

PREMISES FOR A MORE EFFICIENT INTERNAL AUDIT MISSION

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ABSTRACT: *The theoretical research in the fields - internal audit aims to explain why successful companies have failed to implement effective strategies and policies and effective internal audit through the application of appropriate models for assessment and analysis activities and specific processes and identifying good practices. The scientific approach was based on the analysis of the operational performance of processes and activities of internal audit and the size analysis behaviors of the organization as a component of their economic strategy, which together with marketing strategy and production, are part of a strategic plan of the company.*

KEY WORDS: *audit, mission, plan, report, evaluation.*

JEL CLASSIFICATIONS: *B21, M42*

1. INTRODUCTION

In literature, internal audit is defined in the following forms:

- it is an independent assessment for the management of a company by examining accounting operations, financial and other, on all services. It is a kind of managerial control achieved by measuring and evaluating the quality of other control actions. Internal Audit assesses tasks, under the control of accounting records, reports, of assets, capital and results.
- it is an independent and objective activity that gives an organization an assurance regarding the degree of control held over operations, a guide to improve its operations and contribute to adding value. The internal audit helps the organization to achieve its goals, evaluating through a systematic and methodical approach, its risk management processes, control and management of the company, and making proposals to enhance their effectiveness.

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- it is a functional activity independent and objective that gives assurance and advice designed to add value and improve public entity's activities; It helps the public entity to achieve its objectives through a systematic and methodical approach, evaluates and improves the efficiency and effectiveness of risk management, control and governance processes.

2. ORGANIZATION OF INTERNAL AUDIT MISSION

When organizing internal audit mission specialists within an entity should consider the following distinguishing features:

- a) universality;
- b) independence;
- c) periodicity.

a) The universality of the internal audit function lies in the scope, purpose, role and professionalism of the people who are involved in achieving this function. Internal audit exists and operates in all organizations, regardless of their field of activity. The internal audit was implemented first at multinationals, then was transferred to domestic companies, after which it was assimilated into administration.

b) Internal auditor independence lies in the fact that it must have a free thinking without preconceptions. The internal auditor may not be a controller, manager or contractor, because of the question "what to do in the audit process? ".

c) The frequency of internal audits is determined by the evaluation of risks. Internal auditors can audit an entity a short period, but may return after some time, depending on the risks that arise. We can say that the frequency lies in the frequency of internal audit risk.

3. PLANNING THE INTERNAL AUDIT MISSION

The internal audit plan is one of the most important tools of the internal auditor and the way it is designed depends the efficiency of his work. The internal audit plan is a tool that must be continuously adjusted to reality and policies of the entity so that modifications and adjustments should be done every year or whenever changes occur in the structure parameters were considered in developing the plan.

According to art. 14 of Law 672/2002 "draft internal audit plan is developed by the departments of internal audit, based on assessment of risk associated with different structures, activities, programs, projects or transactions and by taking suggestions from the manager of the public entity, in consultation with superior public entities ".

The internal audit plan is drawn up annually by the internal audit department and internal audit selection is made based on the following elements:

- use of risk assessment structure, activities, programs or operations;
- suggestions of the entity manager, previously identified deficiencies in the audit reports, deficiencies in the protocols concluded after inspections, etc.;
- number of subordinate public entities;

- compliance with the auditing periodicity in at least once every three years.

In developing the internal audit plan must be taken several mandatory steps:

- auditable inventory items;
- quantify the total fund time required;
- quantifying the available time fund annually;
- compensation available fund for the annual with total time required and

adjust it;

- calculating risk coefficients for auditable elements;
- ordering of auditable items;
- structuring the internal audit plan;
- strategic plan and annual plan.

The internal audit mission goes through four distinct stages:

Preparatory phase - is defined as the period during which it will carry out all preparatory work before taking action. At this stage using the following procedures:

a) Initiate audit:

- Order service;
- Declaration of Independence;
- Notification of triggering internal audit mission;

b) Collecting and processing information - centralized list of auditable objects;

c) Risk analysis - Table of "strengths and weaknesses";

d) Develop internal audit program: - audit program;

- Preliminary program of interventions on the spot;

e) Opening meeting - the opening session.

Intervention stage spot - is to collect documents, analyze and assess activity and includes the following procedures:

a) Gathering evidence: - Checklist;

- Tests;
- Sheet analysis and identification;

b) finding and reporting irregularities – A form designed in finding and reporting irregularities;

c) Review the working documents - centralizing note of the working documents;

d) Closing Meeting - closing session.

Internal Audit Report - this step is the transmission and dissemination of the internal audit report. This step is accomplished through the following procedures:

a) Preparation of the draft of internal audit - Draft Report;

b) Submission of the draft of internal audit report;

c) Conciliation meeting - Minutes of the conciliation meeting;

d) Final Report - Final Report;

e) Dissemination of the internal audit report.

Tracking recommendations - the objective of this stage is to pursue and formalize the implementation of the recommendations of the internal audit report. This step is accomplished through the following procedures:

a) Follow-up recommendations - recommendations tracking sheet;

b) Supervision - Supervision list of documents.

4. CONDUCTING THE INTERNAL AUDIT MISSION

Next we will try to summarize some key elements of the audit engagement within a company.

Regulatory Framework:

- The internal audit plan for 2016 approved;
- Law no. 672/2002 on public internal audit;
- Order no. 38/2003 approving general rules on the exercise of the internal audit;
- H. G. No.37 / 2004 on amending and supplementing Law no. 672/2002 on public internal audit.

The timeline of the audit: 11.01.2016 - 11.12.2016.

Audited period: 01/07/2016 - 10/31/2016.

Number of auditors assigned 2.

I. Composition of the internal audit mission:

1. The purpose of the mission:

- To give assurances that the transaction revaluation of inventory and accounting terms were fair;
- To give assurances that there are controls in place for each operation or activity and that they operate.

2. Structures audited: accounting department and the administrative service;

3. General Documentation:

a) Organizational:

- Number of posts in (management, execution);
- Number of occupied posts (management, execution).

b) Job description:

- Preparing, making signature to understand and update;
- Encompassing task of ROF.

c) The structure of personnel groups and classes;

d) Fulfilling duties as ROF;

e) audited objectives:

- Record and track all goods;
- The inventory module;
- Valuing inventory results;
- Completing the inventory ledger.

NOTICE OF INTERNAL AUDIT MISSION TRIPPING

To: Accounting Service

From: The head of the Internal Audit Service

Regarding Internal Audit Mission on "Inventory of heritage and exploitation of results"

According to the annual internal audit plan, it follows that the period 01.11 - 11.12.2016 to perform an internal audit in the accounting department and the administrative department on "Inventory of patrimony and exploitation of results".

The audit will examine the responsibilities assumed by the accounting department and the administrative department and determine whether they fulfill their duties efficiently and effectively.

We'll follow to agree an opening meeting to discuss various aspects of the audit engagement, including:

- Presentation of the auditors;
- Presentation of the main objectives of the internal audit mission;
- The mission of the internal audit;
- Other issues.

To better understand the work, please make available the following documentation needed on how to make the inventory of heritage and exploitation of results: laws and regulations that apply to the activity, organizational structure, internal operating regulations, job descriptions, all written procedures describing the tasks to be carried out for property inventory and exploitation of results.

For any clarifications please contact Ms., to be responsible for the task of auditing.

The report has submitted the audited objectives and findings for each audited; each deficiency has been discussed separately, analyzed the causes that have contributed to disruptions were presented the recommendations to be implemented for elimination of deficiencies. No objections were raised on the findings, deficiencies were fully appropriated and pledged in order to eliminate them entirely.

The order for conducting the audit mission - auditing activities contained in the plan of work was done under Order no. 22 / 11.1.2016.

The legal basis for auditing - audit was conducted based on:

- Annual work plan approved by management of the institution;
- Law no. 672/2002 on public internal audit;
- Order no. 38 / 15.01.2003 approving rules for the application of Law no. 672/2002 on public internal audit;
- OMPF no.244 / 2004 approving the rules for exercising their internal audit of the institution.

Duration auditing - auditing activity was held from 01.11 - 11.12.2016.

Period under audit - was audited the work on how to make the inventory of assets held within the accounting and administrative service during the period 01.07 - 31.10.2016.

The audit purpose:

- Give assurances that property assets are properly recorded and included in the inventory lists;
- Give assurances that there are controls in place for each activity or operation and that they operate.

Objectives for action auditing watched:

- Record and track all goods;
- Property inventory;
- Valuing inventory;
- Completing the inventory ledger.

Type of audit: it conducted a compliance audit.

Methods and techniques used:

a) checking to ensure validation, confirmation and accuracy of accounting records. As verification techniques were used:

- Comparison of the goods supplied and recorded;
- Examination for detecting registration errors;
- Guarantee for existing reality check;
- Tracking to see if the operations were performed.

b) The interview for clarifying certain aspects of the organization and activities;

c) physical observation to form their own opinions on a compilation and issuance of documents.

As audit tools were used questionnaire-checklist for determining the conditions that must be met by each audited object.

Documents and materials examined under accounting service - spot verification of the documents drawn up and included the following period 01.07 - 31.10.2016:

- documents for procurement of goods;
- concluded contracts and related documentation which was the basis of their establishment;
- inventory lists;
- sheets payment, payment orders;
- accounting notes, inventory ledger;
- accounts diaries, journals, the trial balance.

Materials prepared during the audit:

- worksheets on the description of the activities audited;
- identification charts and analysis of problems;
- objectives checklist;
- list of risk identification and analysis;
- record of finding and reporting of irregularities;
- tables of strengths and weaknesses, detailed audit topics;
- audit program, on-site intervention program;
- questionnaire-checklist;
- preliminary and final audit reports, minutes of meetings of opening, closing, conciliation, etc.

Accounting service organization - the service worked during the period under audit with a number of 6 employees, including management positions - Head of Service. Organization and functioning of organizational were in line with the rules of organization and functioning. For all employees were drafted job descriptions and were established hierarchical relations of subordination and duties.

Organization of administrative service - the service worked during the period under audit with a number of 5 employees, including management positions - Head of Service. Organization and functioning of organizational were in line with the rules of organization and functioning. For all employees were drafted job descriptions and were established hierarchical relations of subordination and duties.

Activities under accounting service:

- an organization of preventive financial control;

- an organization of management accounting;
 - a preparation of monthly reports;
 - a collection and recording of income;
 - a calculation and payment of wages;
 - financial accounting activities.
- Activities carried out within the Executive Office:
- establishing the needs of procurement;
 - making purchases;
 - conclusion of contracts;
 - follow-up of contracts.

5. CONCLUSION

Scope and objectives of internal audit vary depending on the size and structure of the entity and its management requirements. Typically, the internal audit activity comprises one or more of the following:

- analysis of the accounting and internal control. Responsibility for the establishment and operation of accounting systems and adequate internal control of the entity bears its management, which requires adequate and permanent attention from its management. The entity management, usually assigns the internal audit service with a specific responsibility to check these systems, monitoring their operation and providing recommendations for improvement;
- examination of financial and other links. This activity may include verification methods for identifying, measuring, and automated classification of information as well as special purpose verification of certain issues, including detailed testing of transactions, account balances and procedures;
- analysis of economy, effectiveness and efficiency of the entity, including non-financial internal control;
- verification of compliance with laws and regulations and the policies and procedures established by management.

Internal audit objectives are different from those of the external auditor who is appointed to exercise independent audit of the financial statements. The objectives of the internal audit shall be established and vary depending on requirements of the entity management.

The primary concern for the external auditor is that the financial statements do not contain material misstatements. However, some of the means of achieving those objectives of the internal audit and the external auditor are often similar and thus certain aspects of internal auditing may be useful in determining the nature, timing and extent of external audit procedures.

Internal Audit Service is part of the organizational structure of the entity. Regardless of the degree of autonomy and objectivity of the internal audit service, it can not achieve the same degree of independence that is required of the external auditor to express an opinion on the financial statements.

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