

AN APPROACH OF THE RELATIONSHIP BETWEEN FINANCIAL AUDIT AND ACCOUNTING FINANCIAL CONTROLLING

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Abstract :This paper presents the necessary theoretical approaches for the delimitation and localization of the historical sources of the financial audit and of the relational ensemble accounting-financial controlling – financial audit, harmonized with International Accounting Standards. Market dynamics, economic conjuncture is elements witch can rapidly influence financial results, which require financial auditors to determine exact information regarding the future evolution of the patrimonial entity and regarding bankruptcy risk. Therefore, these aspects can hardly be noticed by means of the calculation and the analyses of all financial ratios of the patrimonial entity, since this method takes a rather long period time.

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Introduction

The evolution of the financial audit in the society has been gradual, being known as a distinct specialization of the accounting since the XVIIIth century, but without an exact dating and localization.

Even if the border between the sources of accounting and financial audit is not clear, their domain of application is distinct. From the historical point of view, we have noticed that the International Accounting Standards and financial audit have a common origin, being created by the professional institutions of England.

The contemporary period is market by the introduction of the International Accounting Standards as complex and complete principles of accounting used to present the financial reports of the patrimonial companies.

We can note that the financial audit appeared out of objective necessities, the same as accounting and financial controlling. Even if the initial goal of the financial audit was that of detecting the frauds, it has evolved in time that nowadays, it has the role to certify the accuracy of the information presented in the financial reports and their accordance with the International Accounting Standards.

The financial audit was introduced in our country in the transition period forward the market economy, out of the Romanian specialists wish to correlate and adapt the Romanian regulations with the accounting standards stipulated on the international plane. The Romanian financial auditors formulate the objectives of the financial audit in order to supervise permanently the application of the National and International Accounting Standards (Bogdan & Trandafir, 2003)

As a matter of fact the correct use of the stipulations of the International Accounting Standards represents the guiding principle of the financial audit activity in a patrimonial entity, which works according with these regulations. The financial audit has been

evolving from the accordance and attestation stage to performance, from the present phase to that of the accordance with the International Accounting Standards.

The statute of the International Accounting Standards in Romania

An important step made in order to establish connection between financial audit and those International Accounting Standards from the normative point of view is represented by the obligation imposed to certain patrimonial entities to make the audit of the financial reports, simultaneously with the application of the International Accounting Standards. Thus, the audit of the annual financial reports according with the International Accounting Standards has become obligatory (Bogdan, 2005).

International standards, both those of accountancy and those of financial audit, were taken over by Romanian legislation, at first experimentally and then, because of the proceedings up-dating, they could be introduced irrevocably in the form of national legal regulations.

Our research proved the fact that the investors who require an audit of their financial standing and the harmonization of their financial position with the provisions of the International Standards of Accounting draw a conclusion after comparing the results obtained to those provisions to harmonizing. The former, though not favorable to patrimonial entities (the profit is lower, the stock value is lower too), are to be preferred, because they present truthfully the patrimonial reality, and the financial ratios obtained by the firm are credible (Duțescu, 2000).

We consider that all the actions undertaken to regulate and put into accordance the financial audit with the International Accounting Standards represent the "foundation" for the Romanian financial audit to be recognized internationally.

We highlight the fact that the necessity of harmonization is also a result of companies desire to apply *a uniform accounting system*, obtained by obeying the provisions of the International Accounting Standards. The usage of several systems of regulations leads to slow operations and especially to expensive ones and the results obtained differ (Belverd and all., 2001).

Furthermore, by harmonizing the financial audit with the International Standards of Accounting we envisage the improvement of the accounting information quality so that the information resulted from the financial positions audited is real and correct.

The French professor Bernard Colasse stated: "once accomplished the adjustment of the accounting system to the new social and economic tendencies of a certain age and place, this adjustment has favored the temporal and spatial spreading of these novelties factor of progress in their economy".¹⁷

The accounting information needs to be reliable in order to be used in the decision - making. This quality is the result of the accumulation of a series of characteristics: pertinence, reliability, temporal and spatial comparison, cost efficiency for data gathering and processing.

In our opinion, the financial audit has the purpose of enhancing user's trust that accounting information has been obtained, processed and analyzed according to the provisions of the International Standards of Accounting and Financial Audit, and financial statements present (totally or partly) the true image of the patrimonial realities

¹⁷ Colasse B. – General Accounting, Moldova Publishing House, 4 edition, Iași, 1995, p. 45.

at a certain date (audit's date).

Therefore, we can say that present day accounting regulations in Romania require that the making – up financial statements should reflect truthfully and correctly the image of the patrimony. This is possible if these who manage patrimonial entities make appeal to the professional judgment of financial auditors.

Few particularities of the method of auditing a financial statement

When planning and defining a method of auditing a financial statement, the most difficult aspect for financial auditors is represented by obtaining an adequate quantity of audit records, with minimal costs and without having obstructed the normal activity flow of the patrimonial entity.

The relevancy of financial audit records is significantly influenced by the quality and thoroughness of the activity carried on by the financial auditor or, in other words, by the independence and accuracy of his conclusions (Bogdan, 2007).

Market dynamics, economic conjuncture is elements witch can rapidly influence financial results, which require financial auditors to determine exact information regarding the future evolution of the patrimonial entity and regarding bankruptcy risk.

We think that these aspects can hardly be noticed by means of the calculation and the analyses of all financial ratios of the patrimonial entity, since this method takes a rather long period time.

Thus, by using the method of extrapolation, we have rapidly found out some tendencies depending on time. When using *the method of extrapolation as a procedure of financial audit*, we recommend its usage for patrimonial entities which have their financial statements drawn up according to the provisions of the International Standards of Accounting, in order to elaborate predictive studies for prolonging the past tendencies of variables. The most spectacular aspect encountered by us when using the above-mentioned visualizing the impact had by harmonizing accounting with the International Standards of Accounting represents method.

The knowledge and understanding of the economic domain studied by the financial auditor, the detailed analysis of the relationships between revenues and results, all depending on time and on other parameters motivate us to make appeal to the method of dynamic pattern-making and to include it within the financial audit procedures.

The usage of dynamic pattern making offers us a much char and more detailed picture and the studied relation. By using dynamic pattern making we can identify cyclical or periodical aspects of the studied phenomenon, and implicitly the time horizon they refer to.

Dynamic pattern making is a modern technique used mainly to predict the economic activity of patrimonial entities, but which, we think, can be useful to financial auditors, as a procedure of information processing and simplified representation of the phenomenon.

To the manager of the patrimonial entity, the financial audit has the role of offering specialized suggestions to surpass a situation of crisis or to obtain an increased efficiency of the results.

Our opinion is that Romanian firms haven't reached that level of awareness necessary, or have no interest to appeal to the professional services offered by financial auditors. This explains the general lack of interest for financial audit as a means of reflecting the way we obey the provisions of the

International Accounting Standards and also as a means of correctly presenting the financial results obtained.

We consider that it is necessary *to increase the number of the firms audited periodically or annually*, especially of those which take an active part in auctions on Romanian market, of those which use credits, of hospitals and other institutions which ménage large sums of public money.

Conclusions

This paper clarifies the uncertainties and confusions, which exist among the financial audit and accounting, the financial controlling and the internal audit. Thus, we have specified that, even if the border between the sources of the accounting and those of the financial audit is vague, their domains of application are distinct.

The use of the *dynamic pattern making as a new financial audit procedure* has the advantage of a technical apparatus very well developed, studying both the existence and the stability of equilibrium solutions, because a solution of unstable equilibrium cannot be observed in reality.

One of the *advantages* of this procedure being used by financial auditors is the *shortening of the time spent by the financial auditor to understand the economic financial position of the client* another advantage is obtaining a useful prediction.

Another advantage and maybe the most important is represented by the fact that this procedure of dynamic pattern making *helps us to identify cyclical or periodical aspects of the patrimonial entity audited and implicitly the time horizon it refers to*.

The advantages of using this procedure are more numerous than the possible disadvantages, fact that encourages us to recommend the usage of this new procedure of financial audit and to convince financial auditors that optimal results can be obtained in a short time.

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