

# ASPECTS CONCERNING THE AUDIT PROCESS MANAGEMENT

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**Abstract:**

*Organizing and conducting an audit mission represents a complex process that requires the combined efforts of an audit team's members. One of the prerequisites for a team to be successful in conducting an audit mission is to familiarize each of its members with the objectives and organization of the audit office employed to perform that process.*

*Among their duties, managers have the obligation to inform partners, on an ongoing basis, regarding all significant aspects of an ongoing audit mission.*

*An audit mission requires sequential stages containing different activities and tasks, performed in a predetermined order.*

Key words: *audit mission, organization, activities, asks.*

The companies have a limited freedom in choosing the presentation period of the financial situations, having to comply with the will of the shareholders, as well as with the provisions of the legislation applicable in this domain.

The audit firms meet the peak of the requests for their services generally in the beginning of the calendar year.

This activity fluctuation involves the necessity of an audit firm to dispose of a sufficiently numerous personnel, for being able to satisfy the needs in these busy periods.

An alternative strategy for balancing the activities implied by an audit mission, adopted by the majority of the audit firms, consists in the transfer of the activities, where possible, outside the busy period.

The audit missions are organized in such a manner that only the final examination step is deployed in the period of the beginning of the year, which coincides with the financial reporting period.

The audit firm is constituted from a group of individuals with responsibilities and with different professional backgrounds, which have at least two basic objectives, that intertwine<sup>1</sup>:

- The 1<sup>st</sup> objective, of a professional nature: of emitting an opinion in terms of the annual accounts analyzed, an opinion formulated with care and in accordance with the legal provisions or other regulations reflective of the respective domain. The attainment of this objective involves the fact that the respective society effectively deploys the activity for which it was established (it performs the main activity provided in the regulations);
- The 2<sup>nd</sup> objective, of a financial nature: of obtaining a profit from the provision of professional services, a profit that allows remuneration in accordance to the quality of the audit service provided and that would cover the risks involved by the execution of the work tasks. This objective implies not only a perfect activity of the society, but also an efficient activity.

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<sup>1</sup> Ghiță, M, Pereș, I, Popescu, M, Bunget, O, Croitoru, I, *Internal Public Audit*, Mirton Publisher, 2008

The completion of the two objectives can generate conflicts, also due to the fact that professionalism can involve the assumption of the risk of some clients to relinquish the services provided by one auditor in favor of another, given that the 2<sup>nd</sup> auditor proves willing to be more tolerant to certain practices of the respective client.

The amount and experience of the personnel of an audit firm generally varies according to its size and the complexity of the services it provides for its clients. Generally, an audit firm presents at least four important personnel categories, ranked in a pyramid scheme: the partners (associates), the directors (the managers), the auditors and the assistants.

Within the audit trial<sup>2</sup>, the personnel of the audit firm must comply with certain quality standards concerning the audit missions that they execute.

The application of the quality standards ensures the increase of the profession prestige by ensuring a minimum client protection on the basis of reducing the superficial audit risk.

The audit firms, to the extent that they offer qualitative service, improve their reputation, the clientele and, of course, the profit. The standards concerning audit quality control ensure both to the customer, as well as the auditors, a reporting criterion which serves to the comparison of the quality of the services provided by various audit firms in favor of their clients.

The quality of the audit services covers the professional competence and deviation from the professional standards (technical and ethical) in the domain concepts, especially in terms of expressing an opinion on the financial situations belonging to the audited company.

The international audit standards recommend for the politics and procedures of the quality control to be implemented both at the level of the audit firm, as well at the level of each audit mission. The relevant studies concerning the audit quality are established by national or international audit rules.

An audit firm that wants to diversify its clientele doesn't confine only to these standards, but develops its own quality standards, as detailed as the organizational structure and the cost/benefit report allow. The nature, the duration and the expansion of the politics and procedures of an audit firm in terms of the audit quality control depend of an entire series of factors, of which we exemplify: the dimension and nature of its activity; the geographic prevalence; the internal structure; considerations reflective of the cost/benefit report.

The quality of the audit process becomes particularly important when the audit firm is exposed to the risk of responding financially in the case in which it is held liable. Thereby, the users of the audit report become a pressure factor for the audit services quality increase.

According to the audit international standards, the quality control policies, which are adopted by an audit firm, must normally include the following minimal objectives: Professional ethics requirements; aptitudes and competences; the division of responsibilities, delegation, consultation, the acceptance and keeping of the clients, monitoring.

As an example, we propose an internal public audit mission concerning: "The evaluation of the process and implementation stage of the managerial control systems."

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<sup>2</sup> Laurentiu Dobroteanu, Camelia Liliana Dobroteanu – *AUDIT Practices and Concepts* Economic Publisher, Bcharest, 2002

**Auditing type** – A compliance/ regularity audit concerning the respecting of the principles and of the methodological and procedural rules in terms of internal control activity on the level of the audited entity.

**The purpose of the audit mission** was to assure that:

- the structure with monitoring, coordination and methodological guidance attributions of the managerial control system implementation and/or development was constituted;
- the attributions, the organization and work manner and their role in reaching the objectives were established;
- the development program of the managerial control system was elaborated and approved;
- the development program of the managerial control system was implemented;
- the implementation stages of this program were reported;
- the procedures for the activities identified in accordance to the 17<sup>th</sup> Standard – Procedures were elaborated and formalized;
- performance indicators were established and defined;
- the risks at the university level are managed;
- the development program of the managerial control system was implemented;

**The objectives of the audit** take into account the following:

1. the organization of the process regarding the implementation of the internal/managerial control system;
2. the implementation of the internal/managerial control system at the level of the audited entity;
  - The analysis of the implementation and development of the Development program of the internal/managerial control system.
  - The implementation of the internal/managerial control standards;
3. The elaboration of the quarterly and annual reporting regarding the implementation of the internal/managerial control system.

In the “The organization of the process regarding the implementation of the internal/managerial control system” objective, the internal auditor has identified the following **auditable objects**:

- The examination of the formation manner of the structure with monitoring, coordination and methodological guidance of the implementation and/or development of the internal/managerial control system, further named the Monitoring Committee, of the existence and topicality of the internal decision deed, issued to this purpose by the management of the public entity;
- The analysis of the Monitoring Committee Component, of the attributions and of its activities, depending on the volume and complexity of the public entity activities’.
- The examination of the organization and work manner of the Monitoring Committee and of the possible alterations supervened in their structure;
- Appreciations and recommendations referring to the pertinence of the monitoring, coordination ad methodological guidance activities unfolded at the Monitoring Committee.

The internal auditors have established as **significant risks** of these objectives, the following:

- The monitoring committee is not constituted through a decision of the entity’s decision;

- The constitution decision of the structure with monitoring attributions of the managerial/internal control system is not updated in accordance to the in force legislative alterations;
- The component of the monitoring committee, its attributes and activities are not adapted to the volume and complexity of the audited entity activity;
- The committee appointment decision doesn't include the attributions of its members; □ Only individuals from the management of the entity are part of the committee's structure;
- The members of the committee are not replaced by delegation by the same individuals in the case of absence (from the committee's meetings).
- No protocols are executed as a result of the committee's meetings;
- The monitoring committee hasn't established the organization and work manner through a committee organization and operation regulation.
- The unsatisfactory evolution of the monitoring activities by the internal/managerial control system.

The internal audit report was drawn up in the base of the Centralizing list of the auditable objects, of the Audit Program and of the On-the-scene intervention program, of the executed ascertainments, during the information collecting and processing.

All the ascertainments are based on audit specimens attained on the basis of the performed tests, registered in the work documents (verification lists, interviews) drawn up by the internal auditors and assimilated by the entity's management factors.

The evaluation is based on the questionnaires, on the discussion that eventuated, with respect to the recommendations of the internal auditors, in the mission enclosure meeting, appreciated by the participants as being realistic and feasible.

The opinion of the auditors is that the results of the internal auditors' evaluation on the Evaluation of the process and of the implementation stage of the managerial control system are registered in reasonable parameters for this period.

The auditors acknowledge the fact that the Internal/Managerial Control Standards is a process in course of implementation within the examined entity, in which each person is responsible to effectuate a certain type of control on their own activity, the process being coordinated by the heads of all the universities, departments, compartments by the operational procedures and represent the responsibility of the management department, which monitors this process.

Towards evaluating the internal/ managerial control system, the internal auditors took into account: the internal control environment of the entity; the performance and the risk management (the evaluation process of the risk by the entity); the information and communication system, available within the examined entity; the control activities effectuated at the level of the audited entity and their monitoring.

The audited structure has the obligation of drawing up the Proceeding program with an eye to implementing the recommendations and to report periodically, to the audit group, the implementation status of them.

### ***Conclusions***

The auditors have expressed an opinion with respect to the stage and the perspectives of the implementation and development process of the internal/managerial control system, which will substantiate on the following aspects:

- The efficiency of the activity unfurled by the Monitoring Committee;
- The effectiveness of the Internal/Managerial control system Program implementation measures or the encountered difficulties;

- The current nature of the entity 's objectives and activities and the suitability level of them;
- The suitability level of the performance indicators associated to the objectives;
- The accomplishment level of the procedures and the difficulties of the delayed non-implementation or implementation of theirs;
- The effectiveness of the encountered risks or difficulties management.

The internal auditors group within the Internal Audit Program of the performed testing and analysis evaluate the Decision Making System within the audited entity according to the following table:

Nr. crt.	OBJECTIVE	ASSESSMENT CRITERIA		
		FUNCTIONAL	NEEDS TO IMPROVE	CRUCIAL
1.	The organization of the process concerning the implementation of the Internal/Managerial control system		X	
2.	The implementation of the Internal/Managerial control system at the level of the audite entity		X	
3.	The drawing of the quarterly and annual reports with respect to the implementation of the Internal/Managerial control system		X	

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