

COORDINATES OF AUDIT IN ENERGETIC INDUSTRY

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ABSTRACT: Audit developed from the mere activity of verification of a company's financial and accounting records to a professional examination and analysis of records and activities to assess the adequacy of system controls, to ensure compliance with established policies and operational procedures, and to recommend necessary changes in controls, policies, or procedures in different fields of activity. Even if the first tackling of the term audit is strictly related to the financial field, the diversity of people who use the audit results and the dynamics of the economic development, determines the broadness in meaning of this term and the various fields of activity it is being used, such as: quality audit, production audit, management audit, etc. Thus, a classification of the audit in several categories must be done.

НЕЗАВИСИМ ФИНАНСОВ ОДИТ В ЕНЕРГИЙНАТА ИНДУСТРИЯ

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РЕЗЮМЕ: Финансовия одит се е развил от обикновена финансово-счетоводна проверка на фирмата до професионално проучване и анализ на финансовите документи и дейности за оценка годността на контролните системи, за осигуряване установени практики и оперативни процедури, и за да препоръча при необходимост - промени в контрола и фирмената политика в различните сфери на дейност на фирмата. Въпреки че, първоначално терминът одит да е точно свързан към финансовата сфера, разнообразието от хора, които използват резултатите от одита и динамиката на икономическия растеж, определят многообразието от значения на този термин в различни области на дейност, които го използват, например: качествен одит, производствен одит, управленски одит и т.н. Ето защо трябва да бъде направена класификация на различните категории одит.

In the process of decision making, any manager is interested in finding out, at any time, details about the state and patrimony of the company; the management control function monitors the economic activities in order to ensure compliance with established objectives and to correct the negative deviations from these objectives.

Although it is considered that the results of the management control are accurate, for better credibility it is necessary that this information be analysed by a third objective and independent party as well. This professional form of examination is also known as an "audit" and it is performed by independent auditors or by auditing companies.

The word "auditing" (the English word "audit" means to control, to verify, to check) refers in fact to a financial analysis. While in the Middle Ages this term referred to "hearing the testimonies of the parties implicated in a lawsuit", it later broadened its meaning, as it was used by the Anglo-Saxons and the French in accounting and in the audit office. Four decades ago, the Anglo-Saxon auditing office spread this term on the continent, too. However, in the long run, the audit developed from the mere activity of verification of a company's financial and accounting records to a professional examination and analysis of records and activities to assess the adequacy of system controls, to ensure compliance with established policies and operational procedures, and to recommend necessary changes in controls, policies, or procedures in different fields of activity.

Although specialised literature and legal regulations, such as the International Audit Standards give a financial meaning to the term "audit", we may state that, in general, the audit can be defined as a professional examination of some information in order to render a responsible and independent opinion on the fairness of the statements, regardless of the company's field of activity. The most frequent definition is the one set forth in 1973 by the American Accounting Association in "Declarations regarding the Basis of Auditing", which says that "the audit is a systematic process of objective evaluation of financial records and activities performed in order to ensure compliance with established policies and operational procedures, and to report conditions found to those interested."

Wishing to connect the Romanian regulations to the international ones, the audit, especially the financial auditing was introduced in our country after 1990 and it met with an unprecedented development ever since the Romanian Financial Auditors House was set up. Analysing different opinions on auditing set forth in specialised literature, I managed to point out some common elements in the definitions of this term: the audit is performed by an independent professional; in order to render an accurate opinion the information reported must comply with certain standards, laws and regulations, etc.; upon completion of the examination, the auditor will write a report, in which partners can read real and pertinent information.

Even if the first tackling of the term audit is strictly related to the financial field, the diversity of people who use the audit results and the dynamics of the economic development,

determines the broadness in meaning of this term and the various fields of activity it is being used, such as: quality audit, production audit, management audit, etc. Thus, a classification of the audit in several categories must be done.

According to the responsibilities of the auditor in the company and to the legal method of solving relationships between the parties, there are two types of audit: the internal audit, which gives an authorised opinion rendered by an internal auditor, whose responsibility is to ensure compliance with established policies and operational procedures; the external or contractual audit based on an audit contract, according to which the professional auditor must render an independent opinion on various situations in accordance with audit standards.

Taking into consideration the content and the final result of the audit, the professor Jaba O. from Iasi, makes an interesting classification: the financial audit, which examines if "the reported numbers areexact before analysing them" and takes place before the financial-economic analysis; the directive or operational audit through which the auditor makes an estimation of the activities of the company identifying the relations between "what the numbers represent andwhat they will become in the future".

According to the coverage sphere, there are: the global audit, which analyses the entire activities in a company and has a very complex character, thus implies a great volume of work for the auditors; the partial audit which refers to a smaller number of activities and organisational procedures within a company, thus the resources audited are limited.

The cybernetic character of the company influences the audit, as well, since it is strictly related to the organisational components and it implies several partial audits, such as: accounting audit, quality audit, marketing audit, organisational culture audit, human resource audit, environment audit, etc.

Considering the importance of each type of activity within the company, partial audits, as subsystems of the global or complete audit, can be studied and looked upon as systems. From this point of view, in order to analyse the partial audit, one must take into consideration its connection with the superior auditing system, which influences it. Thus, partial audits can be considered open systems, with several common features generated by the nature of the audit activity, as well as by the connections among them.

The financial audit, performed by an independent professional, verifies and examines annual financial records in order to render an opinion on the fairness of the financial statements. The role of accounting audit is to verify the accuracy of financial statements, which must satisfy both the management in controlling the operational procedures and the third party which has a contract with the company.

Within the quality management, the term audit refers to the examination of the quality of products, services, or of the quality system of the company in general. According to ISO 8402 Standards, the quality audit represents a systematic and independent examination to determine whether quality activities and related results comply with planned arrangements and whether these arrangements are implemented effectively and

are suitable to achieve objectives. Besides the financial and quality audit, the marketing audit tends to become an indispensable instrument based on the components of the marketing mix, which are the "4 P"-s: Product (what the actual offering comprises), Price (the value exchanged for that offering), Promotion (the means of communicating that offering to the target audience, promotional mix) and distribution (also known as Place, the means of having the product offering available to the target audience). Even if, until recently, defining the marketing audit concerned only foreign specialists, its importance draw the attention of Romanian specialists as well, who try to analyse this filed considering the complexity of the Romanian market. Taking into consideration its objective, the marketing audit can be defined as a complete, systematic, independent and periodic analysis of the environment, objectives, strategies and activities of a company, with a view of identifying and understanding problem areas and opportunities, and recommending a plan of action to realign your strategies so you can get more effective results from your global marketing.

In the last decade there can be noticed the concern of managers to lay the basis of a culture which reflects the objectives of the company and helps in achieving them. Creating, changing or developing an organisational culture is a dynamic and complex process, therefore managers must maintain an open mind on certain values, behaviours, beliefs, attitudes, motivations and an audit of the organisational culture must be performed beforehand. The organisational culture audit is an assessment of the existing culture of the business – its strengths and weaknesses with respect business goals and objectives – and it results in a management report regarding the consolidation of the initial organisational culture. Thus at the beginning of the third millennium, when Romania's objective is to be integrated in the E.U., the organisational culture audit is indispensable for the Romanian companies with a systems of values and management which is continuously changing.

Having in view previous classification criteria and the types of audit presented above, we can state that the management audit is the most complex and comprehensive because it informs the managers and the auditors whether requirements of each organisational component are being met. Considering this definition and a systematic picture of the audit activities, we can assert that, within a company, the management audit accepts two approaches: an organisational approach and an operative approach.

The organisational approach of the audit is pointed out in the first phase of the audit, when the audit contract is being signed. The materialisation of the organisational structure can be done with the help of the flow chart, the organisation and function rule, and the personnel specification. These documents are drawn up by the management or by the organisation department assisted by the management.

Analysing the flow chart and the organisation and function rules of a company, the auditors verify whether there is a division among the three types of responsibilities: procedures, accounting and protection; on the other hand, organisational relations like authority cooperation, representation and control are clearly delimited and they do not allow multiple subordination or cannot avoid responsibilities.

To sum up, the flow chart is a graphic representation of the organisation structure of a company or of the departments of a company. It shows the way departments were grouped and set up, their subordination to the management, as well as the hierarchical authorities within the organisational structure.

Analysing the flow chart of a thermal power plant, the auditor observes that it consists of the management team, offices, services, sectors and workshops. The management team is made up of the subsidiary general manager, the production manager, the economic manager and the business manager. The subsidiary general manager has direct control over a consulting which comprises the legal advisor, the human resource department, the investment service and the financial office. The auditor can also point out that employees working in the workshops are subject to shop foremen, who, in their turn, are under the control of superintendents or that employees working in the investment department are subject to first-line managers, who are controlled by the manager.

A detailed representation of the organisational structure is done with the help of the Organisation and Functioning Regulation, also known as the organisation manual of the company, which is drawn up by the human resource department and the management. This manual includes the objectives of each company function, the responsibilities of the departments, the tasks of different offices, the authority degree and the relations among employees at different hierarchical levels.

The personnel specification is one of the most important operational documents within the organisation system and in specialised literature it is also known as *job description*. The job description includes the most important elements of a job such as: the name and tasks of the job, the department, the requirements of the job, organisational relations, responsibilities, competencies, etc.

The operative approach of the management audit examines the production structure, which comprises the entire organisational subdivisions of the company. The production process includes the actions of the employees performed on the pieces of work with the view to transform them into consumers' goods.

In energetic industry, these activities transform primary energetic resources (coal, natural gas, petrol, etc) into electricity used in thermal power plants, hydroelectric power plants or nuclear power plants. The peculiarities of this production process determine specific organisational subdivisions, such as: sectors or workshops for raw production (boiler rooms, turbine rooms, ore extraction shops, service shops, etc.). Thus the auditor must examine the organisational relations diagram and the information flow among production departments and the other departments within the company, as they are presented in the following diagram.

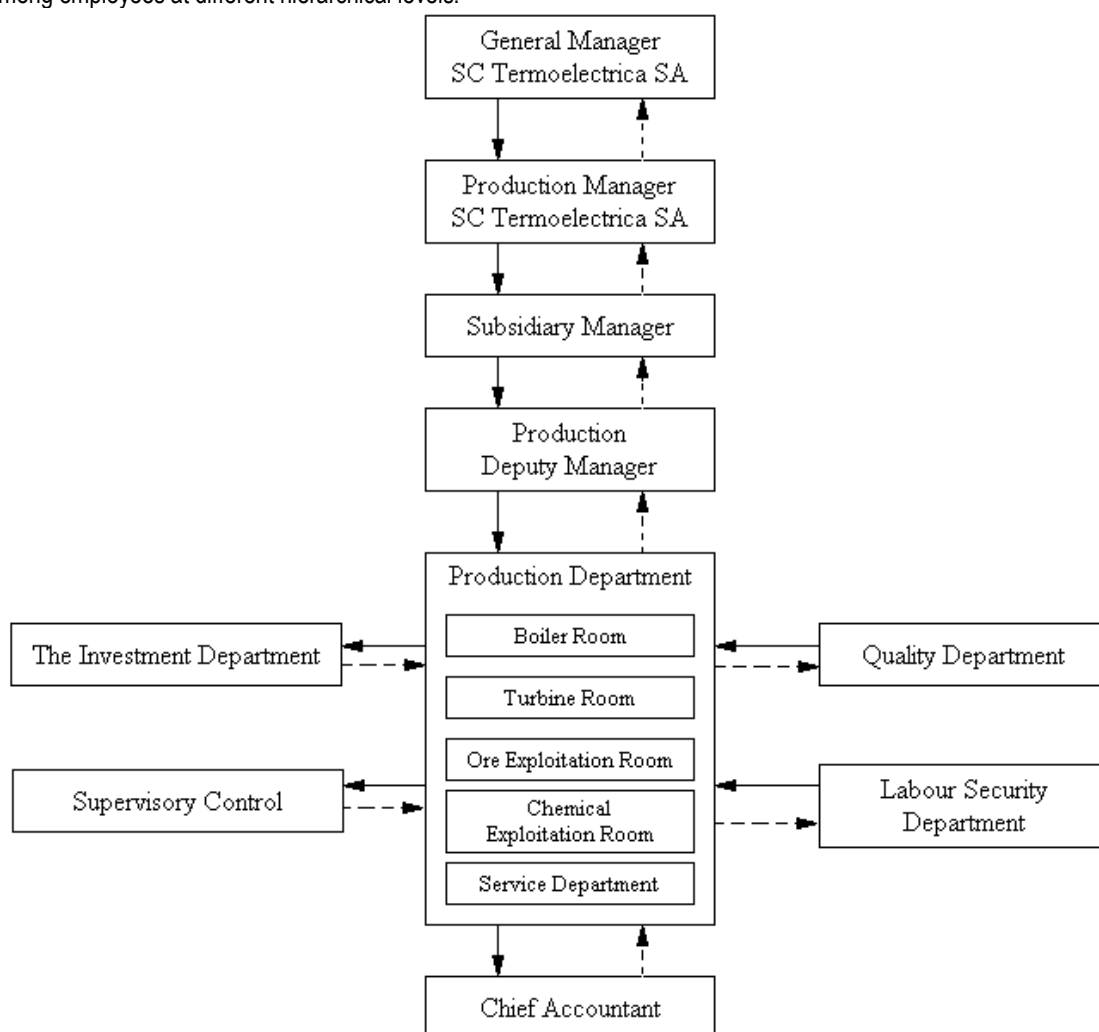


Fig . 1 The relation diagram of the production department

In the operative management the role of the auditor is more complex than in the case of an organisational approach because it implies measuring the performances of each productive department, and the audit activity implies a complex methodological system with a corresponding budget.

The production audit is a comprehensive and complex process, which can be applied at different levels, but because the audit is believed to be a continuation of the controlling process, it can be approached starting with the components of production control, of the input control, the procedure control and the output control. Thus, in the case of thermal power plants as well, the production process, as a cybernetic system, points out three major components: the input (energetic resources, human and financial resources, consumable materials); the actual production process; the output.

In this context, the role of the audit is to examine the three components: the inputs, having in view the criteria of efficient managing and insurance; the production process, considering the innovation preoccupation and the final products, as well as the degree of modernisation of the organisation systems, and of the synergetic effects obtained by correlating management processes with production ones; the output, which must comply with all the requirements imposed on the market by the competition. In the case of an tight competition, the role of the auditor is very important to verify the fairness of the economic performances of the company. In order to be able to determine the market segment that belongs to the company, stakeholders must estimate the level of performance through performance indicators included in the audit report. Thus, the most relevant indicators for the production process are: labour productivity, the length of the production process, the usage of productive capacity, production cost indicators, the period of supplying the order, etc., to which we can add financial indicators - the turnover, respectively, the efficiency of the invested capital, the

period of regaining the investment, the share profitability, liquidity and solvability rates, etc.

CONCLUSION

In energetic industry, the term energetic audit is used more often; it implies a system of indicators which must be examined by auditors and the teams of specialists, indicators that are defined in the directive no. 89/336/CE/02.05.1989 of the European Council, and that can also be found in the Romanian specialised literature. The most important ones refer to: frequency deviation; power deviation; power variation; power down-time; power shock, potential pulse.

Besides these indicators, energetic specialists use different *factors* for power variation, non-symmetric factors of the line-to-line power supply and circuit voltage, as well as factors of some related auxiliary parameters, such as: the frequency of power variation, the period of time between two consecutive variations, the length of the power down-time or the period of the power impulse.

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