ETHICS INSTRUMENTS USED IN AUDIT MISSIONS

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Abstract
The audit practice is increasingly heading towards a generalisation of this field that does not seem to have a direct connection with the accounting system of economic entities. We live in a very active period for the business world, in which the performances of the economic entity are increasingly analysed, which makes the financial statements as real and transparent as possible. But this transparency and reliability of financial and accounting information is given and validated by a professional accountant, who is also called auditor.

Key words: Financial audit; ethics instruments; financial reporting.

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I. INTRODUCTION

The “communication of the auditor with the management of the company”, presents the ethical principles and the deontological principles that a professional must possess. The management side goes along with the audit, the latter takes into account all the documents that the manager makes available. In order to prevent and detect corruption, fraud and errors are not the responsibility of the auditor, but they are entirely the responsibility of the public entity manager.

Auditors should be alerted when they find some weaknesses of internal control, disagreements in highlighting accounting financial statements, errors, economic operations and irregular results, which could indicate the existence of fraud, lack of probability or corruption.

II. ETHICS INSTRUMENTS REGARDING THE AUDITOR’S COMMUNICATION WITH THE COMPANY MANAGEMENT

Ethics can be defined as a set of principles or moral values. Philosophers, organisations and professional groups have defined different sets of ideal principles or moral values. We can list some examples for the implementation of the sets of moral principles or values; laws, codes of professional ethics defined by professional groups, regulations, but also codes of conduct applied within organisations.

“The deontological code represents a statement on the values and principles that should guide the daily activity and practice of the auditors.” A specific meaning attributed by our company is given to the term professional or specialist. A specialised professional is required to behave more rigorously than other members of the society. The term professional suggests a certain responsibility for a person's behaviour. An expert financial auditor, as a professional, takes a great deal of responsibility towards the public, his customers and his colleagues. For the auditor, it is important that both the client and the external users of the financial statements have confidence in the quality of audits and other services in the financial-accounting field.

In the area of financial audit, the public is represented by clients, creditors, state authorities, employers, employees, investors, the business community and other entities that are based on the objectivity, integrity and professionalism of the financial auditors. For a financial auditor, his responsibility implies not only meeting the clients' requirements, but according to the standards of the financial auditor profession, they are determined, to a large extent by the general public interest. "The International Federation of Accountants Code of Ethics (IFAC) defines the professional accountant as being a member of a professional body that has joined the IFAC, whether it is a free professional (natural person, associate of a civil accounting company or shareholder of an accounting company) or employees in the industry, commerce, public sector or education. The term professional accountant includes the term “auditor”, that is, professional accountant charged with carrying out a basic, special or related audit missions.

The mission of the International Federation of Accountants, as established by its statute, is to develop and improve the worldwide accounting profession based on harmonised standards. To accomplish its mission, the IFAC Council established the IFAC Ethics Committee, to develop and publish, under its authority, high quality ethical standards and other materials in support of professional auditors around the world. During the transition
process to the market economy. Romania looked for a special way in the accounting implementation and regulation. The International Financial Reporting Standards (IFRS) represent generally approved accounting standards, accepted globally by all the countries, able to harmonise to a larger extent the accountancy standards and procedures used in different countries. (Mates & Grosu, 2008).

The Code of Ethics for Professional Auditors, prepared by the IFAC Ethics Committee, is structured in three parts. Part A sets out the fundamental principles of professional ethics for professional auditors and provides a conceptual framework for their application. Parts B and C illustrate how the conceptual framework should be applied in specific situations. Part B addresses professional auditors of public practice. Part C applies to the professional auditors employed. Authorisation of the rules and their implementation are made according to the Statement of Principle of the governing body of the IFAC member professional institute.

According to the International Standard on Insurance Missions (ISAE) no. 3000, the accounting professional must comply with the ethics rules issued by IFAC (International Federation of Accountants), rules contained in the "Code of Professional Ethics of Accountants” that was adopted in Romania by the Body of Accounting Experts and Authorised Accountants - the national member body of IFAC, under the name of National Code of Ethics of Accounting Professionals. At an European level, the rules of professional ethics and quality control of audit activity are regulated by Directive 2006/43/EC of the European Parliament and of the Council of May 17th 2006 on the statutory audit of annual accounts and consolidated accounts. The provisions of this directive have been adopted by the Chamber of Financial Auditors in Romania. These accounting professionals (auditors, accounting experts, authorised accountants) promote to the public at least the role of attesting that:

- they are independent, objective, professionally integrated;
- to have the professional knowledge that is required in order to fulfil their tasks;
- serve their clients with professional care and in a manner that is in accordance with their responsibilities towards the public;
- have adequate professional relations with the other members of the profession they belong to.

There are several fundamental ethical principles that are mentioned in the code of professional ethical conduct: integrity; objectivity; professional competence and due attention; confidentiality; professional conduct; respect for technical and professional standards; independence.

**Integrity** - justice, honesty and sincerity must be the qualities of the auditor or expert accountant.

The objectivity consists in the fact that an auditor or expert accountant is as fair as possible and has no problems with prejudices, conflicts of interest or external influences (Bostan et al., 2013). Professional competence consists in providing competent professional services, done with care and care, and the level of knowledge that justifies the expectations of a client or of the employer is maintained at a high level (Hlaciu et al., 2014; Cosmulescu et al., 2014; Grosu, 2019; Ciubotariu et al. 2019). The latest developments and innovations in professional practice and in law should always be reviewed and always be informed of changes and news.

The two components in which professional competence is divided are:

- obtaining the professional competence consisting of studies, seniority, access exam, internship, aptitude examination;
- maintaining competence, also divided into two:
  a) all the evolutions in the profession, always kept up to date, but especially the attention paid to the national and international accounting and auditing norms;
  b) In accordance with national and international norms, a quality control program of services must be adopted.

Confidentiality is the keeping of all information received during the provision of professional services in secret. The principle of professional secrecy or confidentiality should also be applied to collaborators used by an auditor. The disclosure of information or its use for one’s own interest or for the benefit of others is strictly prohibited by law. This principle of retention of information is valid even after the audit mission is completed.

If the communication of information is authorised by the client then the principle of confidentiality does not apply. Disclosure cases provided by law include:

- testimonies in court proceedings;
- the obligation to disclose to the competent authorities the offenses found;
- the existence of the professional disclosure obligation. If the communication of information is authorised by the client, then the auditor will consider the interests of all the third parties involved that could be harmed.

If the auditor decides to disclose certain confidential information, the auditor must consider several measures, including:

- situations involving unjustified or unjustifiable facts and opinions must be avoided; the professional must always resort to his judgment, to see the types of information to be disclosed;
- the people who receive the information from the professional, must be fair people and be able to receive them;
Professional conduct implies not discrediting the profession by inappropriate behaviour. In a compatible manner, the auditor must act for the good reputation of the profession. Professional organisations must offer this principle to the general public (the beneficiaries) and to each member of the organisation in order to establish and guarantee a good conduct.

In order to be a good auditor with a professional conduct, worthy of good professionals, one must have a suite of qualities, considered essential:

• science, competence and conscience;
• independence of spirit and material disinterest;
• morality, probity and dignity

Respect for technical and professional standards

This principle shows that the accounting professional or auditor must fulfil the professional services according to the applicable technical and professional norms and has the obligation to follow the instructions of the employer or of the client, so that they are compatible with the demands of integrity, objectivity, and independence when it comes to liberal professionals.

It is essential for auditors to maintain an independent attitude in the exercise of their responsibilities, but it is important to have the confidence that the users of the financial statements must have in this independence. These two objectives are called independence of spirit (independence of professional reasoning) and independence in appearance (behavioural).

Financial "limited review mission" is governed by the International Standard on Review Missions (ISRE) 2400 "Financial Statement Review Missions" (replacing ISA 910 "Financial Statement Review Commitments") and ISRE 2410 "Review of the interim financial information by an independent auditor of the entity" (applied from December 15th, 2006) (Tulvinschi, 2012).

III. RISK FACTORS AND THEIR EFFECTS IN THE AUDIT

When we want to do an analysis on the financial statements of a company, we consider that there are certain risks that an auditor must properly analyse. Thus, in the analysis of the audit process, a very important place is occupied by the risk assessment. "The risks do not all have the same possibilities to be realised. From this point of view, the potential risks and the possible risks are distinguished. (Oprea 2003)"

Potential risks are mistrustful that they will occur if no control has been exercised to prevent or remove any errors that might be made. These risks are encountered in all entities. Potential risks, those that refer to the accounting system and the internal control system are also called inherent risks.

Possible risks are those risks that are unavoidable and the company has no means of elimination of. These errors can occur without being detected or corrected. Possible risks related to the accounting system and the internal control system are also called control risks.

The auditor, when he is aware of the risks that lie ahead and the potential factors that will influence the financial statements, will plan his activity taking into account these risk factors. During the audit mission, the auditor is faced with a wide variety of risk factors, but the most common ones are those related to the specificity of the economic entity, to the nature of the operations treated, the design and functioning of the accounting system and of the internal control system. Any auditor wants to be aware of the risks and their effects. (Bostan and Grosu, 2010; Turcanu et al, 2008).
IV. CONCLUSIONS

The audit took a very broad form following the diversification of the activities that the entities carry out, due to the variation of activities, an entity is exposed to many more risks, thus, the audit goes beyond the financial-accounting sphere. Performing a professional audit mission is about preparing the auditor. This must depend a great deal on the reading, on the ability, attention, observation, dialogue and communication of the auditor.

In our country, the implementation of the audit is very important for all institutions. But in order to be implemented, it is necessary to follow certain factors: there must be some legislation which is not very restrictive regarding the implementation of the audit; the activity must be carried out according to the international auditing standards and the legislation should show the framework after which it must develop; practice is more useful and more important than the regulatory restrictions; to liaise with the managers of the entities; audit professional training increases managers’ confidence in themselves; the advisory function that the auditor holds is of great importance, this makes the manager and the auditor have permanent consultations; the auditor’s independence allows the auditor to objectively look at the activity, so he can form an opinion that will allow the manager to ensure a good performance of the activity.

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