FINANCIAL AUDIT VS ACCOUNTING
AUDITUL FINANCIAR VS CONTABILITATE

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Abstract. *The audit is a disciplin that seeks continous solutions to practical problems fundamenting it self on teories, concepts that deliver concrete explinations .The financial situations using audit tests to establish the conformity of the elaboration prezentation and publication of financial situation compared to the standars of accounting.*

Rezumat. *Auditul este o disciplina care cauta continuu solutii la problemele practice fundamentandu-se pe teorii si concepte care furnizeaza explicatii concrete in vederea asigurarii obiectivelor urmarite.Auditul financiar consta in studierea situatiilor financiare pe baza de teste de audit in vederea stabilirii conformitatii elaborarii, prezentarii si publicarii situatiilor financiare in raport cu standardele de contabilitate.*

The auditing of any business influences the information that is provided in financial statements, especially in terms of their correlation with reality, their compliance with legislation and the applicable regulations. Audit is regarded as the discipline that is derived from practice and seeks solutions, being based on theories and concepts that offer viable explanations in order to achieve the proposed objectives.

MATERIAL AND METHODS

Auditing provides additional credibility for the accounting information published by the respective business. Auditing constitutes a counselling or hearing before reaching an evaluation or appraisal, a critical review required to assess a particular financial statement. It utilizes a range of data collection and assessment techniques in order to produce a well-founded and independent judgment based on evaluation norms which seeks to appreciate the reliability and the efficiency of the systems and procedures employed by a particular business entity.

RESULTS AND DISCUSSIONS

Financial auditing is in effect an adjacent discipline of accounting that combines knowledge of accounting and law, analysis, finance and economy, and ethics. One of the chief feature of auditing is the careful and critical observation of financial statements.

These statements are constantly monitored by a series of end users such as:

1. Current and potential investors, who are interested in the profits generated by their investment and in the risk associated with the business,

considering that they look for higher dividends that facilitate a reduction of funding directed towards development.

2. Employees, who are interested in the profitability rate and especially the stability of the business

3. Financial creditors, who monitor the capacity of the business to pay back the loans it has received

4. Commercial creditors, who have a short-term interest, concerning to the payments made in due course

5. Customers, who are interested in the longevity of the business

6. The government, who focuses the allocation of resources

7. The general public, who has an interest in the job opportunities

8. The managers, who seek to enhance the activity.

Financial statements contain information about past events without referring to non-financial information that some users may need in the decision-making process.According to the vision of Bernard Colasse, there emerge three groups of contending users, namely the accountants, who are the actual producers of information, the managers and the external users. The data regarding the company's registered capital, its turnover, profit and methods of evaluation are satisfactory for the 3 categories, being controlled by accountants. The data referring to human resources and environmental issues are accepted by managers and external end users yet they are beyond the accountants' remit. The data of annual balances of accounts are accepted by managers for publication and are provided and administered by accountants, yet they are not relevant for external users. The data about salaries and management accounts are primarily of interest for external users, but managers want them to be handled with confidentiality. Accountants provide and control this information.

Information about staff turnover are provided by the accountants, yet managers do not prefer them to be publicly available. Such information does not concern external users. The information referring to the company's strategy are of interest to external users but mangers do not allow their public communication; accountants cannot provide or control such data. These contending interests have led to the emergence of two policies of information about the financial status of companies:

- the policy that completely serves the interests of users, an external policy that requires the surveillance of available information; the policy that serves the convergent interests of the different users.

Some users equate accounting and auditing because a large part of the auditing activity concerns information related to accounting and the majority of financial auditors are also chartered accountants. However, one must distinguish between accounting (which ensures the registration, ranking and summary of data on transactions performed, delivering them to the decision-making process; it requires the knowledge of and compliance with rules that are based on accounting processing) and the auditing activity (which ensures the establishment of conformity of recorded information with the actual economic events, requires the knowledge of accounting rules by auditors and experience in identifying the audit evidence, their retrieval and interpretation as well as the evaluation of the results).

Financial audit focuses on the objectives of financial statements, i.e. the company's financial position, as presented in the balance sheet; accounting policies and treatments; the company performance in terms of the profit and loss account.

The goal of financial audit is achieved by the communication of the auditor's opinion on the image that the financial statements provide and in particular the degree to which this image is accurate, in all its significant aspects, according to the generally agreed accounting principles. To conduct the financial audit, the accounting cycle of financial statements is divided into parts. Each part is then dealt with separately and also in conjunction with the others. In the specialist literature there are three theories that emphasise the necessity of auditing, namely:- the theory of agency, which stresses the fact that investors cannot be fully confident that managers will utilize funds adequately, without misusing them. Both owners and managers need to nominate an independent financial auditor who can provide an accurate rundown of the company's financial statements;- the theory of assurance, which explains the need for financial auditing, in terms of the principles of assurance and availability to information;- the motivational theory, which explains the need for financial auditing in terms of the professional of the persons who are responsible for drafting financial statements.

One can reasonably state that financial auditing is necessary owing to the control that it provides over the quality of information, given that it achieves an independent control of accounting data. From a legal point of view, financial audit is comprised of the following two aspects: legal audit, which certifies financial statements and oversees the management of the business and is utilized by comptrollers and financial auditors. Contractual audit, which can certify certain elements of the balance, statements intended for business partners as well as confirm the reliability of certain financial plans; it is conducted by chartered accountants and financial auditors.

According to the data provided by the Chamber of Financial Auditors, on the business market, the state of play in the contest between the demand and offer of financial audit is the following: The audit offer: more than 600 companies are registered to conduct financial audit and more than 1600 persons are chartered financial auditors. The potential offer can be increased with the number of interns admitted in the entrance exams for the financial auditor profession; The financial audit demand has seen a constant increase since the year 2000, with an estimated 2500 companies beign audited at the end of the year 2005.

Although financial audit is required by the practical circumstances, it can only be conducted in the framework of the applicable international norms and national legislation.

These standards lay emphasis on the chief personal qualities that the financial auditor must possess. The auditor must be a qualified person, with relevant training, professional expertise and formal training in auditing and accounting. Standards of procedure refer to those aspects related to the collection of audit evidence and other field work.

They are provided by professional manuals and lay emphasis on the quantity and quality of the audit evidence.

Standards of reporting require the financial auditor to provide comparisons between the current and previous year. The auditor's report must include opinions on the overall financial statements, the reason for the control performed by the financial auditor and the level of responsibility that the financial auditor takes on.

Quality control of the audit of financial statements is provided by the International Standard on Auditing 220 R "quality control of historical financial statements". The quality standards must be observed both by the auditing body and in each financial audit engagement. The importance of quality control on the auditing process increases when there is a risk of financial liability on the part of the financial auditor. According to the standards on auditing, the chief objectives to be followed as far as the quality of auditing is concerned are:

- professional requirements that involve the compliance with professional ethics obligations; skills and competencies that focus on providing qualified personnel, assuming responsibilities and continuous professional training; consultation, the procedure that allows the employed personnel to resort to specialists consultation; the delegation of responsibilities, and appropriate guidance, monitoring and review at all levels; the acceptance and securing of clients, a method which seeks to evaluate the potential audit clients and the control of existing ones; integrity, independence and objectivity.

CONCLUSIONS

In taking the best decisions for the purpose of achieving the economic and social goals, all stakeholders involved in the running of a business must reach an understanding of the issues involved in transactions, as described by the data provided in financial statements.

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