WAYS OF STRENGHTENING THE STATUTORY AUDIT EFFICIENCY

Ioan Oprean[1]
Georgeta Ancuţa Şpan[2]

ABSTRACT: The integrity of the auditor's opinion and the audit process conducting effectiveness hangs on the professional judgment applied on obtaining, processing and interpreting the internal and external information. Documentation is based on all the audit evidence collected through procedures such as: inspection, confirmation, documentation etc. Audit evidence is used to determine whether the financial statements present the economic reality of transactions and if they faithfully reflect the financial position of the company. To achieve a reasonable assurance, the auditor should gather sufficient and high quality audit evidence so that the view expressed in the report of the independent auditor should be based on a credible and relevant background.

Keywords: audit evidence, audit procedures, professional judgment, reasonable assurance.

JEL codes: M- Business Administration and Business Economics; Marketing; Accounting

Introduction

The audit process is based on the auditor's professional judgment when deciding how to tackle trough each assignment in accordance with the recommendations and professional audit standards (*International Audit Assurance and Ethics Regulations, 2009*). Companies which are required to audit their annual financial statements are provided by the law (*Accountability Law no. 82/1991 and OMFP no. 3055/2009*). There are companies that may choose either to appoint a censor committee or to use the services of a statutory auditor. Today, many smaller entities waive censor commissions and chose to sign a statutory audit contract with a legal or non legal person authorized by the Financial Auditor's Chamber of Romania.

All the legal entities, particularly the smaller ones, are concerned with reducing costs for auditing the financial statements. Accordingly, statutory auditors seek solutions to ensure *increased audit efficiency* by *reducing the human and other resources* allocated in terms of *obtaining a reasonable assurance* regarding the true image reflected in the annual financial statements. To obtain the reasonable assurance, as low-cost as possible, statutory auditors are looking, first, at the most appropriate answers to the three groups of questions:

1) *what are the risks* that can lead to significant distortion of information in the financial statements (inherent risk and internal control risk) and what are the risk factors that may cause distortions in information detection due to fraud or error (detection risk)?;

2) *what is the level of assurance* that auditors should offer to those who base their decisions on the audited financial statements?;

3) *what is the nature, timing and aim of the procedures* that an auditor should use in order to collect, with minimum effort, the audit evidence necessary to express an opinion regarding the financial statements, whether they are realized accordantly to an identified accounting referential (with the pre-assessment criteria).

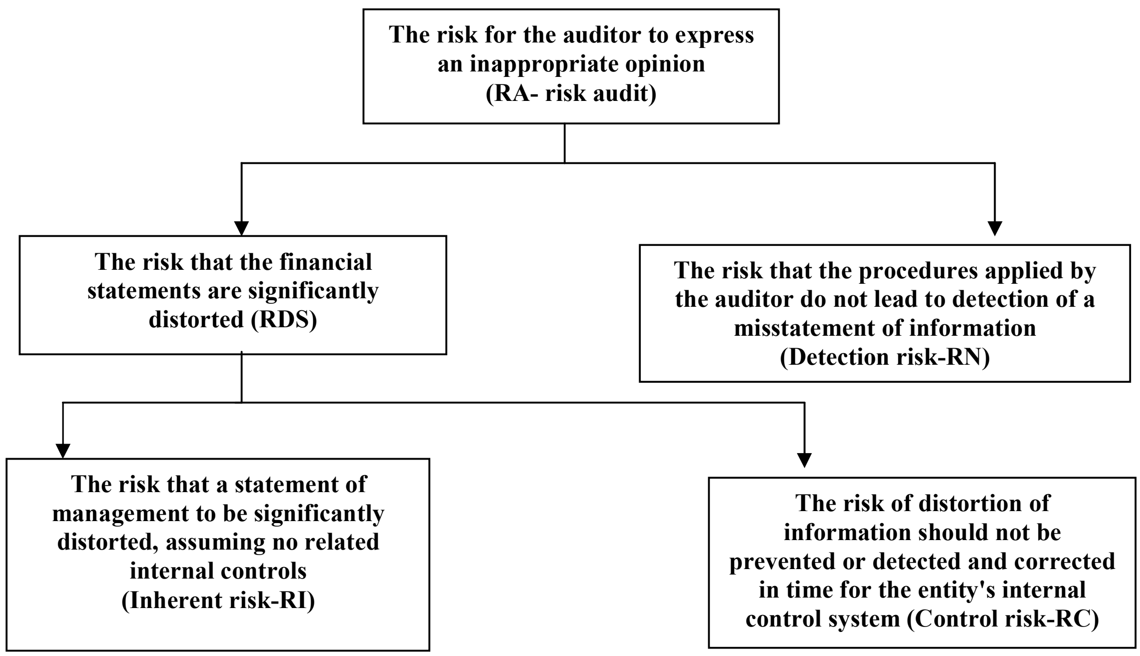
[1] -"Dimitrie Cantemir" Christian University, Faculty of Economic Sciences, Cluj-Napoca, citadela_audit@yahoo.com;
[2] - "Babeş-Bolyai" University, Faculty of Economic Sciences and Business Administration, Cluj-Napoca, gety_span@yahoo.com.

Research methodology

This study is based on domestic and foreign literature review, the provisions of the International Standards on Auditing, the specific national regulations and practical experience of the authors. In preparing this material we started from the finding that smaller entities that choose to audit their financial statements are concerned with reducing costs, in terms of providing a reasonable assurance regarding the fair view reflected through the financial statements.

Audit risk is the risk of an auditor to express an inappropriate opinion when the financial statements are significantly distorted. As shown in the figure below, the audit risk has two components:

- *The risk of the financial statement to be significantly distorted*, before the audit mission takes place. This risk belongs to the audited entity. To assess the risk of the material misstatement (RDS) of the financial statements, auditors should obtain a better understanding of the entity and its environment (inherent risk), and the design and implementation of the internal control of the entity (risk of control): - *The risk of an auditor not to detect*, with the audit procedures that he applies, the misstatements of the information (risk of detection).



Due to the limitations of the internal control of the audited entity and because of the limitations of any audit mission, auditors have no other choice than to accept a certain level of risk or uncertainty. Therefore, through their opinion (in the final audit report) auditors provide a **"reasonable assurance"** regarding the content of the financial statements, being impossible to give an absolute assurance that all the distortions due to fraud or errors were found. As a result, auditors should establish, early from the planning phase of the mission, the level of the detection risk they might accept. This risk that is referred to as "the acceptable audit risk", represents the level of risk that auditors are willing to accept when the audit mission is over and when the auditor has given an inappropriate opinion in the final report. In close conjunction with the acceptable audit risk, auditors should determine the materiality level (*ISA no. 320 "Materiality"*).

Auditors are not responsible for the continuity (business continuity) or for the profitability of the auditees, but they respond in the event that, by their reports, they don't provide a good information to the users of the financial statements (*Oprean I, Popa I.E. and Lenghel R.D., 2007*). Auditors are responsible only if they don't detect the distortion of information, and the undetected distortions, individually or cumulatively with other distortions, exceed the materiality threshold level. For audit firms, this risk is perceived as an economic or business venture that consists in the possibility that auditors are required by justice to cover certain losses made by the users of the financial statements which were based on assurance provided by the auditors when they took various economic decisions such as decisions to buy or sell shares or debt, decisions to grant bank loans, commercial loans etc.

Acceptable audit risk is assessed by the auditors, based on their professional judgment, after considering at least four groups of factors:

a) the extent to which external users rely on the audited financial statements when they base their decisions on the purchase of securities, bank loan or grant to operate it.;

b) the purpose for which audited financial statements will be used;

c) specific sector working auditee;

d) integrity and competence of the management and governance and their attitude towards the control environment.

Depending on the risks of the material misstatements (RDS) in the financial statements, identified by the degree of assurance that must be provided, the auditors determine the *nature, timing and aim* of the audit procedures that they will apply to gather sufficient appropriate audit evidence (*ISA no. 330"Audit procedures in response to assessed risks"*).

The nature of the audit procedures is, firstly, related to the *type* of the procedures, and secondly, to the *aim* of these procedures.

Type of the audit procedures

International Audit Standards (*ISA no. 500 "Probe de audit"*) and specialized literature (*Arens Locbbecke, "Audit, an integrated approach", ARC, pg. 212-220; Ana Morariu and Flavia Stoian "Financial Audit", no. 7/2008, pg. 26-31*) describe the following types of audit procedure

a) Inspection of tangible assets and other assets. It consists of the inventory or the examination of the quantitative existence and qualitative status of the tangible assets (tangible, stocks, cash) and other items reflected in the balance sheet (concessions, licenses, patents, trade effects, securities, etc.). The existence of such assets shall be inspected on the basis of documentary relating evidence. Also, the physical examination is useful for verifying the occurrence or production operations (making or receiving of goods, execution of works). Inventory and physical examination provide conclusive audit evidence or a high probative force. Thus, auditors can examine and observe the inventory procedures (tests of controls), but to increase confidence in the existence of stocks they have to spot known categories of stocks (substantive procedures). With physical examinations and inventories auditors can test the management claims concerning the "existence" and the "development or production". With this procedure auditors cannot provide sufficient evidence of ownership of goods ("rights and obligations") or on the "evaluation" of these assets (historical cost, realizable value or recoverable amount).

b) Inspection of documents and books. This procedure provides audit evidence of a varying credibility degree, depending on the independence and objectivity of the source, the effectiveness of internal control and consistency of the evidence obtained from different sources as:

- ✓ external evidence are more credible than the internal ones. Documents created by third parties and submitted to the entity (the original bill of supply) are more reliable audit evidence than documents created inside of the entity. Documents that were delivered for acceptance to the trading partners (trade effects) or for confirmation (request for confirmation of the balances) and returned in the entity have a high credibility because they have been verified by different entities. Except in cases where business partners accept or acknowledge such documents ignorant of the facts, foreign documents have a high reliability if they were certified by public notaries, by lawyers or other entities (proprieties documents of land and buildings, insurance policies, trade agreements);
- ✓ internal evidence are all the more credible as the entity has been implemented and

achieved a more effective internal control. Also, internal documents submitted to third parties (sales invoices, bills receivable) are more credible than those created and kept inside of the entity (payroll wage statements including calculating depreciation, transfer-return notes, etc.);

✓ evidence the auditor obtained directly are more reliable than those obtained indirectly
through investigation, through deductions or analytical procedures (testing by the auditor for consistency between different sources of information details);

✓ evidence based on written records are more credible than the claims of respondents.
Information provided by original documents are more reliable than those provided by copies of documents or only those provided by electronic means, especially if the entity has a rigorous records protection system;

✓ items collected from various sources which are combined together have a cumulative
degree of confidence higher than the audit evidence individually collected. If the audit evidence gathered from different sources are not combined together, auditors should make use of modified or additional procedures in order to reduce audit risk.

Conclusive and reliability of the audit evidence can be evaluated only after the auditor has applied the combined analysis that proves the sufficiency and the adequacy of the collected information.

c) Observation. It consists of monitoring a process or a procedure that is performed by another person. It also includes observation using senses such as smell and touch, and visits to departments, warehouse or other dependencies. Observation is used to collect the audit evidence about the progress of a process or a procedure. Thus, by observing, the auditor collects information about how to authorize the transactions and operations, how internal control is exercised on a document, how to carry inventory or receiving goods, how entering data in computer and electronic evidence system, etc..

Efficacy of the observation is limited because it is not made continuously but at certain times,
and behavior, attention and the requirement of applying certain procedures change during observation, therefore, the results of observation must be combined with other procedures.

d) Interviews or questionnaires, refers to obtaining information from different people within the entity or beyond, who know well enough the conditions and other specific issues that have developed audited transactions and operations.

The interview is a procedure commonly used by auditors in order to obtain particular knowledge of the entity, its environment including internal control and may take the form of free discussions of informal or formal writing interview. Free discussions or informal discussions have the advantage of allowing flexibility in running conversations and, therefore, interlocutors become more cooperative or glib. However, free discussions present some inconveniences due to the fact that the issues discussed may be inconclusive, and some conclusive aspects may be forgotten or that interlocutors may provide incorrect information, insincere, incomplete or contradictory. To eliminate some of the inconvenience it is advisable to conduct interviews based on questionnaires formalized at an earlier time. To increase the relevance of the interview, all the statements or responses of the management or other persons shall be written either by the auditors or by the respondents.

Based on the responses received from these interviews, auditors:

- may obtain the confirmation of the information they previously obtained or of other corroborated information;
- may declare that the information obtained was not collected by other procedures or contradict the information held (*ISA no. 580 "Management declaration"*).

Auditors should exercise professional skepticism and seek audit evidence from internal or external entities by which to judge whether the statements seem to be reasonable or whether management is corroborated by other information, or if the interlocutors are well informed. Interviewing cannot replace other audit procedures which provide more reliable evidence, but there are situations in which interviewing is the only type of procedure for collecting necessary information. Thus, management intentions regarding the reorganization of the entity, the disposal of assets, in combination with other entities, etc. can be documented only on interview.

e) *Confirmation* is a type of interview and is directly obtained from third parties (customers, banks, other business partners) and consists of some written statements as a result of requests made to them. Requests for confirmation usually refer to the balance and sometimes to the turnover accounts. Client's confirmation and other claims by debtors is a costly procedure and create some inconvenience to third parties. However, the requested answers for confirmations are from independent sources of the audited entity and, therefore, they are considered reliable audit evidence. Confirmatory applications take several forms: a positive form, a negative form or other forms (*ISA no. 505 "External confirmations*"), each of them with some advantages and disadvantages. Confirmations received from third parties represent audit evidence regarding the *existence* and *accuracy* of accounting, but do not provide sufficient evidence of accounting or *completeness* on the debtor's solvency (recoverability of receivables).

f) Recalculation. Recalculation consists of checking the accuracy of arithmetic data or records or other calculations made by the auditor.

g) Remaking. Reconstruction or remaking represents the auditor's performance in applying, independently, some procedures or internal controls that were originally made by the audited entity.

h) Analytical procedures. Analytical procedures consist of evaluations of the financial information at different **stages of plausibility** regarding the relations between financial and non-financial data. Analytical procedures also include **investigating the fluctuations** that are not consistent with other relevant information or that deviate from expected values. Analytical procedures consist of **indicators and analysis of significant trends**.

Analytical procedures do not detect fraud and error, but only highlight the categories of transactions and account balances to be investigated further. As we shall see below, the use of analytical procedures is required both in the planning phase and the phase of conducting the audit mission.

The purpose of the audit procedures

Auditors collect audit evidence of the purpose of obtaining reasonable assurance necessary to express an audit opinion. After the purpose of audit procedures:

1) Risk assessment procedures (RAS);

2) Tests of controls (TC);

3) Substantive procedures (SP).

1) Risk assessment procedures. Those procedures are applied by auditors in order to obtain a better understanding of the entity and its environment, including internal control. This understanding is necessary:

- for auditors to assess risk of material misstatement (RDS) in the financial statements as a whole (risk inherent in general and in the classes of transactions, account balances and disclosures together with related claims (specific inherent risk);
- to establish and review of materiality;
- to assess the appropriateness of accounting policies and disclosures in the audited entity;
- to evaluate the assumptions required for the application of analytical procedures;
- for decisions concerning the nature, timing and scope of further
- audit procedures so that audit risk can be reduced to an acceptable level;

- to determine overall responses under appropriate conditions necessary for the conduct of the audit engagement. These responses genre concern: maintaining professional skepticism, description of the audit team with the competences required for that mission, supervision and monitoring the progress of the mission, the selection of further audit procedures, etc..

To understand the entity and its environment and evaluating the design and implementation of internal control, risk assessment procedures (PER) are based on the combined implementation of the following types of procedures:

- investigating the government, the executive management and others within the entity (legal advisors, audit committee, internal auditors, those involved in initiating, authorizing, performing and recording transactions or other transactions) or outside entity (banks, regulatory bodies, inspection bodies, financial analysts, other business partners);
- environmental observation for conducting transactions, other types of transactions and visits to the entity's departments with knowledge of material and information flows applied:
- the inspection of documents and books, manuals of procedures, reports and internal information,
- records of meetings of the Board or the Directorate;
- applying analytical procedures necessary to identify unusual transactions or fluctuations and trends that deviate from expected values.

For the auditors to understand the entity and it's environment it is essential for them to know the following:

a-Sector entity to which it belongs, the nature and extent of regulatory affairs may generate some specific risks of distortion of financial statements as:

- ✓ if the products have long manufacturing cycle or the production and sale have a seasonal nature, risks assessment may occur in production, in progress or related to the delimitation of revenue, expenditure management periods;
- ✓ market, competition, and production technologies may affect prices supply or distribution, evolution of the turnover or the going concern assumption, and therefore, may require adjustments to be made for depreciation of assets, stock or debt, and adjustments for loss of value of financial assets or short-term investments (cash accounts);
- ✓ regulatory factors specific to certain sectors (banks, insurance companies, financial intermediation companies, non-bank financial institutions, etc..), Including political and economic stability in that country, require the application of certain accounting policies and some specific structure of the financial statements. Also, government, fiscal and monetary policies, inflation or interest or environmental requirements can lead to significant distortions of financial statements.

b-The nature of the entity, including selection and application of the entity's accounting policies. Specificity work and classes of transactions, types of investments and funding sources, ownership structure, competence and conduct of government or those of executive management, etc. may lead to risks of distortion of information as:

- entities may have a complex structure, carrying out activities in different sectors or have many subsidiaries and branches located in different locations. Entities may be bound, or not to prepare consolidated financial statements. Accounts can be managed centralized or decentralized in the entity. Entities may be part of a group of companies and be independent, may be involved in joint ventures or may not be involved in such combinations;
- understanding allows auditors to identify ownership and related party transactions between them;
- knowledge structure, competence and conduct of government and the managers allow auditors to assess the internal control environment. The control environment includes the

attitudes, awareness and action by those in governance and management entity to ensure an effective internal control and orderly conduct of business;

- understand the information system and accounting policies applied to allow auditors to determine if they meet specific reporting entity and the regulatory framework applicable accounting and whether they were adapted to new legislative requirements. Transactions obtained, performed daily are systematically processed and is therefore unlikely for it to give rise to significant risk of distortion when data processing system and internal controls are adequate. The risk of material misstatement is greater for non-common transactions, including many aspects unusual or interpreted and accounting estimates. Unusual transactions rise complex calculations and estimates, the share of manual intervention in data processing for these transactions are large and lacks adequate internal control procedures.

c-Understanding the objectives and strategies and business risk.

Business risks may affect the entity's ability to achieve its goals and strategies set out rationally. These risks are in continuous change. Not all business risks affect the true image reflected through financial statements. Auditors must select those business risks that can lead to distortion of accounting information.

Business risks can have immediate consequences on the financial statements, requiring adjustments to be made for depreciation or loss in value or long-term consequences, affecting the going concern assumption and evaluation of stock.

Indicators of performance put pressure on the government and the executive management. Therefore, based on the analysis of these indicators to take measures aimed at improving results is either to distortion of financial statements.

Thus, managers are subject to pressure from shareholders and creditors to achieve certain levels of performance, such as size of turnover, retained earnings size, etc. Since the assessment and compensation managers are influenced by the level of these indicators, there is an inherent risk that financial statements are "embellished".

d-Assessment and performance review by the management of quality are intended to establish how to achieve the objectives and strategies set. Being conscious of the management preoccupation in reviewing and evaluating the performance, auditors are able to delineate the factors that can lead to distortion of financial statements.

e-Evaluating and implementing the internal control

Auditors should determine the extent to which internal control can prevent, detect and correct material misstatements in classes of transactions, account balances or disclosures and related assertions. Depending on the experience of auditors, the nature and specificity of the audited entity may use different terminology and internal control may be structured in different components. In all cases, auditors should address the following five components of internal control:

- Control environment;
- The risk assessment by the entity;
- Information systems, including related business processes relevant to financial reporting;
- Control activities;
- Monitoring controls.

The understanding of the results of the internal control should be documented and described by auditors using narrative descriptions, circuit diagrams or by questionnaire of internal control. Having obtained an understanding of the entity and its environment, including internal control, the auditor makes an initial estimate of the risks of material misstatement of the financial statements. Based on this estimate auditors can find:

- Whether the control environment and other components of internal control are adequate. In this final evaluation is passed to support the operational testing of internal control with the "control test" and by selecting other performance audit procedures. In this case, there is a "mixed approach of audit procedures;

- That the environment entity and internal control is inadequate and therefore the risk of material misstatement of financial statements (inherent risk) is high. As a result, the auditor decides that he can not rely on the effectiveness of internal control when defining the nature of further audit procedures. In this situation he will no longer test the operation of internal control through control tests. As a result, the auditor chooses a "responsible approach to the audit engagement.

2) Tests of controls

After obtaining an understanding and description of how internal control is designed after the original estimate of risk control (RC) the auditor should test whether effective internal control procedures are applied throughout the audited period. This evaluation of the operational effectiveness of internal controls is done in order to justify an estimated risk of less internal control. If the applications of these tests prove that internal control procedures do not work effectively, the auditor should review the estimated level of risk control. Such situations may be due to the abandonment of internal controls to avoid abuses of management internal controls, incompetence or boredom, etc. employees.

Tests of controls are necessary in two circumstances:

a. when the risks of internal control were estimated at a lower level. In this case, tests of controls (TC) are intended to support or correct the assessment made on the operational effectiveness of internal controls;

b. when the "substantive procedures" do not provide themselves sufficient appropriate audit evidence. Such a situation may arise when the auditee practices electronic commerce based on exchanging messages trough IT, without editing these messages on paper. Therefore, substantive procedures (tests of details) do not provide sufficient appropriate evidence, which should be carried out during the tests of controls on the design, operation and protection of IT systems.

Tests of controls include five types of procedures:

- interviewing or questioning entity personnel;
- inspection books and documents;
- observation of control;
- remaking procedures applied in the entity;
- recalculation of data from accountability documents.

Risk assessment tests (TER) which are used for understanding and describing internal control are not to be confused with control tests (TC) which are used to determine how to apply entity internal control procedures. Most types of procedures are used both in the TER and the TC, but imply the pursuing of different goals. Risk assessment tests (TER) are based on compliance tests on a small number of operations (map system). These tests want to show whether the internal control procedures were well designed, well understood and if they match the reality of the entity (if they were implemented). Tests of controls (TC) follow the procedures and internal control functions effectively throughout the audited period (consistency operation procedures, whom to apply to, as they apply, what means are used). Tests of internal controls (TC) highlight "deviations from the controls designed" that can lead to distortion of financial statements.

Thus, the TER auditor selects a sale to make a track system (a reconstruction), following are the procedures or steps for approval of commercial credit (from receipt of orders from customers and marketing to credit approval). The TC auditor examines a sample of commercial credit sales in order to determine whether commercial loans were approved, according to national rules, prior to the sale of goods.

3) Substantive procedures

Substantive procedures used by auditors to detect distortions (errors currency) from the significant statements and financial statements. Substantive procedures include:

a) tests of details for the categories of operations (TDO);
b) substantive analytical procedures (PAF);
c) tests of details to account balances and disclosures (TDS).

a) Tests of details of operations (TDO). These tests are designed to track whether five statements about the transactions were fair to each class of business as:

- if transactions recorded occurred (appearance);
- if all transactions were recorded (completeness);
- if the operations are evaluated and recorded with due care (accuracy);
- if the operations are recorded in the period in which they took place (cut-off);
- if the operations are grouped by their content and charged to appropriate accounts groups (classification).

Efficiency is enhanced if the audit control tests (TC) the categories of transactions (sales, purchases, wages, etc.) are combined with detailed tests on the operations of category (TDO). Thus, many types of audit procedures (inspection of documents, remaking, recalculation, etc.) provide audit evidence regarding the operational effectiveness of internal control and regarding the existence or absence of material misstatements in the assertions and financial statements.

b) Substantive analytical procedures (PAF).International Auditing Standards states that "analytical procedures consisted of analysis of indicators and significant trends, including the investigation of those fluctuations and relationships that are not consistent with other relevant information or deviate from expected values.

American Institute of Certified Public Accountants (AICPA) defines analytical procedures as assessments of financial information made by a study of plausible relationships, involving comparisons between amounts. Analytical procedures are used for comparisons and as indicators to determine if the information seems reasonable.

If the application of analytical procedures has found not unusual fluctuations, the auditor considers the possibility of material misstatement to be low and therefore, analytical procedures are conclusive proof that account balances reflected correctly reflects, in this case, analytical procedures are included in the substantive proceedings, and could reduce the share of tests of detail on these account balances. The auditor's decision on the choice between "substantive analytical procedures" and "tests of details of account balances" based on professional judgments.

Analytical procedures reveal unusual fluctuations, unexpected fluctuations or fluctuations provided but have not taken place yet. The auditor should define the causes of these fluctuations. Fluctuations may be due to:

- Transactions and other events well defined;
- Distortion of information due to fraud and error.

c) Tests of details to account balances and disclosures (TDS). These test's aim or purpose is to determine the correct currency balances of ledger accounts, correct recognition and the particulars of the financial statements, including explanatory notes. Nature, duration and scope of these tests is influenced by the results of application: tests of internal controls (TC) tests detail the categories of operations (TDO) and substantive analytical procedures (PAF).

Testing of account balances is made with various types of audit procedures such as inspection records and documents, inspection of tangible, confirmation, recalculation, investigation and remaking. Testing the layout and description of information through the financial statements is to determine whether the degree of detail of the information needed by users, including correspondence details (of the ledger and financial statements) is sufficient, whether the classification of information on elements of financial statements is appropriate (eg long-term assets and liabilities and short term), if the presentation and description of information through the Notes are correct and that the information presented is comprehensible including the aspect of terminology used.

Conclusions

International Standards on Auditing leave a margin of freedom to auditors when deciding:
- The way forward for determining the accounting cycle and how to combine audit objectives related to those categories of transactions regarding the account balances and disclosures;
- The types of procedures that the auditors may apply and how to combine them. We have seen that each type of procedure has certain advantages and disadvantages and some types of procedures are recommended only to achieve certain objectives of the auditors;
- The types of procedures classified by their purpose are recommended to be used depending on the specific circumstances in which audits are carried out.

In this study we tried to show that both the audited clients and the auditors are interested of the audits to be conducted in terms of efficiency. This efficiency is assessed according to the degree of reaching the (reasonable assurance) and by the effort to achieve these objectives. To ensure efficiency audit we went through the fact that the combined implementation of audit procedures to obtain a higher degree of assurance than if separate application of these procedures. In this regard we showed how to influence each other and how to combine them:

a) procedures by type of procedures as their purpose;
b) risk assessment procedures for tests of controls;
c) substantive procedures with other types of procedures.

When deciding on the choice of categories of procedures they will use to obtain sufficient appropriate audit evidence, the auditors consider the effectiveness and their cost.

a) Preliminary analytical procedures (PAP) and substantive analytical procedures (PAF) are the least costly, especially if the calculation of indicators and making comparisons is provided by the IT system;
b) Risk assessment procedures (PER) and tests of controls (TC) have a low cost. Consideration of the design and the operation of internal control procedures with observations, investigations, reconstructions, exhibit inspection (signatures) of the documents is made in a short time and with low costs, especially when the computerized accounting system includes internal control activities, such as authorizing a sale according to certain predetermined criteria;
c) Detailed tests of transactions (TDO) are expensive because remaking involves calculations and redrawing course operations for each transaction or accounting cycle;
d) The most expensive are the tests of details on account balances (TDS) as they are based on all procedures, except observation. Auditor participation in inventory, obtaining third party confirmations, recalculating balances by turnover of audited accounts, etc. requires a large volume of work. For this reason the auditors try to reduce TDS by extending other types of procedures. TDS depth depends on the results obtained by applying other types of procedures.

Regardless of the conclusions reached after evaluating the effectiveness of internal control with TER and TC, from tests of details of transactions (TDO) and the application of substantive analytical procedures (PAF) they are obliged to follow if account balances are correct, if they do not contain distortions of information related to entity's customers-claims of a financial year, in order to confirm or refute the accuracy of account balances auditors resort to tests of details balance of accounts (TSD) and disclosures.

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