

INTERNAL AUDIT: DEFINING, OBJECTIVES, FUNCTIONS AND STAGES PETRASCU Daniela Lucian Blaga University of Sibiu, Romania

Abstract: This article aims, through a detailed presentation as to provide clarification for a better understanding of what internal audit definition, objectives, functions and stages of its development mean. In the vocabulary "The words of the Audit" is given the following definition: "The internal audit function within an organization exercised in a manner mandated independent evaluation of internal control. This approach specifically compete with good risk control over the charge. Internal audit is an independent activity, objective of assurance and consulting designed to create value and improve an organization's operations. It assists an organization in achieving its objectives by implementing a systematic and disciplined approach in evaluating and improving the effectiveness of risk management and control. Internal audit profession is based on a flexible frame of reference, recognized around the world, which is adapted to the specific legislative and regulatory framework of each country, in compliance with specific rules governing the various sectors and culture organization. The reference of internal audit includes: a) the concept of internal audit, which indicates some essential elements: – internal audit carry out assurance and advisory ; – its areas of responsibility are risk, internal control and management entity; – purpose of internal auditing is to add value to organizations; b) code of conduct, which provides internal auditors principles and values that enable them to focus their professional practice according to the specific context; c) rules (standards) for professional practice of internal auditing, which guides its auditors to carry out missions and management activities; d) arrangements for implementing that comment and explain the rules (standards) and recommended best practices; e) support for professional development, consisting mainly of theory papers and articles, the documents of meetings, conferences and seminars

The audit literature is structured in different ways and different criteria. A. Depending on the objectives:

1. Regular or compliance audit. Its objective which is to establish if they met certain criteria defined by a competent authority. These criteria are usually specific entities or sectors of activities such as: – compliance with management decisions or policies; – compliance procedure manuals relating to the conduct of operations; Studies in Business and Economics Studies in Business and Economics – 241 – – compliance with contract terms; – legal compliance and other external restrictions (such tax audit can be considered a compliance audit); – ensuring exhaustivity, reality and accuracy of information; – security assets; – ensuring an atmosphere of moral– ethical thing etc.
2. Audit of effectiveness or performance. In this type of audit criteria are not fixed, they change each time depending on the reasoning of auditors that look at what are the best, effective, reliable and timely solutions based on emerging internal and external cyclical. Effective audit can be viewed from two angles: management audit and operational audit.
3. Financial audit relies in collecting audit evidence about the entity's financial statements and use these samples to assess their compliance with preset criteria. In Romanian legislation the expression „financial audit" is used, in the VIIth Directive of the European Community Council in 1984 is used in the same acceptation the term "legal control" (legal or statutory audit). Audit term comes from the Latin word audit – audire, which has the significance „ to listen", but about the audit had been talking since the time of Assyrians, Egyptians, from the reign of Charles the Great or Edward I of England. The occurrence of internal audit and external audit is closely linked to development of the economic crisis of

1929 in the United States, according to the specialist Jacques Renard, when businesses were fully affected by the economic secession. Employers were interested in reducing taxes and fees so that all accounts containing transactions generating taxes and fees,, have been thoroughly analyzed in order to find the possibility of reducing the taxable supply or transactions for which fees were paid improperly".In our country, the law provides the following types of audit: audit system, which provides an assessment of depth of management and internal control in order to determine whether it works economically, efficiently and effectively, to identify deficiencies and make recommendations for their correction; the performance audit, which examines the criteria established for implementing the objectives and tasks of the public entity shall correct the results and assess whether the results are consistent with the objective; regular audit, which is examining the financial impact of actions on public funds or public property, in terms of compliance with all principles, rules, procedures and methodologies, according to legal norms. Control and audit professionals have objectives that are interrelated and interconditioned between them, so: – Internal control check activities and operations are conducted in accordance with the laws in force, in conjunction with the risks facing the organization; – Favorable external control signals and how to ensure the system of internal control within the organization; Studies in Business and Economics – 242 – Studies in Business and Economics – Internal audit is the existence and operation of management control system and evaluate its effectiveness, and as a result may recommend giving up some control actions and develop others; – The external audit shall ensure that the system outlined above exist and function within the organization. Internal Audit has as aims: – verification of compliance of the economic entity audited policies, programs and their management in accordance with legal provisions; – evaluating the implementation of financial and non-financial controls and arranged and performed by the head entity in order to increase economic efficiency; – evaluating the adequacy of financial and non-financial data and information for management to know the reality of the economic entity; – protecting those assets and off balance sheet and identify measures to prevent fraud and losses of any kind. Thus, on the one hand, he evaluates the internal control on its functionality in relation to general management, but also in relations with external control entity received from the outside, but on the other hand, recommendations and conclusions that provides reports on which they draw, EXTERNAL AUDIT provides a basis for preparing and formulating an appropriate advice, taking into account the degree of familiarity with the organization and the general management degree of assurance provided by internal auditors. Consequently, special attention should be given to this new profession of "INTERNAL AUDIT", which has already been fixed in the consciousness of professionals, through its introduction as a subject of study in the university system, all profiles and specializations, including faculty from outside the economic domain, and conducting internal audit activities of the master, which can be used for professional certification for internal auditors. Internal audit is: – a permanent review of the entity's economic activity ; – an independent appraisal activity for the economic entity's management, by examining the financial operations, accounting and other services on all; – an evaluation of conformity assessment tasks and accounting records, reports, assets, capital and results ; – a certificate or certification of financial accounting documents . Internal audit is exercised over all activities in a public entity, including the activities of subordinates, or under the authority in coordination with the formation

and use of public funds and the management of public assets, which runs under the specific methodology of internal audit steps, procedures and documents as follows: STAGE I Preparing audit mission: what the following procedures requires: 1. International auditing standards define the internal audit activity assessment as an entity organized as a service to it. Internal audit functions are among others: – examination; – evaluation; – monitoring the adequacy and effectiveness of internal control. Conduct internal audit Internal audit of public entities is performed by internal audit department, which evaluates whether the financial management and internal control systems are transparent and comply with the rules of legality, regularity, efficiency and economy. Each of these terms implies: – comparing the actual situation with the situation that should be; – establishment and analysis of the deviations and risks; – proposal or recommendation of measures to contribute to the achievement of the entity or to provide correct information. In this regard, it ensures that the tasks of internal control and internal audits to be conducted in accordance with standard practice, by different professionals and have regard to all activities and departments within the organization. Internal audit is the activity of objective examination of all activities of economic entities in the real purpose of independent evaluation, risk management and control and their processes. Internal Auditor: advise, assist, recommend, but not decide, his obligation is to provide a means to improve the control that each manager has on his activities and those in coordination to achieve goals. Audit practice has a considerable experience as we use various terms such as: inspection, control, revision, checking, auditing, and supervision. Studies in Business and Economics Studies in Business and Economics – 243 – Internal audit review the entity's activities and services, primarily to improve them. Internal audit is organized as an independent section of the structure of public and private entities, and external audit is carried out as the financial audit and contract audit conducted by independent professionals and management of auditees. It leads to strict policies and procedures established by that entity and it is not limited to financial matters. The audit objectives. Audit Functions.