

POSITIONING THE INTERN AUDIT FUNCTION

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Abstract. The role and the importance of the intern audit has grown in a constant way, for which reasons appeared needs for activity organization and standardization. In this conditions, in Orlando, U.S.A. in 1941 have constituted the Intern Auditors Institute I.I.A., organization established international. In time they have joined to this organization and others professional organizations in domain and members from 120 states, by obtaining the C.I.A. quality – Certification Internal Auditors, attuned by I.I.A., from examining know ledges. In Europe, the intern audit function was instituted in countries with important economical progress such as The United Kingdom and France, in the '60, based on financial control – accountant. Later on, in the '90, this function started to be stagnant in entities, continually evolving. Due to its evolution, the intern audit has been continually transforming until the moment of definition.

Etymologic the word “audit” proceed from Latin language, from the word “audit-evaluation“ having the meaning of listening.

In the modern acceptance, the utilization of the word audit is relative recently, respective can be placed in time, at the third level of the 20th century. Specific to this period is the economical crisis which has manifested in U.S.A. In this context, for the companies which actions were transaction on exchange, appeared the necessity of the annual financial certification situations, from the financial auditors, certification which awards confidence potential investors.

The physical and juridical/law persons which offered this services, of audit, are characteristic by independence, the principal activity exercise by this being: guarantee of immobilizations existence (as result of auditors participation at taking stock patrimony), following the hauling time account, fresh calculation of balances, respective the verification of mathematics calculus, the debts/claims and debts/credits confirmation.

In a view to the highest prices which were supposed by this audit activity, companies had organized their own audit structures, which had as principal charge the effectuation to some activities before the main one of certification of the financial situations, certification which was realized further on by consultancy societies, independents to this companies.

Thus, in order to make distinction between the auditors which unfolded the activity in this company and the consultancy firm employees, the first ones were named intern audit and the last extern auditors as they didn't take part of the industry.

This modifications, in organizational structure of the companies, had beneficent effect, so the activity's result unfold by the intern auditors were useful, both the management by supplied finding and recommendation, and the extern auditors which didn't begin the activity from zero anymore, they has as starting point the intern audit report, for the annual financial certification situations.

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Due to its evolution, the intern audit has been continually transforming until the moment of definition. And so, the examination of the evolution of the intern audit function shows the following elements:

a) allocated assistance to the management

An intern audit represents an assistance function for enterprise and associations leaders, helping them to administrate their activities in an efficient way. In these circumstances, the managers who were advised by intern audits make the best decisions in solving problems, in a manner that assures the highest control over activities, programs and their actions.

In conclusion, the intern audit „advises, assists, recommends”, but doesn't decide. The audit has the obligation to help management improve control over the its actions and those in coordination to gain intern control. In accomplishing these attributes, the intern audit must use the advantages that the management doesn't have:

- the activity offers authority because it is based on professional rules;
- the methods and instruments that he uses, guarantees his efficiency;
- his independence offers objectivity in formulating hypothesis and recommendations;
- his activity is not influenced by the eventual constraints and permanent obligations regarding the daily administration of services.

b) supporting employees without judging them

An intern audit's mission can indicate inefficiency, system redundancy or the possibility of improving the activities/actions, but the management should not be brought into questions.

The phrase „without judging the employees” doesn't mean that the intern audit's recommendations shouldn't take effect over the employees; it refers to the fact that the intern audit report should not contain any names.

c) the independence of audits

The intern audit should exercise his function in an independent way, but respecting the intern audit rules. The intern audit standards define the independence principle in two aspects:

- the independence of the intern audit structure within the entity, which presume that this structure should be directly subordinated to the general management;
- the independence of the intern audit, being objective, refers to the fact that the intern audits must be independent from the audited activities.

In conclusion, the independence of the intern audit consists in his professionalism, that is to say:

- if he is a true professionals;
- the pertinent character of his recommendations;
- the intern audit's activity, within the organization.

Judging these elements we can present the concept of intern audit. In the course of time, there have been many definitions, the last one was formulated in 1999 by I.I.A. basing a study made in Australia:

„The intern audit is an independent and objective activity, which gives an organization the insurance regarding the level of control over the operations, leads it to improve those operations and contributes to add value.

The intern audit helps this organization to fulfill its purposes, evaluating, using a systematic and methodical approach, its risk, control and directorate management process, and making proposals for consoling the efficiency.”

In the lexical „The Word of the Audit”, there is the following definition of the audit: „The intern audit is a function within an organization – practiced in an independent manner and with a mandate – of evaluating intern control. This specific step competes with the good control of those responsible over the risks.

In the law nr. 672/2002 regarding the public intern audit in Romania, we can find the definition used by I.I.A., in 1999. Specialists consider that this formulation can still be modified, but for the moment judging by its content, this definition is satisfying and exhaustive.

For a more exact positioning of the intern audit function within a entity it is necessarily that we specify the relation between the audit and:

- the extern audit;
- the extern advice;
- inspection;

The relationship between intern audit and extern audit

The intern audit function has its origin in extern audit and from here appear some confusions, in fact the two functions are totally distinct between them identifying and complementarily relationship too.

Based on the facts shown above, results that between the two functions of the entity are certain differences which can not create confusions as concerns. Also, must emphasize that the two functions are complementary, this aspect awards entity a efficiency guarantee.

The difference between the two functions of the organization are represented in the following table:

Nr. crt.	Compeer criterions	Intern audit	Extern audit
1.	The statute of a person which exercise the activity	The intern auditor is the entity employee.	The extern audit is realized by a services independent from juridical point of view.
2.	The audit benefits	The intern audit supplies information to the entity management.	The extern audit supplies information for diverse beneficiaries shareholders, banking societies, creditors, debtors, employers, etc.
3.	The audit objectives	Estimate the intern control within framework of the entity.	Offers a opinion concerning the reliability of annual financial situations. The extern audit estimates intern audit control, but only for the elements of financial nature.
4.	Application domain	It has an ample area, including beside the entity functions, all these functions dimensions.	Includes all the activities which participate at the results establish ,at the financial situations elaboration and only at these.
5.	Embezzlement foresight	Is interested in all the organization problems.	Is concerned with any embezzlement which supposes that it has an influence on the results.
6.	Independence	The internal auditor is independent in exercise his own function, but dependent because he is part of entity and he must develop his activity base on professional norms.	The external auditor has independent in exercise a liberal profession , established by the professional statute. Is independent of his client.
7.	The audit periodicity	The internal audit is a permanence activity within the framework of entity, planned actions which have as bases a risks analyze.	The extern audit is unfolded the activity in a intermittent way, usually annual .in the moment of annual financial certification situations.
8.	The method	Has a specific and original own methodology, which is used in any activity domain.	Has a certain and standardized methodology and it is based on inventories, comp rations, reports.

The relationship between intern audit and extern consultancy

Extern counselor often have in formations about the extern domain of entity, of which the intern auditors do not benefit. That is why, legislation in the field and IIA standards, advise for getting out of the aspects that come across the entity, to appeal to specialists in domain. These specialists can be independent individuals, experts in the domain., or employees of some extern audit companies, which profess in multiple fields.

Extern consultancy errand that is appealed by a structure of intern audit from an entity background has four typical features:

- consulting has to solve a precise issue, from a certain activity domain, consentaneous with his technical capacity, having not the prerogatives for interfering in another domain from the entity background;

- it has a precise objective that has to be done in a precise assigned time;

- it has on the basis the necessity to clear up aspects showed up in a certain field of activity, being solicited by a certain activity, so that it was solicited by a certain person of the entity. Therefore, the consulting works for a certain person that will remain the owner of his report (general manager or specialized manager in a certain domain);

- in accordance with entities requirements, his function can expand, from a simple diagnosis of the existing situation to projecting a new organizationally background and his implementation.

From the analysis of the two occupations it is ascertained that between the activity unfold the intern audit and the extern consultancy it is a similarity, having in sight the fact that the intern audit has between its duties advising tasks of general management.

The relationship between the internal audit and the inspection

Between the internal audit and the inspection there many confusions because the internal audit as well as the inspector are salaried by the same entity.

These confusions appear due to the wrong use of vocabulary (for example: audits-inspectors) and to the fact that the internal audit can inspect and the inspectors can make internal audits activities too.

In real life, in the entities where coexist the two functions, are complementary.

The inspection function exercised in an organization refers to:

- realizing more exhaustive controls than random tests;

- a spontaneous character, the inspection appears of one's own free will;

- the use of the internal audit's discoveries in inspecting the concerned or suspected personnel;

- not interpreting and bringing the rules and directives into the question.

Taking account of the essential characteristics regarding the inspection function previously provided, the inspector must be an experienced, severe person with authority and talent so that he can impose and receive a high position in the hierarchy.

The factors that influence the good functioning of an entity are:

- the manager – the person responsible for the organization, functioning and clever administration of the entities resources;

- the internal control – the internal control system within the entity, organized at the management's level;

- the inspector – the person who ensures the following of the legality, punishing anything wrong to prevent the eventual frauds;

- the audit – the manager’s counselor who helps him administrate the entities risks.

Although, in an entity function obligation the intern control ,the inspection structure with a role in the tools of infringements and eventually embezzlements and audit structure in direct subordinated to general management.

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