



PRACTICAL CONSIDERATIONS REGARDING THE ACTIVITY OF FINANCIAL AUDIT PLANNING

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Abstract *The purpose of an audit of financial statements is to provide a professional opinion and a certification by an independent financial auditor, respectively a reasonable assurance on the financial statements. Any financial audit in the sequence of steps that you go through, includes a mission planning stage of the audit, whose stage deployment framework is regulated by the International Standard on Auditing (ISA) 300, "Planning an Audit of Financial Statements". If planning is a distinct stage in its development, this step actually encompasses all the other stages of the mission of auditing in terms of succession workflow and time zone assignment for each stage, it provides planning and designing of the audit plan financial tracking, re-planning and revising the plan auditing where appropriate to certain stages and works with comebacks and replanning of time zones, it quantifies the program and the time in hours based on a documented plan, well-founded and developed which will be a corollary financial audit of the mission throughout its realization.*

Key words:

planning, proper planning, the overall audit strategy, audit plan, reviewing the audit plan, changes to the audit plan.

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I. INTRODUCTION

International regulation on the planning of the mission of the audit is given by the International Standard on Auditing (ISA) 300 entitled "Planning an Audit of Financial Statements", which consists in developing a strategic program effectively on distinct areas to reduce audit risk to a low level thereof based and conditioned on rules, principles and recommendations on conclusive issues that the auditor must take into account in its task of auditing and targeting the coordinates of engagement of financial audit on the activities applicable to programming and planning an audit of financial statements.

„It can be observed that, according to professional standards, the opinions expressed can make undisputed contributions in the identification of compliance with the reporting framework, with performance of findings based on samples collected after methodologies and formulate relevant, recommendations, capable of changing those situations that are not suitable to use

cautious expressions”¹.

“Changes are often awkward, and they can create uncertainty and require courage, desire for progress and ability to manage and continually improve the whole process which is very complex.

It is worth noting that *change* is vital to ensure a long term success of the company. Initiator of change, the change agent, subject of change, its type, people affected by change and the evolution of change are the main factors to be taken into account if we want to manage effectively an organization's change process.

The organization itself is a changing entity, bound to continuously improve and adapt the structure and quality of changes that occur on some inputs in order to meet the market needs, the needs of staff, administration and in order to win itself in terms of profits, image, market share, capacity expansion, resistance to competition, etc. Reality and the philosophy of change have evolved over time, in a somewhat natural way².

¹ Nicolăescu, E., (2012), “Statutory factor to strengthen economic governance in the EU”, Magazine: Auditing, year X, Nr.7/2012, pg.6

² Bîrcă I., Deliu A., Frășineanu P., (2011), Change management and organizational change - a premise to

II. THEORETICAL CONSIDERATIONS ON PLANNING AN AUDIT OF FINANCIAL STATEMENTS

According to International Standard on Auditing (ISA) 300 entitled "Planning an Audit of Financial Statements" the activity of "Planning is not a step unique to an audit, but rather an ongoing and repetitive process that often begins shortly after (or in connection with) the completion of the previous audit and continues until the completion of the current audit engagement"³. Adequate financial audit planning pays attention to important areas of the audit as meaning that it is intended that:

1. audit mission to be organized;
2. The financial audit team to be trained and to know their duties;
3. potential problems can be timely identified;
4. timely solutions to exist in order to resolve any problems that may occur;
5. The audit engagement to be coordinated, supervised and managed;
6. Review of the work to be provided to the financial audit team members throughout the audit engagement.
- 7.

The general strategy of audit underpinning the development of a detailed audit plan aims to: the objective of financial audit, the scope, the specific activity of the company audited, business continuity, on procedures for determining levels of significance to detect certain distortions and risks, national financial reporting framework, national legislation, international auditing standards in force, calendar period. "Documenting the auditor any significant changes planned overall audit strategy and audit plan includes detailed reasons for significant changes in response to the auditor's events"⁴.

"Elaboration of general principles by O. Nicolescu. He composed in this way a system, whose knowledge and application is essential to all executives, all personnel involved in the management of economic activity[55]:

increase the company's performance, Economics and Sociology, pg.81

³International Standard on Auditing (ISA) 300 entitled "Planning an Audit of Financial Statements", pg. 100

⁴Idem, pg. 105

1. The principle of ensuring consistency between the company's management system parameters and their essential characteristics and the environment. According to this principle, it is necessary permanent correlation, improvement, management system adapting to the real situation of each company within that framework and socio-economic context in which they operate;

2. The principle of participatory management, the essence of which refers to the involvement of personnel in the performance of the most important and complex processes and relationship management. Staff participation in management workflows and relationships necessary to achieve differentiated with more intensity in the large and medium sized companies in the areas of activity with high complexity and dynamism and higher level of training staff;

3. The principle of motivation of all those involved in business activity. Strong motivating factors involved in company activities, potential and actual intake correlated with the results, this should always guide the company management;

4. The principle of efficiency. It expresses the need for systems modeling management companies, so as to determine the survival and competitiveness. In fact, this principle summarizes previous finality principles, revealing-purpose function to the completion of which it should contribute[1].

Proceeding from the above, we conclude that Emmerson has developed effectiveness principles, understanding that one works better, if he knows the purpose to be achieved.

The author emphasizes the organization of work in terms of the human factor. Through his work Emmerson is considered a bridge from Taylor Fayol. We meet again the conception maximum efficiency and at a French economist J. Klein. He says that management is based on the following principles:

1. The search for permanent efficiency. Management requires a clear vision for future action, but also a constructive study of past actions. The study of past actions is considered constructive factor of efficiency in the sense that the information acquired through previous work are points of support of future actions;

2. Putting into question the existence of management principles is one that highlights the need for continuous research performance to adapt them to the new general time course;
3. Systemic Organization - another principle considered fundamental management, showing that the manager does not have to improvise, but to act methodically organized. Organization is a factor of security for the future⁵.

International Standard on Auditing (ISA) 300 - "Planning an Audit of Financial Statements", considers that: overall audit strategy "clearly established in response to issues identified in paragraph 9 of the standard embodied in:"

- (a) determining the characteristics of the engagement that define its scope, such as financial reporting framework used, industry-specific reporting requirements and the location of the entity components
- (b) (B) Ascertaining the reporting objectives of the engagement to plan the timing of the audit and the nature of communications required, such as deadlines for reporting interim and final data expected communications with key management and those charged with governance and
- (c) taking into account important factors that determine the emphasis engagement team's efforts, such as determining levels of appropriate materiality, preliminary identification of areas where there may be a higher risk of material misstatement, evaluating whether the auditor may plan to obtain evidence effectiveness of internal control and identification of the latest developments of financial reporting, industry or other relevant developments⁶, and is subject to completion of the procedures for the auditor's risk assessment:
- (d) The resources committed to certain specific audit areas, such as the use of experienced team members to areas of high risk or the involvement of the more complex aspects

- (e) The amount of resources allocated to specific areas of audit, such as the number of team members appointed to attend in inventories at significant locations, the degree of work revision of another auditor in an audit group or budget audit hours allocated for high risk area
- (f) when these resources are employed, such as auditing or intermediate stage close to the final data
- (g) the way they are managed, directed and supervised the resources, such as meetings with team members and when there are such meetings, as it is expected to occur reviews by partner engagement or manager (eg in the office or on the site) and have held quality control reviews for commitment⁷.

Financial audit planning purposes mission is to develop a financial audit plan in order to reduce audit risk to an acceptably low level.

The audit plan includes:

- a description of the nature, timing and extent of planned risk assessment procedures sufficient to assess the risks of material misstatement, as shown in ISA 315 Understanding the Entity and Its Environment and Assessing risks of material misstatement

A description of the nature, timing and extent of planned further audit procedures at the assertion level for each material class of transactions, account balances, and presentations, as determined under ISA 330 auditor's procedures in response to assessed risks.

The plan for other audit subsequent procedures reflects the auditor's decision whether to test the operating effectiveness of controls, the nature, timing and extent of planned substantive procedures and

- Such other audit procedures required to be performed in the commitment to comply with other ISA (eg the guiding communication with the entity's lawyers)

Planning these audit procedures takes place during the audit as the audit plan is developed. For example, the auditor's evaluation planning procedures for risk assessment usually occurs early in the audit

⁵ Stratan, A., Perciun, R., Oleiniuc, M., (2012), Strategic Management, Ed. CEIFS, pg.28-29

⁶ Standardul Internațional de Audit (ISA) 300 denumit „Planificarea unui audit al situațiilor financiare”, pg., pg. 102

⁷ Idem, pg. 102

process. However, planning the nature, timing and extent of specific audit procedures other depends on the outcome of those risk assessment procedures. In addition, the auditor may begin the execution of further audit procedures for some classes of transactions, account balances and disclosures before completing all other procedures detailed audit plan.

III. DEVELOPING A PLAN FOR AUDITING THE SC QACADEMICA LLC.

Planning an audit "is an iterative and continuous process throughout the audit. As a result of unexpected events, changes in conditions or audit evidence obtained from the results of audit procedures, the auditor may have to modify the overall audit strategy and audit plan and thereby the nature, timing and extent of further planned audit procedures.

There may be new information the auditor's attention that differs significantly from the information available when the auditor planned the audit procedures."⁸

According to international standards audit plan is mandatory and is regulated by ISA 300. The plan has some generalized form. He adapts himself and folds separately for each company audited, in such a way as to meet the objective of financial audit. But it is not enough just to have that piece. Plan a basis reporting being represented realistic and professional that should be followed during the mission, reviewed and modified where necessary.

Following further present a model of planned data tracking and comparison of data carried. In this context we can discuss the audit plan developed as a tool for planning and control.

⁸International Standard on Auditing (ISA) 300 entitled "Planning an Audit of Financial Statements", pg. 104

On the basis of differences between planned and conducted in computerized we can intervene with structural changes in the audit plan.

"The existence of the digital economy itself requires the existence of a new information society, using information and communication technology increasingly more.

Thus, there is a business development of decision making by optimizing creativity, innovation capacity and intellectual training of specialists (and not only) in the field. Lastly, we tend to notice the business share of the digital economy.

Electronic business, the vast diversity of expression, represents support the new economy in the information society, which drives both organizations, citizens, local and central governments"⁹.

Table Nr. 1 Plan of the financial audit SC QACADEMICA LLC before the start of the financial audit mission.

⁹Țurcan, V., Gribincea, A., Iulita Bîrcă, I. „Digital economy - prerequisite for economic development in the XXI century "in: Economics and Sociology. 2014, nr. 2, p. 109-116, ISSN: 1857-4130

Nr. crt.	Type of work	Planned Starting date of activities	Planned Date of completion of work	Number of hours spent on activities	human resource (Number of people involved in the activity)	Remarks
0	1	2	3	4	5	6
1.	The engagement letter	07.01.2017	10.01.2017	8	1	
2.	Standard terms and conditions of engagement of financial audit	07.01.2017	10.01.2017	8	1	
3.	Contract of the audit	07.01.2017	10.01.2017	16	1	
4.	The letter of representation	07.01.2017	15.01.2017	4	1	
5.	Preliminary information request	07.01.2017	15.01.2017	8	1	
6.	Questionnaire on company audited property inventory	07.01.2017	15.01.2017	4	1	
7.	Confirmations of balances to banks	07.01.2017	15.03.2017	4	1	
8.	Confirmations of balances to customers	07.01.2017	15.03.2017	8	1	
9.	Confirmations of balances to suppliers	07.01.2017	15.03.2017	8	1	
10.	Studying and analyzing previous financial audit reports	17.01.2017	20.01.2017	16	2	
11.	Studying and analyzing issues on customer business continuity	21.01.2017	21.01.2017	16	1	
12.	Study and analysis of legal documents for the knowledge of the company	15.03.2017	31.01.2017	16	2	
13.	Documentation and knowledge in the field of company	21.03.2017	21.03.2017	8	2	
14.	Application of the first request for information on legal documents	22.03.2017	25.03.2017	4	1	
15.	Training team members on the financial audit: a) obtaining a general understanding of the commitment audit contract; b) determination of materiality; c) performance of other risk assessment procedures; d) application of procedures at the assertion level	10.01.2017	20.02.2017	10	1	
16.	Fixing the timing of the company's areas and activities	07.01.2017	08.01.2017	8	1	
17.	Studying, analyzing and assessing risk internal control environment	01.02.2017	12.02.2017	20	2	
18.	Updating and securing mission plan implementation deadlines	throughout the mission	throughout the mission		1	
19.	Application of a request for information on documents with a financial accountant	15.02.2017	01.03.2017	4	1	
20.	Determining materiality threshold pentru identificarea riscurilor	16.01.2017	20.01.2017	30	1	
21.	Detailed Application of information request	21.01.2017	01.03.2017	4	1	

22.	Capital and reserves	01.03.2017	02.03.2017	8	1	
23.	Profit and loss account	07.01.2017	15.03.2017	4	1	
24.	Investments and placements	03.03.2017	05.03.2017	4	1	
25.	stocks	17.03.2017	30.03.2017	15	2	
26.	receivables	18.03.2017	22.03.2017	18	1	
27.	Cash at bank	15.03.2017	20.03.2017	16	1	
28.	Creditors and suppliers	16.03.2017	30.03.2017	10	1	
29.	Taxes and duties	25.03.2017	10.04.2017	10	1	
30.	Ledger and trial balance	01.03.2017	30.04.2017	10	1	
31.	Journal Registers	01.03.2017	30.04.2017	10	1	
32.	Ledger and trial balances	01.03.2017	30.04.2017	10	1	
33.	Review	03.05.2017	15.05.2017	16	1	
34.	Develop financial audit report	16.05.2017	20.05.2017	16	1	
35.	TOTAL:	x	x	351	4	

Source: made by the author at SC QACADEMICA LLC

Table Nr. 2. Pursuit of the plan of achieving financial audit QACADEMICA SC LLC

Nr. Cr.	The type of work	Planned Starting date of activities	Planned Date of completion of work	Number of hours spent on activities	Accomplished Starting date of activities	Accomplished Date of completion of work	Number of hours actually on activity	Differences in (+) or (-) between plan and perform	Obs.
0	1	2	3	4	5	6	7	8	9

Source: made by the author at SC QACADEMICA LLC

ensuring that work is well distributed and known within the team of auditors;

- Auditors have experience, training and skills required;
- auditors meet the condition to perform tests and procedures for financial audit mission;
- auditors meet the condition to perform the audit mission in financial independence and responsibility;
- Completion of the audit in an efficient manner.

IV. CONCLUSIONS

The means of achieving the objective of financial audit starts with good planning and is reflected in:

- Developing a financial audit plan before the start of the financial audit mission, which is presented to members during which the team will sign the acknowledgment aspect that will be inserted into a worksheet;
- Ongoing review of the financial audit plan;
- Assessment team members on audit risk;
- Verification Audit Plan in terms that cover all aspects of engagement;
- Organization, planning, understanding the audit of financial management, supervision, review;
- Realization of a planning containing an attitude of skepticism, meaning that recommend proceeding to breakdowns, tests and samples Details;
- Compliance with professional auditing standards; the principles of professional ethics,

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