AUDIT'S ROLE IN INCREASING PERFORMANCE AND FINANCIAL REPORTING FOR ENTERPRISES

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Abstract

Audit is a process of verification of contentions of management over financial statements. The role of audit has an impact in increasing the quality of financial reports; it also influences directly the improvement of performance of the company and the modern and essential understanding of determining the quality, from the viewpoint of diversity and characteristics and multitude of claims made by users of financial reports.

Lack of transparency in companies' financial statements led to the financial crisis. Continuous monitoring is a process that must be evaluated by the internal auditor, in order to monitor whether management is acting on the basis of business policies, procedures and processes, namely whether it is operating effectively. Audit of financial statements increases the quality of financial statements where these audit statements recommendations are always drawn up in conformity with international standards for financial reporting. Even though we lack of legal infrastructure for financial reporting, audit is playing an important role in the consolidation of financial statements in conformity with international standards. Non-presentation of financial statements based on International Financial Reporting Standards shows that the not presented the real situation of enterprise. These outcomes have an effect to the users of financial statements such as investors, banks, governmental institutions. Furthermore, auditing should be considered as a driving force in improving the quality of financial statements. Continuous audit usually enables auditors to assess the adequacy of manager's function and conduct monitoring with the view of identifying and assessing the fields of risk.

Keywords: International Financial Reporting Standards, financial statements, audit, internal audit, monitoring, control, monitor.

1. INTRODUCTION

One of the main objectives of financial reporting is to satisfy the needs of a range of information users. Qualitative characteristics of financial statements are attributes that enhance the meaningful for their users. Financial statements and reports should have specific characteristics; the four primary attributes are to understand the ability, relevance, reliability and comparability. Qualitative presentations are important, especially since they are based on underlying assumptions as sustainability and fair presentation. These features determine what makes financial statements useful to users, particularly investors.

The financial statements can be somewhat complicated to understand, but users should be able to understand the information within them. We assume that users of financial statements have enough knowledge to study information concerning the work and the financial position of an enterprise. The quality of this information is at the core of the relations established between stakeholders and business entities, which in the final analysis conditional the path, progress, but continuity in their time. Increasing the work standards will definitely increase the credibility of the tax audit reliability of information on the financial statements audited companies with professionalism and transparency of the business tax. Given that the role of auditor comes with great responsibility towards those that use this information's, recent development on the world, but also in our country in empathize more and more to improve and strengthen the regulation and supervision of the audit profession and services, aimed at improving the financial information and providing assurance of its quality for its users.

2. THE ROLE OF AUDITING

Experts hold the view that the various financial problems are, exaggeration of income, fall of companies can be avoided if the audited financial statements in a qualitative and professional way. An auditor is a person who makes an independent report to members of the company which provides an opinion whether the financial statements are presented fairly and in accordance with standards and procedures as required by international standards for financial reporting. During the audit, the auditor checks the company's accounting records containing the annual accounts and are they in accordance with the procedures and accounting standards. Financial and economic performance are reached with the role of the auditor where he will be supervising the financial transaction and assess the company's management practices. Financial scam reports resulting in serious breakdown in the governance structure, if measures are not taken they will have significant consequences to enterprise. If financial reporting fraud has a high probability for including senior management of the enterprise for management to conceal real financial reports and presents no real financial reports in order to improve confidence towards investors.

Fraud on financial reports as made in abuse of income where the importance of the auditing is to effective decrease any amount of financial reporting fraud.

Auditor considered not only as a person who shows to Managers what is wrong with their financial statements, as well as the enterprise overseer. Responsibility of "overseer" is to guide the enterprise when it fails to perform properly and fairly the duties and also to warn the managers. The auditor's role in the wider perspective is to travels through all functions to achieve an ideal position in the enterprise environment. Integration and globalization have brought the need to align as the language of financial reporting information are to be done by international standards, as well as standardizing the arrangements of past professions for the balance of regulation of the profession in public regulation versus self-regulation. Improving and strengthening the institutional audit profession has become necessary, especially in periods of economic crisis and the bankruptcy of major corporations. Recently the role of the accounting profession has undergone further development, focusing more and more on professional qualitatively and higher standards, especially in ethical requirements and better professional behaviour. In the last decade profound changes have taken place, which had not been seen for decades. Legal Developments done 10-year-old in the US (Law SOX in the US 2001), improving the Directive 8 EU (2006), the legislative changes in many countries, leading to the creation and establishment of supervisory authorities of the profession, to enable you to understand the tendency of supervision, inspection and monitoring in view of a single goal: that of ensuring audit quality in increased service stakeholder confidence in the published financial reports. The global financial crisis, which is already present, powerful in all of Europe, does not miss out accountants and auditors accountability. It is this crisis that has highlighted the need for improvement and reassessment of the role of auditors, seeing it in some plans, such as improving the quality of audit work and the strengthening of external oversight.

Finally, what we must do is to work together to enhance the role and quality of auditors service by implementing labour standards and high ethics, leading to improve the quality of information on financial reporting, providing assurance for the quality of these reports and to not considered the audit practice as a legal obligation or burden.

3. THE ROLE OF INTERNAL AUDIT IN ENTERPRISES

Internal Audit Service, its role and mission are to enabling high-level security management over the objective independently and improve the activity and performance of the organization, adding to that value.

Audit activity in the public sector should:

- Help subjects to be responsible, assessing the implementation of the law, regulations and controls, as well as ensuring the usefulness, effectiveness and savings operations;
- To provide objective assurance to the oversight bodies / heads, the accuracy and reliability of financial

statements and performance reports, prepared by the management structures;

• Assist management in achieving their goals and objectives, improving systems and services unit;

• To minimize opportunities for fraud, waste and abuse; and

• To assist employees in improving the overall performance of the work and the implementation of controls in place.

Audit work includes, as follows:

• Identification and assessment of risk and recommends to improve risk management systems;

• Assessment of controls that address the risk;

• Promoting effective and efficient controls, and continuous improvement initiatives;

• Evaluation and reflection processes that ensure reliability and integrity of financial information.

Recommendation to improve controls to help the process of governance:

• Promoting appropriate ethics and values of the organization;

• Ensuring effective performance management and accountability of unit

• Effective communication of risks and controls in the relevant areas of the unit.

Financial audits are performed to evaluate the accuracy and completeness of records and balances accounts. Financial audits using essential tests, analytical and other assessment procedures which may include or not include functional tests or reviews of transactions. Financial audits determine whether the financial information subject reliably presents the financial position, results of operations and deviations of the audited entity in accordance with International Accounting Standards.

4. THE ROLE AND FUNCTION OF EXTERNAL AUDIT IN THE ENTERPRISE

Financial statements are used for various purposes and decisions. For example, the financial statements are used by the owners to assess the management, by the investors to make decisions, the credit rating for decisions regarding credit entities, as well as bankers to make decisions about whether provide loans or not. Effective use of financial statements requires the reader to understand the roles of those responsible for the preparation and auditing of the financial statements.

The financial statements are the responsibility of management. When using the statements of the management, the reader should recognize that the preparation of these statements compiled by the management to make significant accounting estimates, as well as to determine among some accounting principles and methods that they can be more appropriate within the Generally accepted accounting standards.

In contrast, the auditor's responsibility is to express an opinion on whether management has presented enough information in the financial statements. In an audit, the financial statements are evaluated by the auditor. During the audit, the auditor gathers evidence to obtain reasonable assurance that the amounts discoursed in the financial statements are free of misstatement material. However, the basic characteristics of test evaluations, is that the accounting estimates that are inherently inaccurate, and the difficulties associated with detecting distortions, the auditor try to prevent because it can influence the decision of a user.

The auditor also considers that the audit evidence could raises doubts about the customer's ability to continue as a going concern in the foreseeable in the future. However, the readers should know that the future performance of the business is uncertain, and an auditor cannot guarantee business success. Through the audit, the auditor adds credibility to the financial statements of the management, which allows owners, investors, bankers and other creditors to use them with great confidence. Auditor expresses his certainty in the financial statements, in the report of the auditor. The report, which contains standard words and phrases that have a special meaning, conveys the auditor's opinion about whether the financial statements present fairly the entity's financial position and results of operations. If the auditor has reservations about the amounts that are disclosures, it modifies the report to describe the auditor's report as reserved. In today's economy, information and accountability have assumed a greater role in our society. As a result, the independent audit of the financial statements of an entity is a vital service to investors, creditors, and other participants in economic exchanges.

The auditor communicates audit results in a standard report. Auditor is based on work performed and professionally rigorous.

5. THE NEED FOR FINANCIAL STATEMENTS

Regardless of the type of subject - whether in the public or private sector, or the not-profit all subjects use economic resources to pursue their goals. Financial statements provide management of an entity to provide useful information about its financial position at a certain point in time and the results of its operations and its changes in financial position for a certain period of time. External financial reporting for these entities is geared towards the common interest of different users. The financial statements provide information about the owners in management administration. They also provide a base for decision making.

The objective of auditing the of financial statements is to add credibility to management's financial statements. Access to capital markets, mergers, acquisitions, and investments in an entity depends not only on the information that management provides to the financial statements, but also the degree of assurance that financial statements are free from misstated material and fraud. In the process of providing reasonable assurance that the financial statements are presented fairly, an auditor evaluates whether:

* Transactions and the amounts that should have been recorded have been reported in the financial statements.

* Assets and liabilities reported in the financial statements existed at the balance sheet date, and transactions reported in the financial statements that have occurred during the period covered by the financial statement.

* Assets reported are owned by the entity and debt obligations are owed by the entity at the date the balance sheet was reported.

* The amounts in financial statements (assets, liabilities, income and expenses) are properly assessed in accordance with accounting standards.

* The amount in the financial statements are properly classified, described and presented in accordance with accounting standards.

The independent auditor forms an opinion on the overall fairness of the financial statements being tested. Opinion communicated to the auditor's report. Standard audit report contains an unqualified opinion, which means that the auditor believes, without reservation, that the financial statements present fairly the entity's financial position and results of operations in accordance with accounting standards. A qualified report, in contrast, informs readers of the financial statements regarding concerns of auditor, concerning matters affecting the financial statements (such as the selection of accounting policies and methods of their application or the adequacy of the disclosure of financial statements) or about limitations in the field of audit. Therefore, a user must understand the implications of a qualified opinion and read this report carefully. Effective use of financial statements requires the reader to understand the roles of those responsible for the preparation, auditing, and using financial statements shows the role of an independent auditor. Management is responsible for the content of its financial statements, regardless of the size of an organization or form of ownership. The preparation of these statements requires management to make significant judgments and estimates.

An audit allows creditors, bankers, investors, and others to use financial statements with confidence. While the audit does not guarantee the accuracy of financial statements, it provides users with a reasonable assurance that the financial statements of an entity give a true and fair view (or "presented fairly") on its financial position, results of operations and changes in financial position, in accordance with accounting standards. An audit increases user confidence that the financial statements contain no material errors and fraud because the audience is as independent, professional and objective that is familiar with the business entities and financial reporting requirements. Effective use of the audited financial statements also requires a basic understanding of accounting standards, financial concepts, discovery, and limitations inherent statements.

CONCLUSION

- Audit is closely linked with economic development. With the globalization of the economy audit is increasingly significant role has.

- Protection of the interests of the owner of capital, research and achieving real and objective information as a basis for successful management, the establishment of methods for the supply of fresh capital and reduce investment risk are some of the roles of the audit.

- Financial reporting is crucial to the competitiveness agenda. It constitutes an important aspect of good governance, which requires transparency and integrity in both the public and private sectors.

- Audit adds value to business for certifying financial statements, increases the reliability of financial statements and the company itself, and thus facilitates the business in a wide range of interactions with third parties, whether these interactions nature of the business or institutional.

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