

**THE IMPORTANCE OF CONTINUOUS AUDIT OF FINANCIAL STATEMENTS OF
THE COMPANY OF COUNTRIES JOINING THE EU**

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Abstract

Approaching the Republic of Serbia the EU, an increasing number of operations of Management Company must comply with the laws and regulations of the EU. One of the most important task is to manage companies and do the job of auditing of financial reporting companies. There are two established types of audits. Internal audit work, done throughout the year and external, done by the end of the financial year. Both have an obligation to express opinions, which must have a background in the competence and independence.

The scope of the audit, generally speaking depends on the legislation of national economies, then the law governing accounting, and at the end of the law that frames the audit functions. The auditor's opinion is necessary in order to ensure the credibility of financial statements. Considering the focus, audit can be seen as activity of audits essentially activities related to the financial statements that are subject to services performed by certified auditors. An opinion on the financial statements of companies are included in the audit reports. They are prepared and certified by independent auditors. The revision in the economic terminology means testing of accounting statements of business enterprises. Internal audit work is done throughout the year, but external to the end of the financial year. Both have an obligation to express opinions, which must have a background in competence. Auditing activities are performed independently, objectively and with a great deal of independence in the work, by internal and external authorized auditors, so that they can provide the necessary information to the users of audit reports.

Internal auditing can be seen in the two main ranges. The first is within the company in which some processes are functioning the same. Another scope is wide level, including observation of the wider society and the state, and includes observation of the entire public sector of a country. This mode of operation of the internal audit, internal audit includes the individual reporting company, means the consideration of internal audit and it has to be lowered to the level of individual companies. In companies, external auditors, who are by definition independent in their work, for their work primarily correspond to shareholders. In contrast to the external auditors, internal auditors work as primary managers of enterprises. This is the essential difference in the observation of external and internal audit. Observation of internal audit as a tool, and internal auditors, can be seen as an extension and a logical continuation of the development of the internal control, which has existed for decades in companies. Therefore, it is quality work of internal control, all the more relevant to the external auditors, as they can be on it more fully and to a greater extent rely on the exercise of the function of external audit and control.

Internal audit work in the enterprise can be seen through the answers to the three most common target internal audit in enterprises. Objectives and internal audits provide answers to three key questions that the internal participant auditors should submit to management:

- explain the role of internal audit in a single company,
- explain how to improve and maintain the quality of the work of internal auditors and
- to compare the role of internal and external auditors, primarily through defining how each gathering evidence within their assigned his scope of work.

The authors wanted to draw the attention of the professional public on the importance of the organization of internal audit in enterprises, as the same is performed continuously throughout the year and is the basis for all subsequent of audit and control.

The authors point out that the auditing activities have to be done and carried out independently, objectively and with a great deal of independence in the work, by internal and external authorized auditors, so that they can provide the necessary information to all users of audit reports.

Keywords: Audit, business, finance, enterprise.

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1. Introduction

Defining the audit activity depends on the types of audit being carried out for the account of the customer business audit. Audit jobs depend on the audit objectives. In line with this is certain, and the extent to which the audit will be conducted. The following authors have provided some basic definitions of the audit, which usually cannot meet in the economic life of the countries that access or have acceded to the European Union.

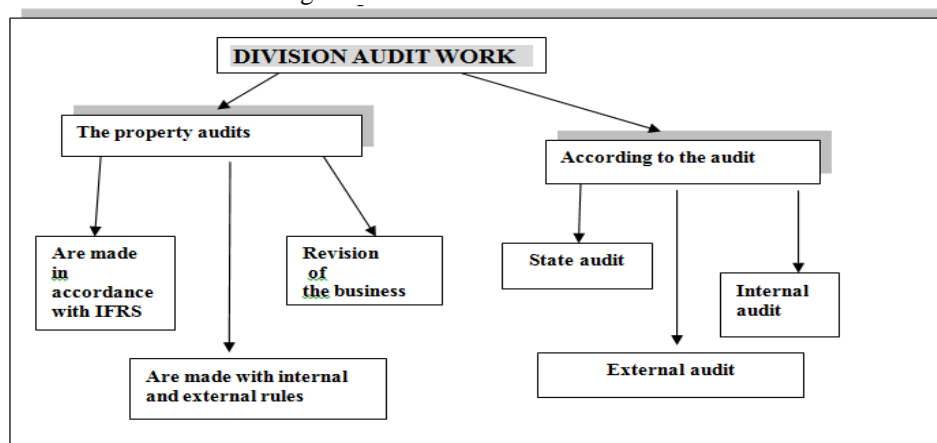
Some of the definitions of the audit are the audits examination of the financial statements, on business data, business records and other documents in order to obtain a reliable opinion on the economic and financial situation of the client [1]. The audit is the process of providing assurances about the reliability of the information contained in the financial statements prepared in accordance with generally accepted accounting principles or other rules [2]. An audit can be viewed as skills, professions and thorium [3]. An audit is a process of review and assessment of the financial statements and consolidated financial statements subject to audit.

The objective of the audit of the financial statements is made in accordance with international accounting policies, and should be such as to permit the auditor's opinion on these financial statements [4]. Some authors emphasize the necessity of interaction management and executive positions in the company [5]. Auditing activities are important for a number of different valuation we see and in several authors [6], [7], [8], as in the case of investment in the company by investors [9], [10]. Using the definitions, it can be seen, which intended revision is. Accordingly revision is intended to: tax authorities, business owners, investors, State Governments, Employees and other stakeholders.

2. Division adut work

The most common observation of audit work may be the property audit and the audited entity. I show further separate divisions of labor within the audit so performed observations, the authors are given below and shows him figure 1.

Figure 1: Distribution of audit work



Source: Original figure, 2015.

It is important to point out that the basis for review by all relevant accounting and auditing standards the financial statements. These revisions observed in accordance with whether the financial report submitted to the audit made in accordance with the prescribed criteria and rules of observation. Frequently these frames prescribing how should be prepared financial statements framed and unified internationally applicable standards.

Observing the subject to some authors are essentially limited by the liability of the persons in the audit process. The audit reports should be stated with the preparation of audit reports responsible management of the company, and the auditor is not the one to blame for the prevention or detection of fraud in companies where it conducts business audits. Thus the external auditor's last line of defense, of fraud. If there is a fraud, management is responsible and obligated to fraud detected by an effective system of internal control of the company..

Auditing Standards are a handy reference for the implementation of the review procedures and to express opinions, and indicate the basic rules of audit and thus provide the expertise and independence of the auditors and the audit profession. National laws on auditing in countries such as the Croatian, Serbian and others that are joining the EU are made adjustments, so as to accept the international auditing standards of EU member states. This is especially prevalent since 2009, first in Croatia and then in Serbia.

The role of auditors is reflected in its independence, objectivity and impartiality, which is present in all the reports submitted by clients. Auditor independence is crucial for a fair and objectively reporting the client, who is based on the collected audit evidence and after professional treatment, is delivered to the client in the form of a written report. The audit plan is an important and effective instrument of control performance audit, directing operations and control personnel, engaged in auditing. Plan revision should be made in a timely prediction of using the work of other auditors and experts [11].

3. Internal audit in the context of convergence of Serbian EU

Internal auditing can be seen in the two main ranges. The first is within the company in which some processes are functioning the same. Another scope is wide level, including observation of the wider society and the state, and includes observation of the entire public sector of a country. This mode of operation of the internal audit, internal audit includes the individual reporting company, means the consideration of internal audit has been lowered to the level of individual companies. In companies, external auditors, who are by definition independent in their work, for their work primarily correspond to shareholders. In contrast to the external auditors, internal auditors for their work to primarily managers of enterprises. This is the essential difference in the observation of external and internal audit.

Observation of internal audit as a tool, and internal auditors, can be seen as an extension and a logical continuation of the development of the internal control, which has existed for decades in companies. Therefore, it is quality work of internal control, all the more relevant to the external auditors, as they can be on it more fully and in greater extent rely in carrying out the functions of external audit and control.

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4. Internal audit of public sector

The quality of internal audit in state institutions depends on the application of the rules, but also from the full engagement of the auditor as well as professional work. Professionalism depends largely on the attitude and objectivity of the courts of auditors, quality considerations in the application of auditing standards, as well as from the impact and practicality of audit recommendations.

Internal Audit has no role inspection. Internal Audit is a need for cooperation of employees and management in order to obtain a sufficient amount of truthful information needed to perform the duties of the audit. The best way to maintain an atmosphere of mutual trust and co-operation is that the internal audit adopts a participatory approach to their work and the objectives to be transparent at all times maintain professional relationships:

- the professional judgment of the auditor remains a fundamental trait;
- audit should be adapted to the circumstances in the audited entity and is based on an Estimate of audit risk;
- providing opinions on internal controls is not the only objective of the audit in the public sector;

- to examine the structure of corporate governance in the audited entity and test performance management (performance) in the medium term should become equal;
- audit findings should be presented in a timely report to ensure timely undertaking of appropriate activities.

The procedures and methodologies have to be with the International Standards for the Professional Practice of Internal Auditing, as established by the International Institute of Internal Auditors. These standards have been adapted in order to be relevant to the public sector in Serbia.

Methodologies and procedures should be in accordance with best practice and reflect the changes in the legal and audit environment, CHU in the Ministry of Finance is responsible for reviewing and, if necessary, change the content of the methodology and procedures. These checks will be carried out once a year and more often if necessary. However, it is necessary to be any amendment to consider and comply with the Central Harmonization Unit of the Ministry of Finance. Therefore, internal audit is an activity that provides independent, objective assurance and advisory activity has, designed to improve the business, besides continuously assesses and evaluates risk management.

Each auditor is obliged to ensure that any changes in the methodology and practice understand. The external auditor shall examine the reliability of financial statements, which are dependent on the financial system and the application of accounting regulations of the company. External Auditor contributes to the efficient allocation of limited economic resources. The regulatory framework for insurance services audit presents an application of standards for financial reporting, auditing and quality control, codes of ethics; regulate the conduct of accountants companies [12]. The authors point out in the context of the observations of the audit activity that is necessary to educate staff, and training should be viewed in the context of professionalization of work, or in the process of economic, technical, organizational and other modes of observation [13].

CHU in the Ministry of Finance of Republic Serbia will be ready to consider the suggestions of direct beneficiaries in terms of improving the procedures and methodologies. There is a general expectation that all responsible for the management of public affairs and management of public funds are fully responsible for the conduct of these operations in accordance with the law and relevant standards, and that public funds are kept and used economically, efficiently and effectively.

In addition to the aforementioned, the Ministry of Finance and Economy during 2013 informed all users of the public sector as follows: that is before the appearance of organizing training, training courses, workshops, seminars and the like for a fee, for employees in public funds, in the field of financial management and control and internal audit in the public sector, and all the special basic training, practical training and consultancy introduction of financial management and control in the public sector of the Republic of Serbia, implemented sector for internal control and internal audit, as its legal obligation, free. Also, the Ministry organizes exam for acquiring the title of certified internal auditor in the public sector, free to all candidates who are referred to training for internal auditors, and for those who are eventually claimed the title for internal auditors in a separate legal person, the resulting certificate will be valid and recognized.

One of the policy objectives of the Government of the Republic of Serbia is, that the public service responds faster and with better quality services that are integrated, aimed at users and focused on the result, which requires that the entire system be directed to the measurement of performance (performance) where possible cooperation between organizations in the public and private sectors. This will result in the efficient and effective implementation of public programs and projects, as well as security and safeguarding of public funds. Government of the Republic of Serbia adopted a strategy for the development of internal financial control in the public sector, with the aim of establishing a comprehensive and effective system of internal financial control in the public sector, as well as with the aim of good governance and protection of public funds, regardless of their source and to comply with the requirements of Chapter 32 - financial control, to conduct negotiations on joining the EU. In addition, the European Commission will assess the overall system of internal financial control in the public sector, but will provide assistance in understanding and implementing a well-developed and effective internal control system.

The primary responsibility, which includes ensuring that the public affairs of water in accordance with the law and relevant standards and that public funds are managed with absolute integrity, and that she spent dedicated, remains the ministers and other elected representatives, as well as the managers and various officials in every organization. In order to fulfill this responsibility, it is essential that public authorities and all persons responsible for the management of public affairs establish and maintain an appropriate structure for the conduct of its affairs and storage resources that are available to them.

The audit in the public sector "adds value" not only through analyzing and reporting on what happened, but also "looking ahead", identifying areas where possible improvements and encouraging good practice. In this way the audit contributes to the promotion of improved standards of governance, better management and decision-making and effective use of taxpayers' funds.

The audit in the public sector represents an important link in the chain of responsibility since it strengthens the responsibility, both in terms of elected or appointed persons, and in terms of beneficiaries, taxpayers and citizens in a broad sense, which is achieved through:

- auditor’s independence from the audited entity;
- wide scope of audit work in the public sector, which includes regularity, "decency" and "value for money"
- the ability of auditors to the results of audits and reviews to make available to the public and democratically elected representatives who are responsible for the financing of relevant activities.

Auditors should understand that in the audit of public funds there is a wider public interest, which stems primarily from the fact that taxpayers are required to pay taxes, and therefore have a specific interest in being assured that public funds are managed appropriately, as opposed to shareholder in a company that has the ability to decide on whether to buy or sell their shares. In addition, the authorities in the public sector, as well as corporate entities, are usually not engaged in the production of goods or do not provide services whose primary purpose is re-sold on the open market, and therefore their primary goal is not profit. These organs therefore exist to provide cost-effective, efficient and effective public services.

Therefore, citizens rightly expect that public authorities public funds are used exclusively justified and dedicated, and that there are high standards of integrity and that this money is used in the most efficient way, which has been accepted and the legal responsibility they have auditors in the public sector.

The audit in the public sector should be planned in relation to the broader perspective that must be taken into account that public funds must be managed properly and in accordance with the concepts of "value for taxpayers' money".

Institute of Internal Auditors defines internal auditing as follows: Internal audit is an independent and objective scorecard and consulting activity designed to "increase value" and improve an organization's operations. Internal audit through a systematic and disciplined approach that is applied in the evaluation activities, the organization helps in achieving the objectives.

The legal basis for Internal Audit is the Law on Budget System. On the basis of the said Law, Internal Audit is an activity that provides independent, objective assurance and performance of advisory activities, with the aim to contribute to the advancement of the organization. It helps an organization accomplish its objectives by a systematic and disciplined assesses and evaluates risk management, performs control and allows the management of the organization.

The internal audit functions in accordance with the Standards and Code of Ethics of the Institute of Internal Auditors. Charter of the Internal Audit regulates the role of internal audit, and necessary environment in which audits can effectively function and contributes to the success of the organization.

Table No. 1: Example usage guidelines for conducting internal audits

Issues related to internal control standards	The important issues that must be addressed by the internal control and audits
Attribute standard	Application of the standard requires: a professional attitude, expertise and professional care, competence, skills and other competencies to carry out internal audits.
Implementation standard	An auditor must obtain help, if there is no knowledge, skills and other competencies needed to perform all tasks related audit or his engagement.
Performance standard	The auditor must effectively manage internal audit activities. Must plan and prioritize internal audit, based on the assessed risk.
Implementation Standards - advice	The auditor should consider accepting the proposed engagement based on risk assessment, should be proposed for improving the organization entity which performs audits. Data solutions proposals must include in the plan accepted auditing.

Source: [14]

5. Conclusion

Safety in the work of the company is of vital importance. Achieving security operations and reduce the risk of failure, as well as the detection of potentially abusive in the company's management is the most important. Management of the company has a very different instruments at its disposal, in order to achieve security of business and it is in a constant process of searching for a better way of establishing control of the company. It is a long and continuous process. One option that stands enterprise management is the application of internal control and internal audit in the normal course of business.

Startups, and management of leading such companies, has a better chance to detect weaknesses in the system if it manages to define that at shorter intervals perform primarily internal control of some parts of the company, and then to carry out an internal audit of the entire system of the company. It is important to emphasize that there is no such system of internal control and internal audit that every time ensure perfect results protect companies from unwanted operation. Any control that is carried out, has the effect of certain costs, noting that a larger number of control gives better results, but also increases the cost to the company.

The auditor's opinion is necessary in order to ensure the credibility of financial statements. Considering I focus audit can be seen that the audit activity essentially activities related to the financial statements that are subject to services performed by certified auditors.

The objective of the audit of the financial statements, which is made in accordance with international accounting policies, should be such as to permit the auditor's opinion on these financial statements. The audit in the public sector represents an important link in the chain of responsibility since it strengthens the responsibility, both in terms of elected or appointed persons, and in terms of beneficiaries, taxpayers and citizens. Internal auditing is an independent and objective scorecard and consulting activity designed to "increase value" and improve the company's operations. Using internal audit allows the systematic and disciplined evaluation, valuation and risk management. This improves control and allows the company management with reduced level of risk in the normal course of business.

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