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**SUMMARY
DOCTORAL THESIS**

**DEVELOPMENT OF AUDIT
SERVICES IN ROMANIA**

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In contemporary world, the audit is well organized and conducted in accordance with the provisions of International Standards on Auditing. Audit: word of Latin origin, converted in time by the Anglo-Saxon practice, strictly signifies today the process of reviewing accounts done by independent experts in order to express an opinion on their regularity and fairness. We point out that various terms were used in different periods of time, with similar contents but nevertheless different, such as: control, revision, inspection, supervision, accounting expertise, check etc. Every single term translates into: comparison of the existing situation with the one that should be; risk determination and analysis of deviations; proposal and recommendation of measures able to facilitate the achievement of the entity's objectives. Audit is often confused with other concepts such as evaluation and / or diagnosis.

Therefore we consider that an auditor, who is confronted with a complex and uncertain environment, should answer two main questions, namely: What should be done? and How should it be done?

Identification of frauds and errors represents the background of the activity meant to increase the credibility of all statements audited. The purpose of accounting audit is the provision of insurance regarding the regularity, conformity and legality of records related to movements of assets, revenues, expenses and financial results.

A very important aspect of the performance of an audit of the accounting data is to correctly reflect the economic events that occurred during the accounting year. Basically the most important thing is to determine whether the recorded information properly reflects the events. Any auditor must thoroughly understand the accounting rules because they are the criteria used for assessing the proper registration of accounting information.

In addition to a good understanding of accounting, the auditor must have a good experience in the collection and interpretation of audit evidences. This experience makes the difference between auditors and accountants. Identification of appropriate audit procedures, determination of the number and types of items that must be tested and evaluation of the results are each one unique problems characteristic for an auditor's activity. All users of accounting information rely on the auditors' opinion, starting from investors, creditors, government and public, for a correct reporting and accounting, for a competent advice and management.

In our country, the emergence of the concept of internal audit is an important step for it is contributing to the improvement of economic entities' management. It appeared as a stringent necessity of the public and private sector to the new challenges of modern economy, since the current economic and social phenomenon has become more dynamic and changes are occurring nationally and internationally at a more rapid rate. Both private organizations and public institutions are often faced with risks associated to their activities, risks with a significant financial impact on the activities developed in order to achieve goals. The condition that must

be satisfied for a proper risk management is the proper implementation of the system of internal / managerial control.

The subject of the research topic is to highlight the development of audit services in Romania taking into account the manner in which they are organized and carried out, but also its importance in ensuring the quality of accounting information. For a better understanding of audit services development in Romania, we have followed a set of four objectives that were gradually presented in the Ph. thesis.

The first objective aimed to emphasize the place that audit services hold within the accounting profession and the importance of audit in ensuring the quality of accounting information. There is a very strong bond between accounting and auditing. Accounting is the source of information for audit and, at the same time, we can say it represents the raw material to be processed, verified and certified by auditing. The most important objective of a financial auditor is to expose corruption and irregularities, to determine and control the system of work. By exposing fraud and errors, the auditor contributes to the proper functioning of the accounting system. Information about the activities and financial results of a company can be gathered from the accounting records, and the accounts must be verified in order for this information to be accurate, reliable, and valid and provide the necessary information. In the present context, a transparency of financial information is necessary more than ever. The behavior and activity of accounting professionals have a relevant impact on the economic growth of the country in which they operate.

The second objective followed in the thesis was the external audit in Romania which does not benefit of a modern law or a supreme audit institution that should operate like other Supreme Audit Institutions in other E.U. Member States. However the organization and functioning of the Court of Accounts is regulated by the Constitution of 2003, Romania having International Standards on Auditing for the public sector, some minimal standards that must be met and an impressive collection of best practices that can represent a source of inspiration for a new legal framework.

Professional ethics and the risk in the audit activity is the third objective of this research and it refers to the generally accepted standards. Their study demonstrated that these guidelines are most appropriate answers to the questions that arise in practice and their application in the various cultures of different organizations or countries can promote original solutions as well, while respecting the fundamental principles of the profession.

The existence or non-existence of audit risk also depends on the monitoring of audit's quality. An audit firm should implement a quality monitoring process, designed so as to provide a reasonable assurance that the policies and procedures related to quality control systems are adequate and operating effectively. The professional body responsible for supervising the quality of audit services is the Chamber of Financial Auditors of Romania (CFAR), which has created a distinct structure, respectively the Department of Monitoring and Professional Competence (DMPC) for

the assurance of audit services' quality by all professional auditors, individuals and firms.

The fourth objective was to follow the **directions of organization and development of audit services in Romania**, and for the achievement of this goal was made a summary of the following: the demand for audit services by analyzing the evolution, over time, of the number of audit firms, the features and diagnostic analysis of the current situation in the medical field from Romania, the organization of internal audit in hospitals and the present challenges of internal audit in the medical field in Romania.

Thesis structure complies with the rigors of developing a research paper, containing an introduction, four chapters, conclusions, proposals and future developments and references. The order and content of the four chapters respects both the principles of scientific rigor, consistency, coherence and content of the work, systematization, but also the psychopedagogical principles related to the accessibility of information, the growing complexity of ideas and the coherence between them.

The introduction involves arguing the actuality of this research topic, defining the theoretical significance of the thesis and presenting the objectives, purposes and scientific novelty of the research.

The first chapter entitled "**The Place of audit services in the accounting profession**" points out the importance of information's quality provided by the auditors for the top management. The audit practically influences the decision-making process, being a starting point in developing managerial strategies and policies designed to increase the efficiency and effectiveness of the organization.

The second chapter "**Audit services in Romania**" highlights the legal regulations for the organization and functioning of the Court of Accounts – the only institution of external public audit, but also the ones specific for the organization and functioning of internal audit in the public and private sector in Romania. We have given significant importance in our research to the organization and conduct of external audit and the analysis of financial audit market's size. Romania currently has no centralized system able to provide the exact situation of the companies that have been audited, but we appreciate that, if Romania will adopt a policy of development and support of small and medium enterprises in the near future, combined with a decrease of audit's binding limits, the situation will be characterized by an audit market in continuous growth, which will generate greater confidence in the economic environment.

Thus we have tried to offer, by following the specialized literature, an overview of the place audit services hold in the accounting profession and a brief insight into the audit market in Romania in terms of legal regulations and organization of internal and external audit.

For a better understanding of the organization and functioning of internal audit department in an entity, we conducted a case study at the S.C. Pharmaceutical Argeşfarm S.A. so to bring to the fore all the basic elements that should be included in the firm's Internal Audit Charter.

S.C. Pharmaceutical Argeşfarm S. A. is a company which, according to current regulations, is required to organize the internal audit function, and has subsidiaries that operate as profit centers in the counties of Arges, Valcea

and Olt. Currently, the internal audit of S.C. Pharmaceutical Argeşfarm S. A. is conducted by an audit firm that is part of the Big Four.

Based on the above mentioned facts, in the third chapter "**Professional Ethics and the internal audit risk**", we have identified and clarified the risk assessment, the practices to reduce them, the difference between audit failure and economic failure and not least the choice of sample to reduce audit risk.

For audit risk assessment we have presented several models: International Standards on Auditing model, Bayesian model, Trust functions model, which have proven that the risk assessment in financial audit is a complex activity and there is still no consensus regarding how it should be approached. Practitioners use predominantly the model offered by international standards, although it is often criticized in the economic literature, the main arguments against it being the simplistic way it treats the problem and its inability to meet all the requirements of auditors.

We considered useful to present in our research the categories of possible risks after conducting a survey involving 700 entities in Romania whose turnover exceeds EUR 7.3 million. Following the responses given by 240 respondents, the response rate was 34% and we identified 22 risks falling into three categories.

In Chapter 4, entitled "Directions for the organization and development of audit services in Romania", a market analysis of audit services in Romania has been conducted, in fact a diagnostic analysis of the medical field in Romania based on figures presented by the EU institutions. This chapter has presented a study on developing a methodology for the exercise of internal audit in hospitals in Romania on the example of Pitesti County Emergency Hospital.

At the end of the paper we have elaborated a synthesis of the main "**Conclusions, proposals and future developments**", a corollary of the whole thesis in which we express our opinion that the analysis of audit services' development in Romania gives an overview of the place services audit hold in the economic environment and provides information that can be further used by managers in shaping future strategies able to determine a harmonious development accompanied by reports made under auditing standards.

Much of the results of research made for the elaboration of this thesis were taken from:

- Four research reports:
 - *IMPORTANCE OF PROFESSIONAL ETHICS AND RISK IN AUDIT ACTIVITY;*
 - *PLACE OF AUDIT SERVICES IN THE ACCOUNTING PROFESSION AND THE AUDIT SERVICES MARKET IN ROMANIA;*
 - *AUDIT PROCEDURES AND TECHNIQUES. AUDIT RISK OF PROJECTS FUNDED BY THE EUROPEAN STRUCTURAL FUNDS FOR ROMANIA;*

- *DIRECTIONS OF ORGANIZATION AND DEVELOPMENT OF AUDIT SERVICES IN THE MEDICAL FIELD FROM ROMANIA*
- *Five published articles:*
 - *ANNUAL FINANCIAL STATEMENTS – STARTING POINT FOR ARCHIEVING THE STATUTORY AUDIT, Proceedings of the 1st International Conference on Tourism and Economic Development, 27-29 Octombrie 2011, pag. 345-349, ISI Proceedings;*
 - *THE IMPORTANCE OF ACCOUNTING INFORMATION QUALITY IN THE PERFORMANCE OF STATUTORY AUDIT, published in Analele Universității din Craiova, Seria Științe Economice, Vol 3, Nr. 39, 2011, Pag. 50-55, journal indexed in international databases;*
 - *CONSIDERATIONS UP ON SAMPLING IN THE FIELD OF FINANCIAL AUDIT, published in Analele Universității din Craiova, Seria Științe Economice, Vol 2, Nr. 40, 2012, Pag.175-180, journal indexed in international databases;*
 - *THE SIGNIFICANCE OF ETHICAL CONDUCT FOR THE ACCOUNTING PROFESSION, published in Revista Economică, Vol 4, 2012, Pag.254-256, journal indexed in international databases*
 - *BRIEF INCURSION IN THE EVOLUTION OF INTERN AUDIT, published in Analele Universității „Constantin Brâncuși”, seria Științe Economice, 2014, Pag.328-331, journal indexed in international databases.*
 - *Nine papers presented at national and international workshops and conferences*

In an attempt to provide a useful guide in this area, we approached the theoretical literature, opinions of some experts, but also specific aspects of practice in the field, which have allowed us the extraction of observations and opinions of our own. Considering all these aspects, we believe that there is enough space for the continuation of this scientific research and discovery of new solutions for the development of audit services and their quality's improvement given the public interest of the audit profession.

Given the need to amend and supplement the Government Emergency Ordinance no. 90/2008 on the statutory audit of annual financial statements and annual consolidated financial statements, we consider useful the achievement of following directions of development of audit services:

- authorization, respectively approval of statutory auditors and audit firms, should be carried out further on by the Chamber of Financial Auditors of Romania under the supervision of the Supervision Council in Public Interest of the Accounting Profession;
- the Chamber of Financial Auditors of Romania should conduct some revisions to ensure the quality of audit, except for the statutory

auditors carrying out statutory audit of public interest entities whose supervision can be carried out by the Supervision Council in Public Interest of the Accounting Profession;

- C.A.F.R. must be responsible for establishing a system of investigations and penalties for the detection, correction and prevention of inadequate statutory audit done by the its members;
- compliance of statutory auditors with the International Standards on Auditing, the Code of Ethics, the Rules of Independence and the adequacy of fees to avoid damage to the reputation of auditors.