FINANCIAL REPORTING – FROM RESPONSIBILITIES TO THE QUALITY ASSURANCE SYSTEMS

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Abstract: Particularities of the financial reporting exigencies suppose realistic approaches which are under the sign of at least two targets: on the one hand the correct understanding of the role of a relevant and reliable financial reporting and of the accountability for financial statements preparing and presenting, and on the other hand the increase in the users interest in the quality of the financial information provided by the financial reporting. There is a specific inter-relationship between the two categories of factors which should impose for the possible lacks in the process of preparing the financial statements to be identified during the qualified reviews and of other forms of quality assurance of the accounting information quality so that when this becomes public, when reaching the users, to answer to their demands. Being aware of the existence of a national creativity area in the process of assimilating the European norms and the international standards in the area, the current study intends to point out the main benchmarks for the financial reporting exigencies.

1. Introduction

It is well known that the financial statements represent a part of the financial reporting process, and the main responsibility to prepare and present the financial statements of the entities belong to their management.

The purpose of the financial statements is to provide relevant and reliable information, for a large diversity of users, on the entities financial position, financial performances and cash flows, knowledge about the management of the resources entrusted to the leadership, assessing the future cash flows and the moment of their appearance as well as the degree of reliability on the financial soundness of the company. This information is very useful in making economic decisions by the interested parties.

Considering these exigencies, the specialized bodies in the area at the European and international level permanently develop the system of the accounting norms and standards and ensure the institutional framework needed to increase the quality of the accounting reporting so that for the information provided to the interested parties to properly protect their investments and financial resources.

2. Development of the institutional system involved in the financial reporting at the european and international level

2.1. Framework

First, we can see that the exigencies of the financial reporting promoted by the European and international level in the area refers both to the financial reporting based on IFRS, but also on those based on the national accounting regulations.

It is well known that, on order to be in effect on a compulsory basis in the EU it is necessary for the international standards issued by IASB to be also recognized at the European level. This because of the reasons which relates to costs and time, it won't be good for the standards issued by IASB to be discussed again, and for these reasons the process of recognizing the standards at the European level was „entrusted" with so called **guaranteed**.

First guarantee consist in ensuring that the **EU is represented in whichever form in IASB.** Because IASB does not provide for observers, to the Commission it was given the right to have the observer status in SAC and IFRIC. Besides this, the EU Commission should be permanently in touch with IASB.

A second guarantee would be to **consider the specialist contribution of the different groups** of interested parties in EU in the international development of the accounting standardization process. Consequently, the specialized body called *European Financial Reporting Advisory Group (EFRAG)* has been created, which, on behalf of EU, is able to bring its contribution to the IASB process of accounting standards development and review.

EFRAG has been built as a private body by professional groups which are involved in the financial reporting. This is formed of a supervisory body and a specialized committee called *Technical Expert Group* (**TEG**), which members meet monthly and which takeover the specialized activity of EFRAG. The European Commission delegates an observer to TEG.

Besides this, there is also the so called *Banking Advisory Committee* (**BAC**), which takeover the European Commission activity in the banking and bank supervision areas. BAC starts its working when it is about to approve a standard for banks. This committee participates in the TEG meetings as observer.

As a third guarantee which should be nominated we can mention the requirement to **recognize the standards by the European Commission.** This recognition of the standards by the EU is necessary because the standards issued by IASB should be approved by a private committee on which the EU should not have a direct influence. As part of the recognition process, the European Commission is supported by an *Accounting Regulatory Committee* (**ARC**), in which the Member States are represented.

2.2. The securities area

In the process of stock exchanges oversight at the international level the International Organization of Securities Commission (IOSCO) is involved in, which is observer member at IASB, with no voting right. This body develops high quality standards in order to have effective and stable capital markets, and as far as concerns the accounting regulations, issued the so called *core standards*. IOSCO recommended to its members to recognize the IFRS financial statements when admitting the issuers to trading on the international capital markets.

At the European level, functions the independent Committee of European Securities Regulators (CESR). The European Commission provided in its Regulation no. 1606/July 2002 that the entities which securities are listed on a regulated market will have to use the International Financial Reporting Standards for preparing their consolidated financial statements. Anticipating this event, the CESR proposals put together the needs of the listed entities and the investors' needs. The listed companies will have to implement a transition process structured in stages so for the company to assess the financial consequences and a corresponding plan for the international accounting standards application. This information will be easier to provide by the listed companies if, as CESR suggests, a communication plan, developed by stages with key reporting points, is implemented.

In order to ensure the consistent and gradual application of the acquis communitaire in the Member States, the Interpretation Committee of CESR (CESR-Fin) with competencies in the financial reporting area developed *supplementary guidance on IFRS transition.*

By these recommendations the listed companies are encouraged to provide to the markets the reliable and useful information during the transition period from the national accounting regulations to IFRS, recommendations which refers mainly to:

- issuers to communicate in their financial statements how they intend to ensure the transition to IFRS and to explain in a narrative form the main differences they identified;
- issuers to be encouraged to provide quantified information on the impact of the new standards on their financial statements;
- When publishing interim financial statements according to the Member States requirements or on a voluntary basis, CESR propose that the issuers should start the application of IAS 34 *Interim financial reporting* starting with the first year when the companies should prepare IFRS financial statements;
- when this is not possible, issuers should be encouraged at least to use the IFRS principles of recognition and valuation for preparing quarterly or half year financial reporting to be published in the respective financial year, in a manner consistent with the accounting methods to be applied when preparing the consolidated financial statements;
- presenting comparatives to the previous interim reporting, restated in accordance with the IFRS, using accounting rules similar to those used for the same period of the year when the companies prepare IFRS financial statements;
- At the same tine, CERS proposes a format to facilitate the understanding of the differences between the reporting in accordance with the previous accounting regulations and the IFRS reporting.
- **In Romania,** the adoption of the strategy for the IFRS implementation by the categories of public interest entities regulated and supervised by CNVM (the National Securities Commission), including the Investments Funds flows from the provisions of the Accounting Law no.82/1991 republished and of the 1121/2006 and belongs to CNVM.

2.3. The banking area

For the credit institutions, at the international level there is the Basel Committee for Banking Supervision (BCBS) which sets the global strategy in the banking supervision area and has a decisive role in defining the regulatory capital for the credit institutions and in developing guidance and practices of a recommendation nature in order to ensure a sound risk management in the area.

According to the recommended guidance and practices by BCBS considering the options of the credit institutions for the fair value conform to IFRS, the authorities with tasks in the area of prudential supervision should consider:

- A sound risk management and control processes for the banks choosing to use the option for the fair value;
- Supervision criteria on the use by the banks of the option for the fair value in the context of assessing the adequacy of the risk management and the regulatory capital.

At the same time, the approach on the use of the fair value should be set in the context of a global strategy of the oversight body for the banking institutions.

As far as concerns the financial reporting for prudential oversight purposes of the credit institutions, at the European level functions the Committee of the European Banks Supervisors (CEBS), which promote the IFRS application also for prudential oversight purposes. Seeing the absence of some prestablished format for financial reporting for IFRS, CEBS developed a standardized financial reporting framework on consolidated basis (FINREP), which is to be used by the credit institutions (applying IFRS when preparing financial statements to be published) for preparing the interim consolidated financial reporting required, for prudential purposes, by the oversight authorities in the European Union.

This reporting system contains a set of basic information (consolidated balance sheet and consolidated profit and loss account), as well as other information than the basic one, each national supervisory authority being able to decide how much this system will be implemented in its own jurisdiction, as well as the opportunity to adapt it for the interim financial reporting developed at the individual level.

Concerning the IFRS financial reporting, and the prudential reporting of the credit institutions, the general conclusion of the authorities in the area is that *„for the banking system, the prudential financial reporting completely separated is expensive and can result in internal control risks and behavioral risks*" (SCHILDER, 2006). At the same time, the information the prudential supervisory body needs can not be always taken from the financial reporting. Consequently, it is recommended to use as much as possible the financial reporting, especially when is based on IFRS, in witch case the financial reporting become more and more risk sensitive.

The National Bank of Romania considers that the IFRS application concomitantly with promoting a performing financial management and of the corporate governance culture within the credit institutions represents a premise which is absolutely necessary for the development in the optimum condition of the process of implementing the New capital Agreement (Basel II) on the Romanian banking system. Consequently we can say that for the implementation of the New Capital Agreement, the mechanism developed both at the level of the Basel Committee but also at the level of the acquis communitaire (through CEBS) considers the financial information resulting from the IFRS application, to which a series of prudential filters are applied considering the specific objectives of the supervisory authorities.

2.4. The insurance – reinsurance area

For the insurance – reinsurance area at the international level function the International Association of Insurers Supervisors (IAIS) which get together the supervisors in the insurance area of 180 countries and starting with 1999, the representatives of the professional associations, insurers and reinsure, consultants and international financial institutions. As far as concerns the IFRS implementation in the insurance – reinsurance area, IAIS considers the use of the same valuation rules when assessing the insurance debts, both for solvency purposes and for accounting purposes as well.

The European Commission made the decision to establish the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) which is comprised of high level representatives in the area of insurance and occupational pensions in the European Economic Area (Norwegian, Iceland and Liechtenstein), having the functions of a decisional committee for the insurance and occupational pensions area in the „LAMFALUSSY" process implementation.

As far as concerns EIOPC (European Insurance and Occupational Pensions Committee), this was established as results of the provisions of the Directive 2005/1EC, by which the Insurance Committee was dissolved and replaced by EIOPC which took over all its functions.

According to their tasks the two above mentioned bodies forward a big number of working documents to the jurisdictions in the area, and following the public consultations, issue a series of regulations, information notes and decisions, which supports the implementation of the European Parliament Directives, including those in the accounting area.

Concerning the requirements for the information quality, considering the capital needs of the insurers and tracking the solvency in general, the conclusion is clear, namely the IFRS conformity. Consequently, the insurance companies apply all the IFRS. The main issues raised by the IFRS application in the insurance area refer to the insurance debts valuation approach.

In Romania, the national authority in charge with regulation and supervising the insurance – reinsurance area is the Insurance Supervision Commission. This institution provided the compulsory application of IFRS following the Romania's joining to the EU, only for preparing the consolidated financial statements of the listed entities.

3. Exigencies concerning the financial reporting

First, the Accounting Law no. 82/1991, republished, with subsequent changes and additions, clearly regulates the liability of the members of the management, supervisory and administration boards of the companies for the annual individual and consolidated financial statements to be prepared and published in accordance with the national legislation in force. Also, it states that the responsibility for the inappropriate application of the accounting regulations belongs to the economic director, to the chief accountant or to another individual entrusted to occupy this positions, together with all his/her staff. When the accounting services are outsourced, based on contracts for services provided concluded with natural or legal persons, authorize according to the law, CECCAR members, the responsibility for the accounting belong to the respective persons, according to the all and with the agreement provisions.

For the application of the accounting law, the Order of the Minister of Public Finance no. 1752/2005 for the approval of the accounting regulations conform to the European directives, as well as the Order of the Minister of Public Finance no 1121/2006 on the application of the International Financial Reporting Standards has been adopted.

In order to assess how the respective regulations are applied in a correctly and completely understood and applied, we started an empirical research for this purpose, which developed during the fourth quarter of the year 2007, the questionnaires launched comprising 41 questions, of which 33 referred to the application of the accounting regulations conform to the European directives starting with 1st January 2006 and eight questions referred to the assessment of the capacity for the IFRS application starting with 1st January 2007, by the categories of entities provided by the regulations in the area (Order of the Minister of Public Finance no 1121/2006).

The target group comprised financial auditors and trainees in the financial audit activity participating in the continuous professional education program for the year 2007and the representative sample has been formed of 230 individuals from almost all districts in the country, of which 182 individuals submitted their answers.

Some of the issues resulted are presented in the following:

Table 1

The written statements concerning the management responsibility

The financial statements prepared for the year 2006 have been accompanied by the written statements for the management responsibility of the legal person for preparing the annual financial statements conform to the Fourth CEE Directive?	Total (%)	Auditors (%)	Trainees (%)
Yes	95,05	96,91	92,94
No	4,95	3,09	7,06
TOTAL	**100,00**	**100,00**	**100,00**

Almost all the individuals under research (95%) confirmed that the financial statements prepared for the year 2006 have been accompanied by the written management statements of the respective legal person for preparing the annual financial statements.

Table 2

Approval by the managers of the accounting policies and of the internal control system

Accounting policies and the internal control systems are approved by the managers?	Total (%)	Auditors (%)	Trainees (%)
Yes	73,63	70,10	77,65
No	26,37	29,90	22,35
TOTAL	**100,00**	**100,00**	**100,00**

About three quarters of the respondents answered that the accounting policies and the internal control systems were approved by the managers.

A reason why about 30% of the auditors mentioned that in the entities they have contractual relations with, the accounting policies are not approved by the managers, **we consider to be the fact that the provisions of the article 142 of the Company law no 31/1990 by which are established some of the tasks of the board of directors which can not be delegated to the directors are nit clear enough**, for example establishing the accounting and of the financial control systems. In fact there is about establishing the accounting policies at the entity level and of its internal control system. We believe that the drafting in the law is not consistent with the accounting legislation and creates confusions as far as concerns its application in practice.

Table 3

Presentation of the deviations to the rules

Have the deviations to the rules been presented in the explanatory notes concerning the presentation in the financial statements of the assets, liabilities, financial position and profit or loss?	Total (%)	Auditors (%)	Trainees (%)
Yes	20,88	18,56	23,53
No	79,12	81,44	76,47
TOTAL	**100,00**	**100,00**	**100,00**

The most cases of deviations to the rules referred to the adjustments for the assets impairment and not presenting the information on the contingent assets and liabilities.

Table 4

Application of the accounting principles and concepts

When preparing the financial statements for the year 2006:	Total * (%)	Auditors ** (%)	Trainees *** (%)
Have been correctly applied the accounting concepts, namely management accounting and going concern	58,79	61,86	55,29
Have been correctly applied the accounting principles and the permanent amortizations and the adjustments for impairment and loss in value have been correctly recognized	47,80	42,27	54,12

** Percentage calculated in connection with the whole sample (182 individuals)*
*** Percentage calculated in connection with the number of the auditors involved in research (97 individuals)*
**** Percentage calculated in connection with the number of the trainees involved in research (85 individuals)*

Most of the individuals subject to review (59%) say that for preparing the financial statements for 2006 the accounting concepts have been correctly applied namely the management accounting and going concern. Only 42% of the auditors say that the accounting principles have been correctly applied and the permanent amortizations and the adjustments for impairment and loss in value have been correctly recognized.

Table 5

Use of the economic criteria for the recognition of property, plant and equipments

When recognizing the property, plant and equipment have been used economic criteria set by the entity or the value and useful life requirements provided by the tax legislation:	Total * (%)	Auditors ** (%)	Trainees *** (%)
Economic criteria	19,23	17,53	21,18
Criteria of value and useful life provided by the tax legislation	75,27	78,35	71,76

** Percentage calculated in connection with the whole sample (182 individuals)*
*** Percentage calculated in connection with the number of the auditors involved in research (97 individuals)*
**** Percentage calculated in connection with the number of the trainees involved in research (85 individuals)*

When recognizing the property, plant and equipment the value and useful life criteria of the tax legislation (considers 78% of the auditors and 72% of the trainees) and less the economic criteria.

Table 6

Property, plant and equipment revaluation

Use of the revaluation when preparing the financial statements for the year 2006	Total * (%)	Auditors ** (%)	Trainees *** (%)
Property, plant and equipment revaluation has been performed	61,54	65,98	56,47
Revaluation have been made by the authorized individuals	64,84	68,04	61,18
Following revaluation, do you consider that the fair values have been established	43,41	39,18	48,24
But for the buildings	42,31	41,24	43,53

* *Percentage calculated in connection with the whole sample (182 individuals)*

** *Percentage calculated in connection with the number of the auditors involved in research (97 individuals)*

*** *Percentage calculated in connection with the number of the trainees involved in research (85 individuals)*

Table 7

All the property, plant and equipments have been revalued, or only some groups?	Total (%)	Auditors (%)	Trainees (%)
All the property, plant and equipments	35,71	28,87	43,53
Only some groups	64,29	71,13	56,47
TOTAL	**100,00**	**100,00**	**100,00**

The property, plant and equipment have been revalued when preparing the financial statements for the year 2006 (answer 66% of the auditors and 56% of the trainees). This revaluation, according to the opinion of 64% of the respondents referred only to some groups if property, plant and equipments and have been performed by the authorized individuals (considers 68% of the auditors and 61% of the trainees). Still, just few respondents, about 43% considers that following the revaluation the fair values have been established. Of course, this opinion is also valid for the buildings revaluation where only 41% of the auditors and 44% of the trainees considers that these revaluations led to fair values.

Table 8

Application of the amortization method

	Total * (%)	Auditors ** (%)	Trainees *** (%)
The entity/entities used for accounting purposes the accelerated amortization method	19,78	22,68	16,47
Restatements have been made in order to establish the amortizations which can be distributed in costs	7,14	9,28	4,71

* *Percentage calculated in connection with the whole sample (182 individuals)*

** *Percentage calculated in connection with the number of the auditors involved in research (97 individuals)*

*** *Percentage calculated in connection with the number of the trainees involved in research (85 individuals)*

Only 23% of the auditors and 16% of the trainees state that the entity/entities considered fir their activity during 2006 used for accounting purposes the method of accelerated amortization. As far as concerns the restatements for establishing the amortizations which can be included in costs, these have been performed only in very few cases, being mentioned only by 7 % of the respondents.

Table 9

Presentation in the balance sheet of the capital assets

The capital assets are shown in the individual financial statements (balance sheet)	**Total (%)**	**Auditors (%)**	**Trainees (%)**
At the entry value minus the cumulated adjustments for their loss in value	74,73	74,23	75,29
At the fair value	25,27	25,77	24,71
TOTAL	**100,00**	**100,00**	**100,00**

About three quarters of the respondents say that the capital assets are shown in the individual financial statements at their entry value minus the cumulated adjustment for their loss in value, while a quarter states that the capital assets are shown in the balance sheet at the fair value, without mentioning that they refer to the consolidated balance sheet.

Table 10

Valuation of the short term investment in securities

Short term investments in securities traded on a regulated market is valued for the balance sheet purposes as:	**Total (%)**	**Auditors (%)**	**Trainees (%)**
The traded value as of the last day of trading	90,11	89,69	90,59
At the historical cost minus the adjustments to the value	9,89	10,31	9,41
TOTAL	**100,00**	**100,00**	**100,00**

Most majority of the respondents, 90% say that the short term investments in traded securities are valued in the balance sheet date at the value of the last day when they have been traded, but also we can not neglect those about 10% of the respondents which say that for this category of financial investments (traded), the valuation is made at the historical cost minus the adjustments to the value.

Table 11

Provisions

Do you consider that the provisions recognized in the financial statements of the entities you are referring at, cover the current liabilities as if the balance sheet date?	**Total (%)**	**Auditors (%)**	**Trainees (%)**
Yes	73,63	69,07	78,82
No	26,37	30,93	21,18
TOTAL	**100,00**	**100,00**	**100,00**

About 74% of the individuals interviewed believe that the provisions recognized in the financial statements of the respective entities cover the current liabilities at the balance sheet date.

Table 12

Accounting errors

The accounting errors from the previous financial years have been corrected:	***Total (%)***	***Auditors (%)***	***Trainees (%)***
With influences on the reported result	85,37	86,41	84,76
With influences on the revenues and expenses for the period, for those which are not material	14,63	13,59	15,24
TOTAL	**100,00**	**100,00**	**100,00**

The most part of the respondents (86% of the auditors and 85% of the trainees) say that the accounting errors from the previous financial years have been corrected with influences on the reported result. Still, a very important percentage mention that the respective provisions are not known enough and correctly applied, the errors being corrected with influences on the result of the period.

Table 13

Knowledge about and application of the accounting regulations conform with the European directives

Do you consider that the accountings regulations conform to the European directives are well enough known and applied?	**Total (%)**	**Auditors (%)**	**Trainees (%)**
Yes	27,47	28,87	25,88
No	72,53	71,13	74,12
TOTAL	**100,00**	**100,00**	**100,00**

The accounting regulations conform to the European directives are not enough known and applied (believe 73% of the respondents).

Table 14

Attitude of the managers/board of directors on the financial reporting

Do you consider that the Managers / board of directors pay enough attention to the financial – account documents as well as the necessary specialized support?	**Total (%)**	**Auditors (%)**	**Trainees (%)**
Yes	28,57	26,80	30,59
Not enough	65,38	64,95	65,88
No	6,04	8,25	3,53
TOTAL	**100,00**	**100,00**	**100,00**

Most of the respondents (65%) consider that the managers/board of directors does not pay enough attention to the financial – accounting area and also the corresponding specialized support.

We considered this analysis as being necessary just based on the current and future exigencies on the financial reporting, and the conclusions are very relevant as far as concerns the efforts for understanding, and correct application of the accounting regulations conform to the European directives, premises of the correct and complete application of IFRS as basis for the financial reporting.

4. Quality assurance systems and responsibilities

Quality assurance

Considering the above mentioned results of the research performed, in order to reach the targets for a quality financial reporting, it is essential for the financial auditors to perform high quality financial audits not only for avoiding the situations when they are required to be legally liable, but also in order to appropriately perform their tasks related to the public interest. The key issue is represented by minimizing the failure risks of an audit generate by not detecting the material misstatements which are present in the annual individual and consolidated financial statements, or by not reporting those misstatements which are detected and which are not corrected by the audited entity management. Consequently, it is essential for the auditors to avoid to issue a professional opinion which is not appropriate and which misleads the users of the financial statements.

Procedures meant to ensure that the statutory audits are performed at the higher standards, can be divided in two categories: the internal quality control system and the external quality assurance system.

The internal quality control system refers to the engagement level and at the level of the audit firm, and its standards are developed by the International Auditing and Assurance Standards Board of the International Federation of Accountants and comprise two standards: ISA 220 and ISQC 1.

ISA 220 refers to the quality control for the historical financial information audit and mentions that quality control procedures applicable to the individual audit engagements should be implemented, placing the responsibility for the key audit issues to the level of the engagement partner who bears the whole responsibility for the global quality of the audit and should implement the corresponding policies on: observing the ethic standards, the independence requirements, ensuring the appropriate management of the engagement, the appropriate and documented consultations etc.

ISQC 1 refers to the quality control at the firm level for the historical financial information audit and review as well as for other related and assurance services. This requires being implemented quality control procedures in the following areas: professional ethics, professional competence of the staff and the audit technical procedures of the firm, consultation as well as the regular review of how the procedures work and their monitoring.

As far as concerns the quality control systems, these are meant for two key purposes: to ensure that the financial auditors provide professional services of the highest quality by applying the technical and professional standards in the area; to support the trust in the audit profession, ensuring a permanent desire to maintain the highest standards in their professional activity.

Financial auditors responsibility

When a financial auditor natural or legal person, accepts an audit engagement, implicitly he/she accepts to perform the respective audit in accordance with the legal and professional obligations. If these obligations are not observed, the financial auditor make be held liable, being possible to meet tow kinds of liabilities: professional liability and civil liability. Concerning the professional liability, the Directive 43/2006/CEE, which provisions are to be implemented stating with this year also in Romania, at article 30 states the general principle according to which the Member States will organize effective systems for investigation and discipline, which can be civil, administrative and criminal liabilities, which will be appropriately disclosed to the public. The sanctions also include the license withdrawal of the natural and legal persons, as case may be. As far as concerns the civil liability, this intervene when the investors and other individuals experience losses as results of unexpected failures and are intended to recover the respective loss.

Because the financial auditors have professional liability insurance policies, very often they are considered to be a potential source from which the losses can be recovered when a mistake is discovered in how they performed their tasks. Considering the imperative requirements of the Article 31 of the Directive 43/2006/CEE concerning the financial auditor's liability, there will be issued appropriate recommendations to the State Members by the European Commission, as case may be.

Audit committees

Directive 43/2006/CEE (article 41) require to the public interest entities to have established an audit committee formed of non-executive directors of the board of directors or of members of the supervisory boards of the audited entities and at least one independent member should have competencies in the accounting/audit area. The audit committee has, among other, the following tasks: to monitor the financial reporting process and to monitor the effectiveness of the internal control systems of the companies of the internal audit as case may be, and of the risk management system.

An effective internal control system minimizes the financial, operational and conformity risks and improves the financial reporting quality. Such a system requires to ensure appropriate policies and procedures in order to provide reliable information conform to the applicable regulations, ensuring the use of the entity assets for the intended purposes. Based on this, the audit committee has the task to monitor if the control activities are performed and if there are mechanisms to identify the breaches of the internal control policies and he lack of application of the laws and regulation in force.

It results very clearly that the audit committees of the public inters entities (PIE) are required to monitor the financial audit of the individual and consolidated financial statements and to communicate the results of the audit to the audit committee. It is considered that the financial auditors, respectively the audit firms, should be direct and clear in their communications to the audit committees and to permanently ensure that all the relevant and significant issues are brought to the audit committee and openly discussed with this.

In conclusion according to the provisions of the Directive 43/2006/CEE, the communication between the financial auditor, respectively the audit firm, and the audit committee is considered to be a key component for the improvement of the financial reporting quality.

We also appreciate that, because the communication between the financial auditor and the audit committee represents a new practice in Romania, it is necessary to create a procedure in order to identify the principles and the rules for this communication.

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