the accounting profession prestige regardless its exercise type (as freelances, employees in specific companies or employees in executive or non-executive positions within certain entities from industry, agriculture, public institutions, education, etc.), public information and the building of a social-professional climate based on confidence.

*a<sub>5</sub>*) in the events of committing certain serious exceptions during the commission exercise, both the control body and the auditor shall be liable to sanctions of management, civil and penal character which may even lead to loss of the exercise right (concerning position or profession, as the case may be). Therefore, the auditor's denial to receive a work or the failure to submit a work within the established term or the denial to give the explanations required by the body which has ordered the forensic audit is punished with a fine comprised between 30 and 500 lei<sup>1</sup>. This aspect pays also attention to the fact that the value of the judicial fine is established through the proceeding regulations, this being able to exceed the fee value.

*a<sub>6</sub>*) None of the two activities can be delegated to third persons. The control activity is performed according to certain orders received on a hierarchical scale by virtue of the tasks derived from the job description and the personal labour contract, these being unable to be delegated. In accordance with the professional standard no. 35 elaborated by CECCAR<sup>2</sup>, the performance of the works regarding the forensic audits cannot be delegated by auditors appointed automatically or at the parties' recommendation, to the assistants or co-workers within office. In the case of the extrajudicial audits, the auditor may delegate the execution of certain works to his assistants or co-workers but the final responsibility for the content of the extrajudicial audit report is exclusively his.

Adjacent to the coordinates grouping similarities, the analysis also emphasizes certain *differences* which make unique the two activities belonging to the activity field applied by the auditors.

*b<sub>1</sub>*) The control activity is regulated by normative acts, methodological standards, instructions, specific guidelines and topics. The audit activity benefits by a personal regulation system both legally (Government Order no. 65/1994, republished; Government Order no. 2/2000 including subsequent amendments and additions), and procedurally (Code of Civil Procedure; Code of Criminal Procedure) and professionally (CECCAR Organization and Operation Regulation; the professional standard no. 35 issued by CECCAR; Rules no. 1044 elaborated by CECCAR; Regulation on the quality audit in the accounting services domain; The National Ethical Code of Auditors).

*b<sub>2</sub>*) the control activity may be performed by any specialist with economic training, while the audit activity is the object of certain regulations with special character. Government Order no. 65/1994, republished<sup>3</sup>, provides the fact that the profession of auditor and authorized accountant is exercised by the persons who acquired this capacity within the condition provided by law. The competence acquirement is conditioned by

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<sup>1</sup> Civil Procedure Code, Cap. 4, Article 108

<sup>2</sup> CECCAR, *Standardul profesional nr. 35: Expertizele contabile. Ghid de aplicare*, ediția a III-a, Editura CECCAR, București, 2009, pg 27

<sup>3</sup> art. 1

taking an entry exam and the running through a three years probation followed by the exam of professional abilities. The competence of the auditor is conserved through a permanent professional training monitored both within the personal office and the professional organism in accordance with the professional standards issued by IFAC<sup>4</sup>. According to CECCAR Rules no. 1044/2010<sup>5</sup>, on a two year period, the auditors registered in the Forensic Auditors Group are professionally assessed for the continuation of the forensic auditing activity; the personal options regarding the specialization fields are also assessed on the relevant criteria basis, concerning the permanent professional experience and training. The control activity presumes, most of the times, only a competence proved by the functional qualification.

*b<sub>3</sub>)* The control activity is exercised by specialists in the capacity of employee, hired on the grounds of a personal labour contract; the audit activity represents a mission specific to the auditor/chartered accountant, being performed on the grounds of a meeting conclusion or order issued by the investigation body (in the case of the forensic audit), or the service contract (in the case of the extrajudicial audit). The professional standard no. 35 elaborated by CECCAR regulated the minimal compulsory structure regarding the content of the service contract representing extrajudicial audits<sup>6</sup>, its conclusion being compulsory for each mission in part.

*b<sub>4</sub>)* The audit activity is developed in the private offices endowed with specialized publications, procedure and logistics textbooks, etc, according to certain rules of mission scheduling and planning, certain specific techniques and procedures. The control activity is performed within some functional structures by using the employer's logistics.

*b<sub>5</sub>)* The control activity has objectives established under the direct coordination of the entity managing this activity, in accordance with the control document and the characteristics of the controlled domain. The audit activity has objectives established only by the body ordering the audit (in the case of the forensic audit) or by the client (in the case of the extrajudicial audit), and the objectives are individualized depending on the assembly of factors (cause character, the technique on which the defense is based, the specialization of the magistrates, etc.).

*b<sub>6</sub>)* The control activity implies responsibility according to the personal labour contract, job description, internal regulations, and other documents with legal value issued by the employer. The audit activity is subordinated both to the procedural regulations (Code of Civil Procedure; Code of Criminal Procedure in the case of the forensic audit), and to the legal regulations (Government Order no. 65/1994, republished; Government Order no. 2/2000 including subsequent amendments and additions) or to the profession (CECCAR Organization and Operation Regulation, professional standards, The National Ethical Code of Auditors, professional rules, Regulation on the quality audit in the accounting services domain etc.). This responsibility is consolidated by the professional oath which is submitted under written shape on the registration date in the Body Table. From this point of view, the activity of the auditor is more restrictive than the activity of the control body.

*b<sub>7</sub>)* The control activity is performed in the parties' presence, the control being a prerogative of the executives. The audit activity presumes running certain specific procedures (as for instance, the conditions and methods of contacting parties in the case of the forensic audit).

*b<sub>8</sub>)* The control activity reflects findings of the appointed specialist by reporting to the supporting documents and legal regulations; the control makes legal framings mentioning the infringed normative act and the responsible persons. The audit activity researches phenomena and processes containing the auditors' opinions on the objectives established by

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<sup>4</sup> International Education Standard (IES) 7 professional development

<sup>5</sup> approved by the Board of Governors of CECCAR no. 10/200 of 21 July 2010

<sup>6</sup> CECCAR, *Standardul profesional nr. 35: Expertizele contabile. Ghid de aplicare*, ediția a III-a, Editura CECCAR, București, 2009, pg 38

the body entitled to order the audit performance, without legal framings or establishment of guilt.

*b<sub>9</sub>*) The control activity is a leading instrument with permanent character comprising the assembly of procedures from a patrimonial entity. The internal control enlarges over the whole activities performed in an organization. The external control activity is performed periodically over the whole operations making the object of the control topic. The audit activity has an occasional character and it is developed only over the aspects making the object of the questions registered by the body which ordered the audit. In the case in which the object of the cause is a control document, the auditor/chartered accountant enlarges his investigations only on its mission objectives. In the litigations of this type, the audit mission follows a control document which has been appealed in court.

*b<sub>10</sub>*) The findings formulated by the external control body or those stated by the internal control body which have involved disciplinary, criminal, administrative, etc sanctions, may be appealed in the common-law courts. In these cases, the control documents may be submitted to examination, analysis and conclusions expressed by the judicial assessment of the objectives formulated by the body ordering the audit against the findings and conclusions expressed within the audit report; the trial parties may formulate objections to the body ordering the audit (in the case of a forensic audit), the contracting parties may postpone or cancel the payment of the fee (in the case of the extrajudicial audits), or may submit disciplinary claims to the professional body managing the profession. In the case of the extrajudicial audit, disagreements may be mediated through arbitration or solved in court.

*b<sub>11</sub>*) The quality of the control document is assessed hierarchically, according to the part rendered to the enterprise positions. The quality of the audit is assessed by the body ordering it, this one being the only authorized to sanction the unconformity, by ordering a new audit as a result of some complaints formulated by the users of the audit works, confirmed by the investigations of the disciplinary commissions, the professional organism sanctions the inappropriate quality of the works, in very serious cases the sanctions reaching to the suspension of the profession exercise right for a certain period of time or even its interdiction.

*b<sub>12</sub>*) The forensic audit is submitted to the quality audit both in the private office and within the professional organism before submitting the report to the body which has ordered the audit. The findings and conclusions of the audit report exclusively involve the responsibility of the appointed auditor/chartered accountant. In the case of the extrajudicial audit, the auditor/chartered accountant must ensure the observance of the professional requirements by all co-workers who contributed to the foundation of the report findings and conclusions, the drawn up work involving the auditor/chartered accountant' responsibility under all circumstances. In case of a control document, the responsibility for its elaboration falls upon the entire team of specialists ho contributed to the foundation of the respective control document, without monitoring by a professional organism.

*B<sub>13</sub>*) In the case of the forensic audits, the auditor/chartered accountant contributes to the determination of the truth by the entitled bodies. The forensic audit report has the character of scientific evidence as it is the expression of the professional contribution belonging to the auditor/chartered accountant. The extrajudicial audit may represent the argument of appeal in the common law courts for a control document. The audit is a personal and critical work submitted to the quality audit performed within CECCAR professional organism. It feels the wind of the professional profile and the specific contribution of each professional accountant. The audit work includes the auditor's opinion expressed in order to give specialized clarifications to the body ordering the audit, in accordance with the established objectives and the provided evidence documents, by reporting to the accountancy science and certain criteria of quality. The control document expresses findings and recommendations of the specialist by reporting to documents, regulations, responsibilities, sanctions, etc.

*B<sub>14</sub>*) Both activities are developed on the basis of certain internal procedures whose efficiency and effectiveness are estimated within the internal control system. In the case of the control activity, the procedures are determined by the employer, according to the corporative governmental policies, the organizational culture, the activity field etc. In the case of the audit activity, the internal procedures are elaborated in the private offices under the direct responsibility of the auditor/chartered accountant, in strict correspondence with the procedural, professional and legal regulations, the experience of the auditor/chartered accountant and the good professional practices.

*B<sub>15</sub>*) The certification of the findings resulted from the control, is mostly performed by concluding some protocols or reports which should have content and structure specific to the type of performed control. The professional standard no. 35<sup>7</sup> includes reporting rules which are specific to the audit mission and which are unmistakable with other types of reports.

*B<sub>16</sub>*) In the case of the control activity, the conservation of the evidence documents is the exclusive prerogative of the entity issuing the respective instruments. In the case of the audit, the conservation of the evidence documents provided in the case file falls in the duty of the body ordering the audit. The control document may be accompanied by photocopies of the documents underlying the findings of the control body. The auditor/chartered accountant is forbidden to collect evidence in favour of a party; the audit report may be accompanied only by annexes whose author is the auditor/chartered accountant himself appointed (by the court or criminal investigation authority) or employed to perform the mission on the grounds of a service contract.

*B<sub>17</sub>*) The control document is designated to the organization management (internal control) or to the legal user (the state) which ordered the control (external control) performance. The audit has as final recipients (users) the criminal investigation authorities, the law courts, the natural or legal persons with capacity to pursue proceedings (in the case of the forensic audit) and the clients (in the case of the extrajudicial audit).

*B<sub>18</sub>*) The control types have an extremely complex character, being determined by variables such as: control character (management control, fiscal control, human resources control, financial control, internal control, technical control, quality control, etc.), the organizational culture, the specificity of the controlled object, the cognitive capacity of the involved subjects and the management quality. This confers on the control conducts and methods a wider diversity. Being part and parcel of the specific services of the liberal accounting profession, the audit mission holds a standardized frame of rules (rules of work, conduct and reporting), fact which confers on it a character of uniqueness and uniformity. At the same time, the conduct of the professional accountant borrows from the profession experience at the global level, being in a permanent competition of implementing experience and good practices. The exigencies disseminated by the profession storages at the global level, determines the auditors/chartered accountants to interact within certain types of collaboration which capitalizes and consolidates the profession unity.

The concise mentioned aspects emphasize the social part held by the audit activity as well as the particularities which confer it on a unique and unmistakable character within the ensemble of the activities falling into the economical and financial sphere.

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