

POSSIBILITIES OF IMPROVEMENT OF THE RELATION CONCERNING THE REVISING AUDIT

Constantin STAICU, Professor, PhD.
Nicu MARCU, Lecturer, PhD.
University of Craiova

Key words: audit report, revising, countable reports, credibility.

Abstract: We consider that the approach of the enunciated theme constitutes a novelty regarding the audit theory in our country, representing, at the same time, a challenge for the practitioners in the field in view of the simulation of exercising the professional reasoning, so it can be assured a growth of the credibility of the relation issued by the auditor. The improvement of the revising relation concerns an extensive structure of it, following the international Standards for revising Engagements. In this sense, we take advantage of the fact that the mentioned standards, as the other standards in the field, recommend a short form of the auditing report, which is presented to the beneficiary, but we retain as being important the fact that they don't contain stipulations that forbid another way to structure them. Thus, we appreciate that the financial auditors, with a rich practical experience and a professional reasoning situated at high level, have the possibility to better argument the minimum obligatory elements recommended through the report model, in a short form, recommended by the standards which we mentioned, and, in consequence, to be more convincing in what concerns the opinion that they express, with favourable effects inclusively for the continuation of the collaboration with the beneficiaries to which are addressed the respective reports.

A succinct **introduction** in what concerns the enunciated theme allows us to mention that it represents an approach that we consider useful and opportune both in theoretical and in practical level. In this sense, we take into consideration the fact that the problems that concern the revising engagements of the historical financial information provoked very few debates in the specialty literature, and when they took place they listed themselves in the spirit and in the letter of the international standards in the field, without commentaries and/or opinions of improvement. On the other hand, we retain the fact that the audit missions at which we refer have registered a significant increase, especially in the last 2-3 years, being demanded by entities, during the financial exercise, under the form of a legal obligation for making operations which affect their own capitals and especially the social capital subscribed and deposited and not only that, which gives the occasion, naturally, to increased professional occupations from the auditors' part.

Connected to **the delimitation of the category of engagements concerning the revising audit and their exacting realization** it is imposed that the auditor to have in mind, at the beginning, that it is necessary to know the general concept on the audit activities, expressed in „Preface to International Standards Concerning Quality Control, Audit, Revising, Other Services and Connected Services which are currently named International Standards or IAASB Standards, which apply in our country, till 15th of December 2008, in the 2006 version [Financial Audit – 2006. Standards. Ethic code].

According to the concept expressed in this Preface by IAASB it is granted **distinct authority to the International Standards for Revising Engagements (ISRE)**

applicable in the historical financial information revising, which particularize them face to other categories of standards specific to the audit missions that deal with the problems that concern audit pure and simple of the historical financial information (ISA), the insurances connected to certain problems (ISAE) and the connected services (ISRS), in the sense of the compilation engagements with established procedures with the beneficiaries and other works of this nature.

On the other hand, in the spirit and the letter of the above mentioned document, it is also imposed the underlining that professional auditors have **the obligation of exercising the professional reasoning**, in the sense of the correct interpretation and applicability of all standards of audit and, implicitly of the one due to the revising missions. At the same time, we retain as being also important the fact only in exceptional situations and only on the basis of professional reasoning are allowed to the auditor transgressions from the basic principles or from the essential procedures established through the audit standard or standards, in case, due to the engaged mission, but it is compulsory that each deviation be justified in a convincing way, with arguments based on his professional reasoning, so that it emphasizes the fact that it took place to obtain better credibility and quality of information that are offered through his audit report.

We consider that the above mentioned remarks constitute sufficient arguments concerning the emphasis of the importance of the approach of the enunciated theme in a personal manner, in the conditions of the exacting applicability of the professional reasoning. Thus, it is intentioned to be put into evidence the fact that, on the one hand, this desideratum is viewed from the perspective of a concrete way of deviating from the mentions of the revising standards which were referred to, through the extension of the content of the report that it is made by the auditor. On the other hand, it is taken into consideration the fact that are considered all the standard elements of the respective report, which denotes that, in the spirit of the professional reasoning, there are applied the basic principles and the essential procedures specific to the revising audit.

At the same time, we appreciate that the proposal of application of the professional reasoning in case of the creation of the audit report for the revising missions is advantageous for all the financial auditors, not matter the nature of the audit works, because the existent approaches in the specialty literature connected to its call are, most of them, succinct and only theoretical, fact for which they are not sufficiently convincing for the necessity, opportunity and especially the means, strictly speaking, for its exercising. In this context, we also have in mind that through the extension of the content of the audit report, which can also make the object of the beneficiary request, it is assured, certainly, a plus of credibility for the opinion expressed by the auditor, inclusively for the persons outside the entity.

The proposal at which we refer takes into consideration a set of temporary financial situations, especially an accountable report due to the first semester of the financial exercise, which we consider to be representative.

To make possible the evaluation of the proposed report structure, compared to the model recommended by the revising standard (ISRE 2410) we remember the fact that the latter contains the following essential elements: addressee, introduction, field of applicability and the auditor's conclusion. All these elements are presented synthetically and occupy approximately 2/3 of a page.

In what follows we present **a revising report proposal in an extensive form** for a set of temporary financial situations.

Revising report
of the financial situations at 30.06.2007

To,
The managing council of (entity's denomination)

Introduction and responsibilities concerning revising

We made the revising of the financial situations – balance, benefit and loss account and the explanation note – finished at 30.06.2007, to obtain an insurance that these accountable reports don't contain significant errors.

The financial situations were elaborated under the responsibility of the management of the entity, especially of the financial-accountable subordinated staff, according to the Accountable Reglementations according to the Forth Directive of the Economic European Communities and with the International Accountable Standards and, at the same time, with the Accountancy Law no. 82/1991, republished, with the ulterior modifications.

Our responsibility is in expressing a conclusion referring to these temporary financial situations, on the basis of the made revising.

In what concerns the revising mission, included in the category of the audit connected services, the Conceptual background in the field foresees to permit a limited insurance which in other cases is considered to be reasonable.

Thus, the revising mission is conceived to give the possibility to the auditor to provide a limited insurance level. Whithin this sort of engagement, as an auditor, we have the possibility to provide a limited insurance level in the sense that the information existent in the financial situations at 30th of June 2007 doesn't contain significant errors, as it is stipulated both in the "General Audit Standards" and in the 2410 Standard "Revising temporary financial situations", adopted by the Chamber of the Financial Auditors in Romania, which are in accordance to the Audit International Standards.

The objective of the present revising mission of the temporary financial situations is that to allow us to express a conclusion, on the basis of some procedures that don't offer all the evidences demanded in an audit engagement, if there is some clue which determines us to consider that the accountant report at 30th of June 2007 is not replaced, under all significant aspects according to the Accountable Reglementations in accordance to the IV-th Directive of the Economic European Communities and with the International Financial Report Standards, approved through the Order of the Public Finances Ministry no. 907/2005, modified through the Order no. 1121/2006.

In what concerns the verification of some assertions contained by the financial situations submitted to revising, we mention that we had in mind the analytical procedures and the investigations used in this sort of missions, as the collect of useful information, elements that, compared to the audit mission, are restricted.

It is also imposed the mention that the auditor tried to comprise in the tests he made all significant aspects, but the revising processes are restricted, comparatively to those in the audit mission and determines a moderate insurance level, comparatively to the one offered through an audit report, taking into consideration, in this sense, the risk of expressing an inadequate conclusion in the case in which the temporary financial information are significantly misstated.

Further, we proceed to the revising the accountant balance finished at 30.06.2007, of the profit and loss account and of the explanation note, as they are presented by the entity, reports that were made under the responsibility of its management. Our

responsibility is that, on the basis of the made revising, we provide a moderate insurance level on the financial situations in question.

The revising thus programmed and executed through realizing these investigations, especially the persons responsible to the financial or accountant aspects, and the application of analytical procedures, and also other revising procedures, so that it insured the necessary information on the situations on each semester, in the sense that they don't contain or hide significant errors.

Exercising the revising mission was in the examination, on the basis of polls, of probing elements which justify the data and the information contained in the expertised situations. It was also taken into consideration that both the evaluation of the used accountable principles and methods and the significant estimations made by the society for closing the accounts, and in making a revising of the ensemble revising of these ones.

In this context, we estimate that the accomplished revising insures a reasonable basis which allows us to provide a moderate insurance level concerning the temporary financial situations that made the revising object.

The person that makes it obliges himself to insure the entire confidentiality of the data and information put at his/her disposal by the entity.

The Applicability Field and the Nature of Revising the Accountant Reports at 30th of June 2007

The revising was in the examination of financial situations for the First Semester 2007, on the basis of the legal recommendations in the field, mentioned above.

In this sense, there were taken into consideration the principles and rules concerning the evaluation of the patrimony, established by the Accountancy Law no. 82/1991 republished, with the ulterior modifications, and the Accountant Reglementations in accordance to the IV-th Directive of C.E.E. and with the Financial Report International Standards.

The verification of the financial situations assures to the beneficiary the certainty of the fact that these are made according to the actual legal stipulations, and their components provide trustworthy elements necessary to users.

The revision of the financial situations is a knowing, action and improvement process which, among others, assures:

- The Agreement between the information that it provides and the criteria used for obtaining them;
- The Control of the correct determination and registration of the final financial result;
- The legality of the operations concerning the registration or the modification of the social capital;
- The correct takeover in the data verification balance in the synthetical accounts and the accord between the synthetical and analytical accountancy;
- The respect of the methodological norms concerning the making of the financial situation and their informative data;
- The sincerity of the documents and the information contained in the administration report.

To determine the specific nature, the duration and the length of the revising procedures, it was also taken into consideration the fact that the present mission refers to the accountant semmestrial report, not to the annual one, as it may be understood even from the denomination of the demanded standard that contains the expression of

financial situations, and the professional reasoning exercised being taken into consideration various aspects, of which we can mention:

- The knowledge acquired with the occasion of the audit of the annual and semestrial financial situations concerning the previous exercises;
- The knowing of the beneficiary and of the principles and practices of accountant nature, used by the regular juridical persons and supervised by C.N.V.M.;
- The level of significance of the transactions and the balances of the accounts etc.

Otherwise, within our revising mission, it was applied the same level of significance of the considerations as in the case of expressing the audit opinion on the financial situations in the previous exercises.

The revision mission of the accountant report from 30th of June 2007 used the recommended procedures by the standard no. 2410 “Revising Engagements of Temporary Financial Situations”, and the auditor’s practical experience as in:

- The obtaining of supplementary information for detailed knowing of the activities nature that the beneficiary develops;
- Investigations concerning the applicability of the accountant principles and practices stated through the Accountant Reglementations according to the IV-th Directive of the Economic European Communities and with the Financial Report Financial Standards;
- Investigations in what concerns the methodology of making registering, classifying synthesing transactions operations and accumulation of necessary information concerning making and the content of financial situations;
- Investigations referring to significant operations that contains the accountant report submitted to the revising operation;
- Analytical procedures which allow the knowing of causes and factors that generated some relations or individual elements with exceptional character, that impose supplementary information to be correctly understood. In this sense, there were made comparisons with the financial situations in the previous exercises or with the anticipated results and the financial position, and the analysis of the relations between the elements that the financial situations contain and those possible to realize according to the beneficiary’s experience.

Among the investigations specific to different categories of patrimonial elements used in the revising mission, there are mentioned only those considered as being significant and which concern:

- The investigation of the cash transfers;
- The existence of the accordance between debts and the total debts registered in the verification balance;
- The separation of the pure selling transactions from the selling cashing;
- The accountant politics applied to investments;
- The correct accountancy of the operations referring to financial investments;
- The corporal immobilizations and their liquidation;
- The accountant politics regarding the provisions and adjustments for depreciation or valuable loss;
- The accountant politics regarding debts, inclusively those of commercial nature;
- The transactions of proper capital;
- The comparison of the results with those in the previous period etc.

Connected to the application of the above mentioned procedures, the auditor also mentions the fact that he/she obtained information which allowed him/her the following findings:

- All the economic-financial operations were registered in justificatory documents and correctly registered in accountancy;
- The financial situations were made on the basis of the synthetical accounts verification balance made at 30.06.2007, which, in turn, mirrors the data that exist in accounts;
- During the period for which there are made the revised financial situations, no modifications of the activities developed by the beneficiary unit took place;
- During the period at which we refer there were maintained inalterable the accountant principles and practices etc.

At the same time, the auditor retains that through the application of the previously mentioned procedures wasn't in the situation to consider that the information submitted to the revising mission can significantly be false, ground for which it didn't impose the use of additional procedures or the extent of the ones frequently used.

Conclusion

On the basis of the evaluation of the conclusion based on the obtained evidences and from the made investigations, the auditor formed the opinion that there are sufficient elements to express a conclusion concerning the financial situations that constituted the object of the present revising engagement. In this sense, we also have in mind the fact that during the revision there was no hint that the accountant report offers significant errors according to the Accountant Reglementations in accordance to the IV-th Directive of the Economic European Communities and with the Financial Report International Standards.

According to the above mentions, **the auditor considers that the adequate obtained evidences**, through investigations and analytical procedures, inclusively through collecting useful information, **are sufficient to express a conclusion** concerning the accountant report made from ... at 30th of June 2007. In other words, the auditor expresses **a moderate insurance level** referring to the provided information through the temporary revised financial situations, which constituted the objective of the present audit mission, in the sense that they lack significant false declarations.

Date

AUDITOR,

Address

Finally, we consider that the present material brings a plus of information of theoretical nature concerning the audit report that is made in the case of the revision of the intermediate financial situations, and, at the same time, in which concerns the exercise of the professional reasoning for the increase of its credibility at the level of the interested entities.

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