CALITATEA ACTIVITĂȚII DE AUDIT ÎN APRECIEREA SISTEMULUI DE GUVERNANȚĂ CORPORATIVĂ
THE QUALITY OF AUDIT IN APPRECIATING THE CORPORATE GOVERNANCE SYSTEM

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Abstract: *In a changing society, the direction of all organizations must be channeled towards evolution, development and growth. This cannot be achieved without a good governance. In our study we intend to prove that through an internal audit based on independence, objectivity and competence, the corporate governance of the entity can be improve. For this purpose, we analyzed the most representative empirical studies conducted in the field carried out at national and international level. The evolution of corporate governance principles in Europe and the entire world underlines the close connections between internal audit, governance and enterprise business continuity. The easiest way to convince someone of the importance and the purpose of internal audit is to demonstrate the value that it brings to the organization. The conclusion we reached is that we cannot talk about corporate governance without internal audit and we cannot talk about internal audit without three pillars: independence, objectivity and competence.*
Keywords: *audit, corporate governance, independence, objectivity, competence, principles of corporate governance.*

Introduction. As we cannot build a strength building without a strong foundation, so we cannot achieve good governance unless we respect a number of requirements and essential features. Through our article, we want to emphasize the importance of internal audit in improving corporate governance. The assurance and the counseling services provided by auditors derive their value and credibility from the fundamental assumptions of independence of mind and independence in appearance. Many researchers had examined auditor independence and objectivity, but this has been predominantly in the context of external audit. In the recent years, there has been heightened interest in issues associated with the independence and objectivity of internal audit. We believe that aren't enough only these two features and we propose the adding of the concept of competence of the audit. Our argument is that without a hard training, without good analyzer and consultant features we cannot speak about an efficient audit. The motivation for this growth in research is related to the evolving and expanding role of internal audit as a key corporate governance mechanism as well as an internal consultancy service. This triple role has generated significant debate as it has the potential to place the internal auditor in a situation of conflict, but nothing is impossible. As research directions, we propose to carry out a study to quantitatively numerically, point out the improvement of governance.

Corporate governance, the road to success. At the beginning of our research, we considered necessary to present first the notion and meaning of corporate governance. In order to deepen the current state of knowledge we have developed a conceptual delimitation of the term corporate governance by studying specialized national and international literature and also the regulations and recommendations of the best practices in corporate governance, followed by analysis of corporate governance models.

So, we can say that the concept of corporate governance was brought up in discussion around 1932 by Adolf Berle and Gardiner Means. Through these works, they first proposed the theory of separation of property by control, constituting the agency theory that led to the appearance and development of large corporations.

Corporate governance appear in developed countries as a response to the failures of large companies (Ghita M. & all, 2010), a situation that led to the loss of confidence of investors to receive remuneration for the funds provided.

Following research in the literature, we believe the Organisation for Economic Co-operation and Development explain best the term as the system through which companies are directed and controlled and refers to how the responsibilities and rights are shared between the main actors of an entity.

The concept of corporate governance has experienced various modeling over time, but the concept has been emphasized after financial events that affected the finances and the world economy. Currently, corporate governance is seen as a system that protects shareholders but also respond to the society expectations by sustainable growth and increased confidence. Organization for Economic Co-operation and Development established the principles to be followed for effective corporate governance principles that we have gathered in figure no. 1.

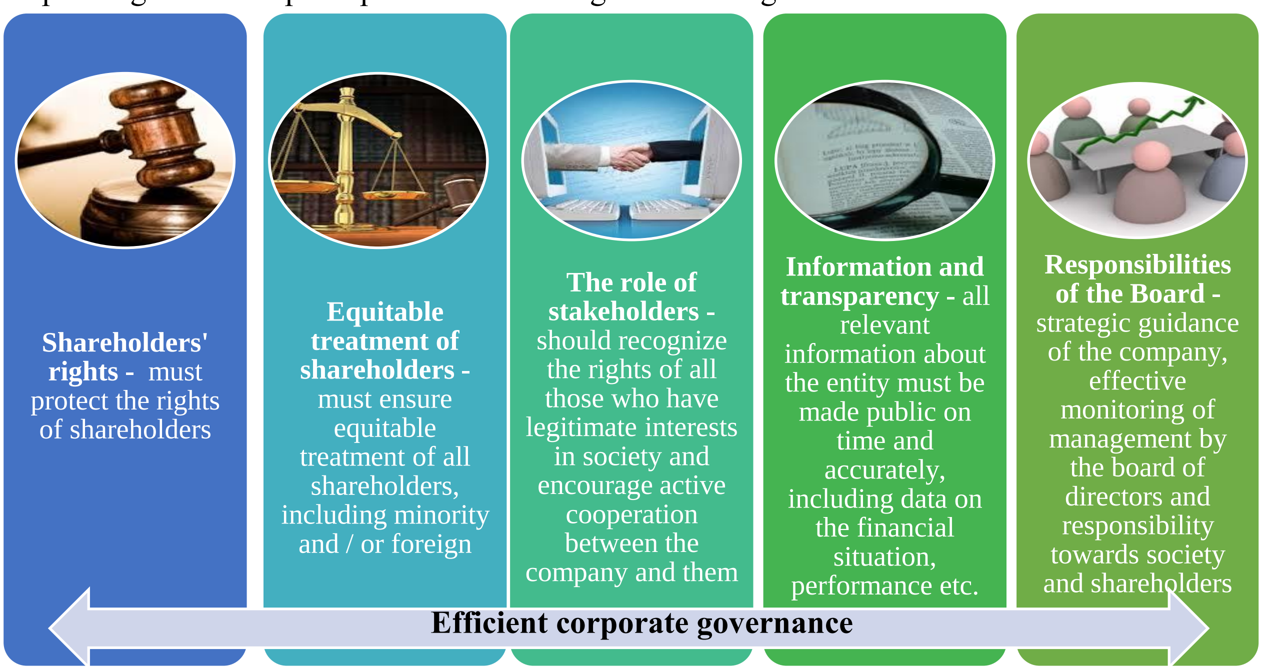


Figure 1. Corporate governance principles - OECD

Source: *own processing*

An efficient structure requires strict and completely observance of each principle to ensure market transparency information provided to define the role of the Board of Directors and managerial leadership. Lately, in order to attract investors, emerging economies have been and are concerned with the implementation of corporate governance practices. We believe that it is necessary to highlight the corporate governance principles set out by the Organisation for Economic

Co-operation and Development (OECD). In this sense, we made the figure where we presented succinctly the levers of each principle and tried through images to capture their essence.
The corporate governance aims at increasing the company performance and harmonization of various interest groups. After the major financial scandals that rocked big companies like WorldCom or Enron governments and supervisory authorities have focused attention on establishing a more effective system of corporate governance. This cannot be achieved if the principle stated are not strictly followed by all members of the company.

Audit of the 21st Century. We cannot talk about an efficient corporate governance without the existence of audit, especially internal audit. The concept is a very debated lately, because it is supposed to be a certification activity and insurance entity in terms of the degree of control over operations, a guide to improve operations. In addition, internal audit services bring benefit to the company through consultancy offered. Internal audit is carried out based on the engagement plan established in accordance with the company's objectives.

The IIA (1999) definition of internal auditing is now familiar and well accepted: Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". If we look at the definition given above, we can observe the three essential elements that must have internal audit: independence, objectivity and competence we have said, involving insurance and counseling.

The pillar characteristics of the internal audit for effective corporate governance. In any business, effective corporate governance is essential. In this sense, the focus is on ensuring transparency and decision-making methods. Now we raise the question: for whom and how we ensure transparency? In addition, the answer is obvious: to protect users from information found at any level through audit entities. Therefore, the audit has a very important role because it is one of the main mechanisms for monitoring. Studies in field (Allegrini, D'Onza & all, 2009) identify that audit is a set of three components: internal audit, external audit and audit committees that are the foundation of corporate governance.

Good corporate governance can be achieved with the support of the internal auditor fundamental because it plays an important role in assisting the reorganization of the internal control system and general management advice. In practice, every organization wants to implement the following ideals: corporate governance; risk management and internal control and internal audit is the key component that evaluates, and advises them secure. Now we have to see through which characteristics of the audit is improved corporate governance, more specifically the benefit created.

Independence and objectivity. Following research in the field, we can say that internal audit provides independent and objective advice to help mid-level management entity to improve risk management, control and governance. Entities are using the internal audit to assess policies and procedures used to accomplish those goals, thought auditors recommendations.

IIA included these two characteristics in international standard internal audit: 1100-Independence and Objectivity: The internal audit activity must be independent and internal auditors must demonstrate objectivity in carrying out their responsibilities.

Dobroteanu and R. carry out a representative study, which concerns the independence of the

Auditors in the context of corporate governance. They analyze the code of corporate governance issued by The Bucharest Stock Exchange in correspondence with existing national regulations in order to examine the impact that they have on the independence of the Auditors. The result of this study shows that the establishment of audit committees ensure the security of the independence of Internal Auditors, and the legislative horizon gives a strong degree of security of the external auditors.

A latest research in the field is done by Moldovan and Pop presenting how companies listed on the BSE were managed in the context of globalization and new trends in the context of corporate governance. The author's state that responsible for and transparency of information revealed by the internal auditors are key factors not only for shareholders but also for creditors, investors, suppliers The conclusion obtained after achieving this study is that companies listed in the first category pays more attention to the independence of audit committees as promoter of corporate governance than companies do in the second category.

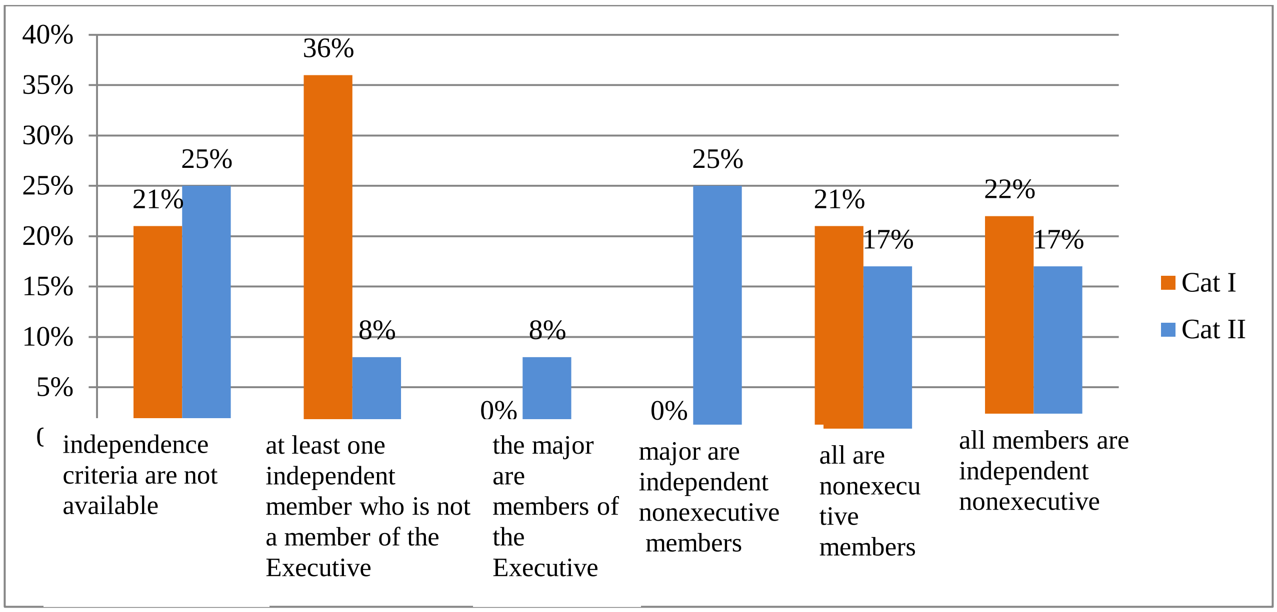


Figure 2. The independence of audit at the listed company's category I and II

Source: *Moldovan A., Pop A.D., 2014*

In percentages is about 45% of companies with foreign participation on the social capital and 65% have only Romanian capital. Among those with foreign participation 88.99% (16 of 18 companies with foreign capital) applied corporate governance code, while for those with only Romanian capital speaking about 52.55% (12 of 22 companies with Romanian capital) of companies are providing importance to corporate governance.

Therefore, the system of corporate governance leads to improved economic efficiency of the entity, by expanding the responsibilities of internal audit and the establishment of audit committees, organizing internal control, understanding the meaning of financial transparency and quality of information, management improvement.

Internal auditing provides to the departments from the organization, to the board of director and board of administrators, an independent and objective opinion on risk management, control and governance, measuring and evaluating their effectiveness in achieving the targets of the organization. Therefore, we can say that the internal audit has become a part of risk management, close to those dealing with monitoring activities (Ungureanu G.F., 2010).

Any entity aims at obtaining quantitative and / or qualitative benefits. Therefore, the financial support of internal audit must bring benefits that benefit and provide an improvement of their activities.

Stewart and Subraniam (2010) evidence Independence and objectivity impact through a study. They review the evolving literature on internal auditors' independence and objectivity in order to highlight gaps in knowledge and make recommendations for future research. They have focused their review on issues associated with the organizational status of internal audit, the internal auditor's dual role as a provider of both assurance services and consulting activities, internal audit's involvement in risk management, outsourcing of internal audit activities and the use of internal audit as a training ground for managers. In addition, the analysis reveals that a multitude of individual and organizational-related factors potentially affect and are affected by internal auditors' independence and objectivity.

Competence. The role of internal audit in the organization, taking into account its influence on management control and risk management takes a spotlight importance in the field of corporate governance. But we raise the following problem: characteristics of independence and objectivity are sufficient to achieve effective internal auditing and consequently an improvement in corporate governance? The answer is of course not! We also need the competence.

What competency is? IIA define it as follows: the ability of an individual to perform a job or task properly, being a set of defined knowledge, skills and behavior. In addition, the organization has developed Internal Audit Competency Framework[17], which defines the competencies needed to meet the requirements of the International Professional Practices Framework (IPPF) for the success of the internal audit profession. Internal auditors need to be competent in "Communication", "Persuasion and Collaboration", and "Critical Thinking" in order to deliver internal audit engagements, and drive improvement and innovation in an organization.

According to Arens. Elder. Beasley (2012) „Competence is the knowledge and skills Necessary to Accomplish tasks that define an individual's job." Based on the definition above can be defined Competence is the knowledge and skills necessary to complete the job tasks that define the individual in this case the individual an internal auditor.

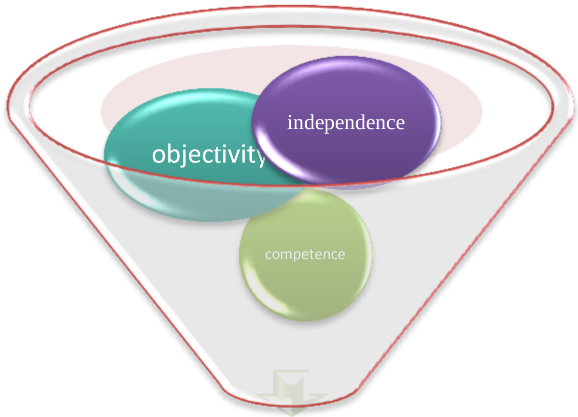
Novyarni N. (2014) realized a study which highlighted the the influence of competence and independence of the internal auditor on the quality of financial results. This study proves that the competence of internal auditors affect the quality of financial reporting. 0.379 R square figures. R Square is also called the coefficient of determination coefficient, which in this case means that 37.9% of the variation in the quality of financial reporting can be explained by the variable financial competence of internal auditors.

In conclusion, we can say that the independence, objectivity and competence of internal audit taken as a whole positively influence corporate governance. Suggestive, we made the following figure 3.

These three features and Corporate Governance Centre Abu Dhabi evidence improving corporate governance. They show that, first, it provides an independent, objective of the

[17] *Available online at: https://global.theiia.org/about/about-internal-auditing/pages/competency-framework.aspx.*

organization's activities, and secondly advice on activities to improve the skills acquired entity.



Efficient corporate gouvernance

Figure 3. Internal audit characteristics for good governance

Source: *own processing*

So the good governance pillar elements are found and confirmed also here.

Conclusions: Through this paper, we reviewed the recent literature on audit objectivity independence and competency in the current professional environment. We have focused our review on issues associated with the organizational status of internal audit, the internal auditor's triple role as a provider of both assurance services and consulting activities, internal audit's involvement in enhancing corporate governance. We can say that internal auditing provides independent and objective advice to help the entity to improve risk management, control and governance. Therefore, entities use internal audit to assess policies and procedures used to achieve the objectives, by making recommendations auditors. Therefore, we conclude that an improved corporate governance system leads to increased economic efficiency entities, information transparency and trust their users by cumulating the characteristics of internal audit: independence, objectivity and competence.

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