FINANCIAL AUDIT - THE FUNDAMENTAL OF EFFECTIVE CORPORATE GOVERNANCE

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ABSTRACT: *The research context is found in a period in which Romania, as part of the European Union, must align with the initiatives initiated at European level regarding the consolidation of state reforms in the field of corporate governance, accounting, control and internal audit. One of the key factors that influence the efficient use of resources, the increase of the shareholders' confidence in the managers of economic entities, the success in achieving the objectives of the companies and the economic efficiency is the corporate governance system through which a company is managed and controlled. The statutory (internal) audit component, based on the criteria described by the principles of good corporate governance, must be supported by the financial audit activity in order to increase transparency and at the same time to optimize all levels that condition the multicriteria performance.*

KEY WORDS*:* *corporate governance, internal audit, external audit, efficiency.*

JEL CLASSIFICATION: *M41, M42, G30.*

1. INTRODUCTION - DEFINITION OF GOOD CORPORATE GOVERNANCE

Corporate governance is a concept that encompasses a wide range of activities, rules, processes and procedures designed to ensure optimal use of company resources and strategies so that its objectives are met. This concept tests the health of economic entities in such a way that inefficient managers must leave and be replaced by new and more efficient ones. It involves communication, transparency, participation, equal opportunities, respect for the other. Good corporate governance puts at the center of the concerns: the client, the shareholder, the employee, the community, whose members agree to cooperate and work together. The setting up of a new corporate governance presupposed the establishment of the basic principles that: they govern the relations between different partners; clearly define responsibilities; guarantees optimal

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functioning of the decision-making processes at the microeconomic and macroeconomic level (Răvaș, 2016).

On the concept of corporate governance, there have been numerous studies, including reports, by groups of specialists representing major institutions - universities, stock exchanges, banks, governments etc.

From the appearance of this concept until now, numerous definitions have been proposed, all referring to the organization of relations between shareholders and managers within a company or to a new stability of the different power factors participating in the organization and functioning of the corporation. The new management concept places a greater emphasis on: the respect of investors, shareholders as a factor of progress in the process of economic development; strengthening the authority and competence of the General Meeting of Shareholders; increasing the responsibility of the inside directors and the members of the Board of Directors (non-executive directors); enhancing the responsibilities of the censors / auditors in controlling the legality of decisions and internal norms; affirming the stock market as a factor in promoting confidence in the management of listed companies and the transparency of stock exchanges.

Regarding the definition of corporate governance, in the specialized literature, there is no unanimously accepted definition, which is why we will present the most important definitions that try to bring numerous terminological clarifications (table 1).

Table 1. Some definitions of corporate governance

• Governance is the system by which companies are run and controlled (Cadbury, 1992); • Corporate governance refers to the institutional and behavioral device that regulates the relations between the directors of an enterprise - or, more broadly, of an organization - and the stakeholders of the future of that organization, first of all those who have legitimate rights over it (Perez, 2003); Governance is a set of mechanisms by which outsider investors protect themselves against the danger of expropriation realized by insiders (Schleifer, Wishny, 1997); • Business governance is concerned with the way in which capital providers, allowing companies to finance, guarantee the return on their investment (Schleifer, Wishny R, 1997); • Corporate governance is a set of laws, norms, regulations and codes of conduct adopted voluntarily, which allow a company to attract the human and material resources necessary for its activity and at the same time offers the possibility to carry out a sufficient activity, which will generate long-term capital gains for shareholders, interest groups and for society as a whole (The Word Bank, 1998); • Corporate governance involves a set of relations between the management of a unit, the Board of Directors, shareholders and other stakeholders (OECD, 1999); • Corporate governance is fully recognized as essential for establishing an attractive investment climate, characterized by the existence of competitive firms and efficient financial markets (OECD, 2003); • Corporate governance is the totality of the ways in which institutions and individuals manage their joint ventures (Kaler, Lake, 2003); • The World Bank defines corporate governance as a combination of voluntarily adopted laws, regulations and codes of conduct, which provides the company with the

opportunity to attract the financial and human capital needed for its activity and the ability to operate effectively in order to - it ensures its existence by generating long-term value for its shareholders and society as a whole.

Essentially, this concept consists of a set of appropriate rules and mechanisms of management and control at the level of the economic entities in order to protect and harmonize the interests of all the stakeholders in their proper functioning, but also to monitor and motivate the managers, to restrict their behavior based solely on the satisfaction of their personal interest and to determine them to adopt strategies and decisions that will meet the interests of the shareholders and the other categories of stakeholders, to respond and to satisfy their expectations. In the table 2 we present some terminological delimitations of the concept of corporate governance.

Table 2. Terminological delimitations of the concept of corporate governance

Governance	Management	Lead	Governess
Concept that designates a set of rules, procedures, institutions and practices designed to configure the way in which the executive power is realized at the state, regional and local level.	Concept that refers to the implementation of a set of objectives pursued according to established rules, following the efficiency, the good functioning and the quality of the services.	A concept that designates a set of actions that involve the way people work within and around the structure of formal authority to implement the decision.	Concept that designates a comprehensive system that includes a fast and effective supervision of how something is achieved, managed, controlled or managed, in order to protect the interests of the components of the respective area, organizations or institutions.

The concept of corporate governance is more than a suite of useful tools, techniques, management and control; it is a paradigm, because it represents a vision of all organizations, and finally a vision of the world, a widely held and deeply held belief about the issues that deserve or can be solved worldwide in the economic development of all countries. We should not be surprised by the emergence of this concept. He emerged from the need to solve the problem of inefficiency, social responsibility, ethics in domestic and international affairs, and to ensure the economic entities' use of realistic performance standards. As a process, the corporate governance system can operate in an organization of any size and can work for any purpose, good or bad, for profit or loss. A rational and reasonable aim of this concept could be to ensure the efficiency of the economic-financial act. Perhaps the moral and natural purpose of corporate governance consists in the name of regulated actions, of a worthy, effective model, while avoiding an unwanted, inefficient model. The ideal purpose, obviously, is to ensure that a best model is achieved.

The objective of corporate governance is given by maximizing the price of the action, which is the most important goal of most corporations, and is a reasonable operational reason on which to build decision rules, to establish the strategy of the company. If the organization works very well, the value of the share capital will increase. On the other hand, if it does not prosper, it will lead to a decrease in the value of the share capital. The rights of the company's creditors, which according to the contractual obligations take precedence, will reduce the wealth of the shareholders. We can say that the increases and decreases in the value of the shares are a good indicator for measuring the performance of the organization. Maximizing the value of the entity and implicitly of the shareholders' wealth, so exceeding the market expectations, cannot be achieved without a plan of ordering the strategic targets in the short, medium and long term, which would be important for each organization, with state or private capital.

2. THE ROLE OF INTERNAL AUDIT IN ENSURING GOOD CORPORATE GOVERNANCE

The Institute of Internal Auditors (I.I.A, 1999), defined the audit as an independent, objective, insurance and consultancy activity, meant to add value and improve the operations of an organization. It helps an organization to achieve its goals through a systematic, disciplined approach to assessing and improving the efficiency of risk management, control and governance processes. The audit covers all the operations of the organization and its purpose is to evaluate and improve the efficiency of the actions corresponding to risk management, control and governance. It is estimated that the scope of the internal audit has been continuously developed, with a large number of activities for which the added value is estimated. In close connection with the evolutions of the global economic situation, as well as in our country, the internal audit can contribute, to a significant extent, to the recovery of the economic climate and the restoration of confidence in the initiatives, the honest, relevant measures to overcome the economic crisis.

The auditors play a key role in the corporate governance system of the organizations, as they provide the market with a guarantee that the financial statements developed have a true image. One of the purposes of internal audit is to maximize value creation for shareholders, but also for other stakeholders. Internal audit is seen as an essential element of effective corporate governance, because it provides assurance on risk management, control systems, acting as a catalyst for change, providing recommendations for improving corporate governance processes and structures. It is increasingly confirmed the location of internal audit services at the highest level of the organization, because on the one hand they are directly subordinated to the general manager, and on the other hand there is an increase in the credit granted to its recommendations, appreciating it. internal audit means more than just a compliance check in relation to an established reference system, more precisely it can also be viewed from the perspective of an effectiveness audit, which adds value to the internal audit work.

Internal audit is perceived as a basic function of any company, having the role of evaluating and improving the quality and risk management, internal control and corporate governance, respectively of the managerial capacity at all hierarchical levels to meet the established objectives. The current sphere of internal audit is not limited to financial-accounting operations, but includes all the activities of the organization.

Therefore, through the assurances given on the functionality and performance of the processes carried out within the companies, as well as through the recommendations made, the internal audit has become a basic pillar for the implementation of corporate governance. In addition, the internal audit has developed a new specific aspect, namely the performance side, which concerns the degree of achievement of the set objectives, the efficiency and the economics of the activities, in which the center of gravity falls on analyzes, interpretations and professional reasoning.

We believe that the good communication of the auditors with the governance of the organization and with the other users of the information in the audit reports can help in the effort to overcome the current economic situation. Through the opinions they express, the financial audit sends a message to the corporate governance about how the boards of directors and, implicitly, the managers, do their duty. In turn, the internal financial auditor sends important messages to the audit committee and then to corporate governance on how to comply with the internal operating rules and on the extent to which the financial resources committed by investors are used effectively, for the stated purpose. Through prudent, objective opinions, the financial audit also transmits the signal necessary to temper the momentum of some managers to report exaggerated financial situations, flourishing profits, maximizing the true face of things and distorting the economic-financial reality.

Internal audit is considered as an essential element of effective and effective corporate governance, because it provides assurance on the risk management, control systems and processes and corporate governance structures of organizations, acting as a catalyst for change, providing recommendations on regarding the improvement of corporate governance processes and structures.

According to the National Audit Standard, the communication of the audit aspects to the authorized persons responsible for the management of the organization, the audit problems of interest for the corporate governance are those problems that arise from the audit of the financial statements and which, in the auditor's opinion, are both important and relevant to those responsible for governance, in overseeing the financial reporting and disclosure process. The main objective of the internal audit has changed, from detecting fraud to assisting and advising corporate governance, to substantiating business decisions, starting with assessing the risks the organization faces or could face, becoming a function of assisting and advising corporate governance. The emphasis is increasingly on the concept of added value and on identifying those ways in which its growth can be achieved concretely.

A significant influence factor on the process of implementing and applying the audit and financial reporting standards, as dependent variables, is corporate governance through its dimensions, the effectiveness of the Board of Directors and the ethical behavior of companies, as independent variables. The information subject to audit is a product of accounting. Under these conditions, before the actual approach of the audit, it is necessary to present the connection of the financial audit-faithful image in accounting (Chersan, 2012).

The concept of corporate governance was quickly assimilated by the auditors, being provided also by the International Auditing Standards. According to the definition of internal audit within the International Standards for Professional Practice of Internal Audit issued and reviewed by the Institute of Internal Auditors (IIA, 2009), internal audit is an independent activity, meant to contribute to improving the efficiency of risk management, control and governance processes. Internal audit plays an important role in the corporate governance through the monitoring function, being a functionally independent and objective activity, which assures the shareholders for the good management of the revenues and expenses, perfecting the activities of the organization. Also, internal audit helps the organization to achieve its objectives through a systemic and methodical approach, which evaluates and improves the efficiency and effectiveness of the managers.

Those who operate within the internal audit department must provide real evidence, especially from the perspective of corporate governance, to successfully meet the demands and expectations that an organization's management and management bodies have regarding the efficiency internal audit in relation to the priorities imposed by the current market economy. Internal audit evaluates the mechanisms of corporate governance through a comprehensive and comprehensive approach, which takes into account the risk factors, and allows an adequate strategic planning of the processes carried out in the organization, in accordance with the control objectives generated by the overall needs of the organization on the following levels. risk: strategic, operational, reporting, non-compliance and fraud.

Regarding the internal audit in the current economic context, it represents an essential function in the structure of an organization, ensuring an increased efficiency in the correct management of the material, human and financial resources, as well as a better coordination between the different departments within the entity. Internal audit is the most important tool by which the management of the company can ensure the existence of an efficient risk management process, because the internal audit can provide objective assurance that there is an effective risk management method, as well as an internal control system. efficient. Internal audit acts as a mediator between corporate governance and operational risks (risks assumed by customers, products and business practices).

In relation to the attitude of risk auditing, the French Institute of Internal Audit and Control (FIIAC), which brings together several thousand auditors from about 600 organizations in the public and private sector, emphasized that internal audit helps the organization to achieve its objectives through a systemic and methodical approach to risk management, control and corporate governance processes, and to make proposals to enhance their efficiency. The role of internal audit is to provide an independent opinion on the degree to which the entity's objectives are achieved and to present the circumstances that hinder their achievement. We can speak of an internal audit based on risks that emphasizes maintaining risks at acceptable levels, because risks are a ubiquitous component that affects the achievement of objectives within the parameters defined. The risk-based audit is based on reports on how the risks are managed, the prospect being for the future.

We must attach fundamental importance to the objectives of internal risk-based audit, namely: risk identification; prioritizing audit areas and allocating audit resources in accordance with risk assessment. Moreover, internal control is a process that monitors the risks and the internal audit has the role of arguing an opinion on how the internal control manages to maintain the level of risks assumed at values acceptable to the organization. The role of the internal audit is to make recommendations, to advise the management regarding the functioning of the control systems and to create value for the shareholders but also for the other stakeholders, by preventing losses resulting from the exposure to risks.

According to the principle XIII of article 7 of the Corporate Governance Code of the Bucharest Stock Exchange, entitled *Transparency, financial reporting, internal control and risk management,* the Board of Directors of the organization, will adopt strict rules, meant to protect the interests of the company, in the fields of reporting. financial, internal control and risk management. This is an important duty, which must be fulfilled through the creation of an Audit Committee, which will carry out its activity in collaboration with the internal and financial auditors.

Greuning H., considers the audit committee a valuable tool that helps lead the identification and treatment of risk areas in complex organizations (Greuning.& Brajovic, 2003). Also, Hamzoui M., assigns the audit committee the role to strengthen the independence of the financial reporting process and to limit the potential inadequate influences of the executive management (Hamzoui, 2008). This committee should regularly review the efficiency of financial reporting, internal control and risk management system adopted by the organization. The analysis of the coordinates of the internal audit committee in the state sector, as well as in the private sector, will reflect the priority directions of the committee: independence, internal control, risk management, financial audit, financial reporting, transparency. In this way, the audit committee will be the foundation of corporate governance and will generate value through the transparency of financial information and the trust it gives to the stakeholders and the general public.

Internal audit is gaining more and more ground in the corporate governance of organizations, its area of action constantly increasing, as a result of the continuous political and economic changes that have taken place worldwide as well as technological progress, the shareholders demanding more and more quality from the services. by internal auditors. Corporate governance is a concept with a very wide area, which includes: good business practices, control activities, ethical principles and social responsibility.

This system promotes fairness and transparency, being a set of rules of conduct that seeks the welfare of the company as a whole, but especially that of shareholders and other stakeholders: managers, creditors, employees, customers, suppliers, public power, etc. This is why the combination of terms: corporate governance, internal control, internal audit, external audit, is very useful. Managers are those who, based on laws, methods, principles etc., as well as personal competences and abilities, lead the organization towards achieving the set objectives. They are mandated by investors to use all the resources to achieve the objectives of the organization, which are social in nature, but also to maximize profit (Feleagă, et al., 2011)

However, the goal of creating wealth for investors is not always the goal of managers, who are often tempted to pursue their own interests, to the detriment of investors. Under crisis conditions, investors and managers often focus more on their own interests, often in contradiction. Under the conditions of the crisis, the role of external auditors is increasing in importance, and financial institutions (banks and other supervisory bodies) are increasingly relying on the services of external auditors. An audit conducted in accordance with International Standards on Auditing and Professional Ethics, in conditions of independence, integrity and professional competence, can bring many benefits to the economic entity. Any audit will lead to increasing the confidence of the market players by increasing the credibility of the financial statements, especially under conditions of economic crisis. Auditors can help the organization identify the weaknesses of internal control related to financial reporting and thus contribute to the existence of a safe and sound financial activity. In the context of globalization, most audit firms have expanded nationally and internationally and, as a result, their structures are complex, and corporate governance within audit firms is characterized by difficulties in ensuring transparency.

There is a close link between corporate governance, audit and management, as well as effective corporate governance and management structures, but it is acknowledged that there is a special, indissoluble connection with regard to important issues regarding business practice ethics and social responsibility. The concept of corporate governance is supported by the internal audit, which has an important role to play in assisting the reorganization of the internal control system and advising the general management (Ghiţă, et al., 2009). Internal audit provides advisory services and goals to help managers improve risk management, control and governance. Organizations use the internal audit to evaluate the policies and procedures used to achieve the objectives, using the recommendations of the auditors. It has become a part of risk management and a pillar to support corporate governance, close to those dealing with monitoring the economic and financial activities of the organization.

The economic crises generated by the financial scandals that have taken place in Europe and the US have shown that the accounting frauds discovered were largely due to the lack of control, internal audit and the existence of an inefficient corporate governance system. In this context, transparency of information is the essential element for increasing competitiveness in the financial market, which leads to an optimal functioning of corporate governance and especially control systems.

The importance of internal audit for the prevention of accounting fraud is well known, given that any governance system, in order to be considered effective, must include elements of financial control that immediately intervene in critical situations to protect the interests of shareholders and others. The management of an organization on the basis of the corporate governance system can be achieved only if there are clear objectives, a strategy for identifying and managing risks and an adequate control system.

Effective corporate governance requires adopting a methodical approach to risk management of economic entities in order to protect the interests of shareholders and other stakeholders, by providing them with annual financial statements that reflect the organization's true image and ensure the existence as well as effectiveness of the controls. We consider that the system of corporate governance leads to improving the economic efficiency of the organization, by extending the competences of the internal audit and building the audit committees, organizing the internal control, understanding the significance of the transparency and quality of the economic-financial information, improving the management.

3. THE ROLE OF EXTERNAL AUDIT IN IMPROVING CORPORATE GOVERNANCE AT THE MICROECONOMIC LEVEL

The external audit is required to express an independent opinion on the annual accounts or on other situations and information, meant to equally protect all users of accounting information, all the participants in the economic and social life (shareholders, state, employees, stock exchange organizations, debtors, customers, suppliers, creditors, company administrators etc.). The financial audit is the one that aims to improve the use of the accounting information and examines the necessity of recording the economic operations in the accounts, correctly and up-to-date, so that the information resulting from the financial-accounting documents complies with the reality.

External auditors play an important role in the conflicts of interest between shareholders and managers. They make a correct, impartial, independent evaluation on the financial statements of the economic entity, having the role of presenting to the shareholders the real situation. Through the external audit the shareholders benefit from an important tool to evaluate the efforts made by the managers in order to achieve the objectives of the organization, and respectively to maximize the owners' wealth.

The role of external auditors in the activity of organizations is vital; the auditor, through the audit report, is the one who, by the expressed opinion regarding the financial statements, should confer an increased degree of confidence of the economic environment, of the public or private institutions, of the public. The external auditor relies mainly on his own set of specific tools, aiming to provide the users with a real picture of the activity of the audited organization.

We believe that a good corporate governance process requires a good collaboration between the audit committee, the supervisory board, the board of directors and managers. The binder that the three management structures have is external audit; of its performance, respectively of the information provided by it, depending on the quality of the economic decisions that the organizations make. The turmoil in today's markets and the demand for greater transparency suggest that reliable financial information is key to building market confidence.

The external audit, which is a financial audit, is performed by the Court of Accounts, which is under the coordination of the Parliament, for entities in the public system and C.A.F.R for entities in the private system. The role of the external audit is to verify the accounts of an organization if it correctly reflects the financial performance, as well as what are its assets and liabilities at the end of the financial year (Ghiță, 2008). The main purpose of the external audit, in accordance with the good international practice in the field enumerates: the accuracy and the reality of the financial statements according to the regulations in force; evaluation of management and control systems at the authorities with tasks regarding the monitoring of financial obligations or other public funds; the use of funds allocated from the budget or from other special funds; the quality of the economic-financial management; economics, effectiveness and efficiency of the use of public funds. Also, the financial audit must give the public confidence that the information disseminated through the financial statements corresponds to the reality of the reporting organizations, respectively they reflect a true image of the assets, liabilities, financial position, profit or loss. This objective can be achieved if the following are respected: the fundamental conventions; the qualitative characteristics of the economic - financial information; general accounting principles and rules for recognizing and evaluating items in financial statements. External audit of the European Commission for organizations accessing European funds and representing an external evaluation of the activities monitored by the European Union represents an external evaluation of organizations.

Internal audit and external audit represent for the top management of the organizations additional sources of information, besides its basic information channels. A good relationship between external audit and internal audit is clearly desirable, as in most cases it leads to reduced audit costs. Depending on the quality of the internal audit, the external auditor can use some of these results, reducing the volume of work submitted. The external audit certifies the regularity, sincerity and the faithful image of the accounts and the final financial statements, while the internal audit, performed on the financial-accounting function of the organization, evaluates its internal control system and presents recommendations and conclusions for its improvement. The interaction relationship between the two types of audit and the internal control is meant to ensure an efficient management of the risks to which the organization is subjected, interaction that can be permanently improved in order to increase the performance of its economic-financial activity.

In order to improve the corporate governance system at the microeconomic level, we consider that a number of measures are needed to increase the interest of the organizations for the opinions expressed by the auditors and to increase the demand for the financial audit services (table 3).

Table no. 3. Measures designed to increase interest for auditors' opinions and demand for financial audit services

- better communication between the financial auditors, investors, the board of directors, the top management of the organization (especially with the financial directors, such as the chief accountant, the treasurer and the chief financial controller) and other financial advisers;
- a better dimensioning of the objectives and the scope of the extension of the financial audit works, in order to ensure the independence of the financial auditors;
- establishing remuneration systems for financial auditors, taking into account their high professionalism;
- encouraging, through legislative regulations, the free practice of the profession and ensuring from the state bodies a certain protection;
- the audit committee should oversee and monitor the financial reporting process conducted by the board of directors;
- financial audit services must be treated as an investment in the health of business, and in order to achieve the expected effect it is necessary for both the external auditor and the internal auditor to enjoy independence in carrying out their activity.

Given the increasing prudence shown in the market for launching and relaunching business, a well-prepared audit report, prepared in accordance with the international standards in the field, can be an essential element in the decisions that are made, both by the governance of the organization and by other users. of accounting information (banks, insurers, customers etc.). After all, the external financial audit, independent by its statute, can be spoken of as an effective form of governance.

We consider that one of the possible future developments of the audit may be the transition from an audit of the financial statements to an audit of the global performance, which offers an opinion both on the fact that the financial statements are in accordance with a certain benchmark, but also that managerial policies or how decisions are made within the organization is a fair one, in the interest of shareholders and other stakeholders.

The basic objectives of corporate governance will be ensured by the performance audit, viewed as an objective and systematic examination of the reality for evaluating the performance of an organization, in order to facilitate managers' decision regarding the supervision and initiation of achieving the proposed objectives. The main aspects of corporate governance refer to: the strategy and planning of the organization's activity; measuring and monitoring economic-financial performance; risk management; external communications; transactions that change the constituent aspects of the company; management evolution (Man & Ciurea, 2016).

The audit activity, solidly anchored in the organizational structure of the organization, must assist the Board of Directors and the operational management to fully fulfill their responsibilities, by: promoting a solid professional ethics in the organization; defining the responsibilities of all the members of the management of the organization; establishing an effective communication system between managers; the foundation of the interaction between the Board of Directors and the operational management, in the process of elaborating the decisions and of carrying them out.

In the same direction, given the existence and optimal functioning of the audit committees and the Board of Directors, the financial auditor's activity becomes much easier to perform, having the role of overseeing the quality of the existing internal control and audit processes, primarily seeking ways to improve them. theirs. Thus, the financial auditor becomes a partner of the Board of Directors, an active factor in the corporate governance process, and the existence of a permanent financial auditor-Board of Directors relationship represents an asset in achieving the strategic objectives of the organization.

The audit function, in order to play an active role in streamlining corporate governance, must function in a correlated way from the component elements: internal audit, external audit and audit committees. Also, the internal factors (the relationship with the Board of Directors, the organization and supervision of internal control and risk management as well as the financial and non-financial reports) must be taken into account, as well as the external factors (the auditor's opinion, the public interest and the transparency of information delivered).

4. LINKING THE INTERNATIONAL ACCOUNTING REFERENCE WITH THE FINANCIAL AUDIT AND CORPORATE GOVERNANCE

The fundamental criteria pursued by investors have diversified significantly, under the undeniable influence of global dynamics on globalization, modern capitalism, multinational business development, interconnection of capital markets, amplification of capital flows and concomitant information. We admit that the development has not been suppressed by the importance of the ethical foundations of the business base, in the infinite race after considerable gains. In this context, we ask the question *how could coordinate, real and intrinsically intangible investors, such as quality and transparency, be properly communicated in order to strengthen their confidence?*

In our vision, we identify a triad of fundamental pillars that condition the efficiency, survival and long-term development of the organizations activity, but also the investor's perception regarding financial reporting and financial communication processes in general, strengthening the issuers' confidence and market mechanisms capital:

- the firm commitment to comply with the reporting requirements according to the international accounting standard (IFRS) and the connection of the professional reasoning with its vision;
- guaranteeing the fairness and transparency of the endogenous and exogenous activities of the organization, by formalizing (through guides, codes, internal documents) and implementing good corporate governance practices, which are dynamically perfected and actively connected to the realities of the economic and social environment;
- independent assurance of financial reporting compliance with the regulations applicable to the field, by carrying out an efficient financial (external) audit activity.

In this regard, we believe that financial reports are perceived to be qualitative if they comply with the standardized axiological, praxiological and deontological guidelines, widely agreed by regulators, managers, practitioners and users, as is the case with the international accounting standard. At the same time, we argue that, in the alternative, reporting under IFRS should be supported by the implementation of a set of good corporate governance practices, coagulated around the attributes of transparency and fairness. Complementarily, the need to juxtapose an efficient external, independent and diligent financial audit activity, which certifies the compliance of the financial reports (individual and consolidated) with the provisions of the international referential.

We could abstract by mentioning that the information disseminated through financial reporting must go through three prudential and efficient filters: constraints of standardized provisions, followed by the strictures of a crystallized organizational culture around ethics, transparency and the assumption of responsibility, to be certified by a third party external, independent and highly qualified. Moreover, iterates that the external audit function conditions the efficiency of the corporate governance mechanisms.

We note that while the professional and regulatory bodies have already committed themselves early in fruitful efforts to formalize and disseminate the rules, standards, guides and recommendations regarding accounting regulations and those applicable to the accounting profession, expertise and audit, governance corporate has not enjoyed the same course, the evolution and imposition of good practices being driven by the imperatives of capital markets, the real interest of investors and, to a lesser extent, that of legislators. Iterate that, at the Romanian national level, the theme of corporate governance, and its inherent implications (endogenous and exogenous to the organization), is a recent direction of interest and debate for practitioners, theorists, organizations and stakeholders, infiltrating from the level as a result of the increasing interconnection of financial markets.

The financial audit plays an active and axial role in the efficiency of the processes involved in the adequate and transparent management of the financial-accounting information and the relationships established in this process. The justification for this statement is that the auditing and certification of the financial reports by the auditor leads to the *validation of the information disseminated* through them. Consequently, the statutory (internal) audit component, supported by the establishment of a specialized structure, the *Audit Committee*, following the criteria described by the principles of good corporate governance (related to independence, professional training and number of members, frequency of meetings, relationship dynamics with the other structures endogenous to the entity) should be supported by the financial audit activity in order to increase the transparency and at the same time to optimize all the levels that condition the multicriteria performance, the pyramidal type.

We subscribe to the opinion that the three elements, the Audit Committee, the internal audit and the external audit, should be integrated within the same unique audit function, in a tripartite vision, based on complementarity, as it shows a synergistic action in order to materialize. to a common goal: to enhance the quality of information and to empower stakeholders (Fülöp, 2011, Goodwin-Stewart & Kent, 2006). First, internal audit is an indispensable structural component of effective corporate governance, reinforcing quality, accountability and transparency criteria. Secondly, the Audit Committee appoints and supervises the activity of the external auditor, but at the same time closely seeks to protect the interests of the shareholders along with the financial supervision and control of an endogenous nature. And third, the external audit aims to provide an informed opinion, based on a professional and independent examination, on the financial reports published by the organization.

In order to ensure a viable means of verifying the compliance of the financial reports with the provisions of the international benchmark, the large external audit companies (commonly referred to as the Big Four) have drawn up checklists, including the criteria to be followed in order to be examined in order to properly certify the reports. and formulation of a reasoned audit opinion. They start from the text of IAS 1 *Presentation of the financial statements*, formalizing a pronounced technical character, destined to the professionals in the field of accounting and financial audit, following closely the provisions of this standard, corroborated with the applicable related standards.

5. CONCLUSIONS

The paper reflects a fundamental research of the theory of corporate governance which involves an analysis of the concept of governance. As the main research technique, the literature review process was used, which focuses the research work on the documentation in the relevant literature and on the precise identification of the current state of knowledge, existing needs, as well as future research trends. From the researched literature it has been shown that, although approached at a theoretical level, the implementation of the principles of corporate governance is deficient, which is also negatively reflected in the economic-financial activity of the organizations, especially in ensuring transparency, establishing responsibility in the management situation. inadequate resources, managing and evaluating the performance of different partners. Also, the unanimity of the authors was noted regarding the decisive role of the accounting modeling specific to each corporate governance model in the measurement and analysis of the performances. The quantification of the performances by any of the social partners cannot be done without the information provided by the accounting, and the analyzes carried out by the accounting professionals or by the financial analysts cannot ignore the benchmarks drawn by the good corporate governance.

Synthesizing the analysis of the synergistic interactions of the three components of the conceptual model, we bring some conclusive arguments (table 4).

Table 4. Conclusions resulting from the analysis of the interaction of the international accounting referential with the financial audit and corporate governance

- ✓ the process of elaborating the financial reports must be carried out in compliance with the intention of rendering the image faithful (under all significant aspects of the activity of an entity) and of the standards imposed by the international accounting standard, widely accepted as a guarantor of the quality of the financial information -accounts, correlated with the obligation of a real accountability of the parties involved, especially of the board of directors; the general conceptual framework elaborated by the IASB outlines the IFRS vision on the qualitative dimensions of the useful financial-accounting information, arguing the decisions of choosing the fundamental and amplifying criteria as being subordinated to the wish to crystallize the faithful image;
- ✓ we identify the need to protect the public interest from a double perspective, the first refers to the ethical and high-quality professional calibration of the financial reporting preparers, and the second identifies the role of the independent financial audit in the process of guaranteeing the truthfulness of the information communicated to the interested parties through the respective reports;
- ✓ the financial auditor certifies, based on the professional examination, the correctness of the information disseminated through the financial reports of the entity, formulating a reasoned opinion; a favorable opinion (without reservations) will lead to strengthening investor confidence in the activity of the entity and in the stock exchange mechanisms; moreover, the investor's skepticism will be fueled by an unfavorable audit opinion, such as the one with reservations, unfavorable or even the impossibility of expressing an opinion;
- ✓ transparency, axiological principle of good corporate governance, is an imperative requirement that must be manifested in the process of disseminating financial-

accounting information and in developing the relationships established with the stakeholders;

- ✓ the statutory (internal) audit function, in conjunction with the activity of the Audit Committee, must ensure the formal and fundamental correctness of the information disseminated within the reports made accessible to interested parties;
- ✓ voluntary alignment with the mechanisms and principles of an effective system of good corporate governance, which also involves the setting up of audit advisory committees, in our opinion, will increase the performance perceived by the investor, by streamlining the operational mechanisms endogenous to the entity, considerably reducing the risks attracted by the imminence of fraud, of intentionally unjust errors and behaviors;
- ✓ more, aligning the entity's objectives with respect for the environment and the social component (ESG integrated approach) increases the image capital perceived by the investor, joining the current trend manifested internationally by consumers, that of following the ethical thread of business, throughout the supply chain, production, sales, including communication with stakeholders and protecting the interests of all shareholders;
- ✓ the roles of corporate governance structures must be properly formalized in the performance of the internal audit function; The Board of Directors approves the internal audit plan, following a thorough analysis, at the proposal of the Audit Committee; The audit committee is responsible for crystallizing, implementing and revising the risk management strategy, with the assistance of the internal audit function of the organization;
- ✓ the statutory audit component, in conjunction with the financial audit component, must undertake in real steps to evaluate the internal control axis, under the constant supervision of the Audit Committee;
- ✓ the processes, responsibilities and coordinates described by the previous sub-points, must be included in a continuous improvement dynamic in order to guarantee the quality by satisfying the desires of efficiency, transparency, fairness, compliance, supervision and constant accountability.

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