LEGAL AND CORPORATE GOVERNANCE IMPLICATIONS FOR AUDITORS

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ABSTRACT: *This paper takes an integrated approach to the auditor's role. It is indisputable that the auditor's liability, both legal and professional, is increasingly well defined from a legal and practical point of view and is used with increasing frequency in contractual clauses. This paper addresses the legal aspects regarding the role and importance of the audit, presenting the main objectives and duties of the financial auditor, respectively the implications of corporate governance on the audit profession. The lack of independence, an essential element, in the absence of which it is possible to reach situations that attract the responsibility of the auditor, constitutes an impediment in the effective realization of the role that he has in the framework of corporate governance. Thus, the main issue is to ensure that there is an appropriate professional relationship among the auditor and the management whose financial statements are being audited. Liability must also be seen through the lens of the liberal nature of the auditing profession. Thus, this paper aims to provide an overview of the activity of auditors and the obligations arising from the status they hold and, consequently, the way in which they respond for non-fulfillment of obligations or non-compliance with the professional norms to which they are subject, as well as the possibilities of limiting any liabilities that may be incurred. Like any research, the present research presents some limitations by only addressing the legal aspects and not the accounting ones, so it offers the chance for future research that treats the two sides of the audit profession in conjunction.*

Keywords: *audit, legal, corporate governance*

Jel Code: *M40*

1. INTRODUCTION

Given that accounting requires consistent training from a theoretical point of view and work experience for recording accounting information and rendering it in a processed form, accounting experts are those specialists who intervene in this process even retroactively to verify the accounting process of on its basis and the clarification of some facts regarding the accounting information. An important and widespread branch of the accounting profession is that of financial auditing.

In order to fulfill its role and objectives, the audit must be of quality, its lack being sanctioned either by the beneficiaries of the audit mission or by the institutions and organizations in which the auditors are registered. Thus, the quality of the audit is measurable through the reduction of inherent risks within an entity, through the reputation of the auditors or their competence and independence.

The role of audit in the context of corporate governance needs to be explained, given that the role is mainly external to the decision-makers at the top of the company. The auditor's role is to verify (Principles of corporate governance, 2011). Starting from this concept, the comparison can be advanced according to which the auditor is and fulfills the function of a watchdog of the company he audits.

The lack of independence, an essential element, the lack of which can lead to situations that attract the responsibility of the auditor, constitutes an impediment in the effective performance of the role he has in corporate governance. Thus, the main issue is to ensure that an appropriate professional relation exists among the auditor and the management whose financial statements are being audited (Solomon , 2011).

Obviously, the responsibility of the external audit is to satisfy itself about the degree of competence of the work performed by the internal audit department. Management may also view this plus as a quality indicator of its own internal audit department, although there is a possibility that this criterion may not be met due to reasons beyond the internal audit department's control, such as independence (Dunlop, 1998).

Therefore, the auditor's responsibility cannot be treated in isolation from his responsibilities. It is necessary, in order not to distort the function of the audit and not to destabilize both the auditor's work environment and the tense conditions in which he works, that there should be a directly proportional relationship between his liability and the culpable acts committed. It is obvious that the auditor will be responsible for his actions, to the extent that they have prejudiced an interested party, but the liability must not be given a threatening character that will increase the tension and pressure on the shoulders of the auditor (Fülöp et al., 2019). Thus, a vicious circle could be created, in which, even though the size of the established liability, the auditor's mistake is indirectly forced to attract the expected consequences.

Liability must also be seen through the lens of the liberal nature of the auditing profession. George Bernard Shaw stated that freedom means responsibility, that is why most people fear it. By the nature of his profession, the auditor has a very wide freedom of thought, being limited only by the legislation in the field and by the professional standards that he is forced to respect. As a consequence of this freedom, the auditor's liability comes to sanctioning the reasoning, through fault or intention, which was the direct cause of a defective audit and, implicitly, of some damage.

Just as the beneficiaries of a service try to put themselves in a position as favorable as possible towards the provider, in this situation, they try to attract as much responsibility as possible on the auditor. The auditors' natural reaction is to defend themselves, trying to limit, reasonably, the size of the liability that they would be liable to suffer in the situation of performing an audit, for various reasons, of poor quality.

Thus, this paper aims to provide an overview of the activity of auditors and the obligations arising from the status they hold and, as a consequence, the way in which they respond for non-fulfillment of obligations or non-compliance with the professional norms to which they are subject, as well as the possibilities of limiting any liabilities that may be incurred.

The financial auditor – role and duties

Obligations and duties of the auditor

In order to fully and correctly appreciate and evaluate the scope of the auditor's duties and obligations, it is imperative to define the activity carried out by this category of accounting professionals.

Audit, generally speaking, is a methodical process of objectively finding and evaluating specific information or statements with a goal to assess their grade of conformity with predetermined standards, as well as sharing the results to interested users (American Accounting Asociation). Having as a starting point the definition of audit in the general way, it is easy to offer a perspective on what the financial-accounting audit entails, which consists in the verification and certification of financial statements by a competent and independent professional, in order to express his opinion on the reality data included in the annual financial statements (Fülöp et al., 2019).

Obligations derived from the exercise of the profession

The central obligation of the audit is to guarantee the users of the accounting information regarding two aspects:

- ✓ observance of commonly accepted accounting principles and internal procedures applied by the management of the company;
- ✓ The reflection in accounting and financial statements of the true, clear and complete picture of the financial position, financial performances and alterations in the financial position (Oprean, 2002).

Regarding the generally accepted principles, the importance of their compliance derives from the fact that the extent to which they are complied with provides a first opinion on the veracity of the information recorded in the accounting. It is also necessary that the internal procedures established by the management are consistent with these generally accepted principles in order not to create conflicting situations in the internal environment of the enterprise and to ensure compliance with legal regulations regarding accounting records.

The concept of faithful image does not refer to an exact copy of reality, but is represented by the "image that can be trusted" (Capron, 1994). Thus, the auditor has the obligation to certify that the information contained in the balance sheet, in the profit or loss account, regarding the cash flows or the change in equity are credible information, to which the users can give credit. The auditor must verify and guarantee the conformity with the reality of the most important internal accounting information of the enterprise regarding the financial position and performance.

In order to fulfill the obligation of ensuring the users of the accounting information regarding the respect of the generally accepted accounting principles and the reflection in the accounting of a faithful image, the auditors have, according to Law no. 441/2006, as the following main attributions:

- ✓ to supervise the management of the company;
- ✓ to check whether the financial statements are drawn up legally;
- ✓ to check whether the company's registers (the register of shareholders, the register of
- ✓ meetings and deliberations of the board of directors, the register of shareholders, the register of bonds, the register of deliberations and findings made by censors or internal auditors) are kept regularly and comply with legal requirements;

- ✓ to check whether the evaluation of the patrimonial elements was done according to the rules established for the elaboration and presentation of financial statements (Morariu, 2008).

By exercising these duties, the auditors practically ensure the achievement of the objective of an audit mission, namely that of obtaining a level of reasonable assurance to be able to express a positive opinion attesting to the fact that the accounting summary documents are drawn up in accordance with legal regulations and standards accounting rules in force on the date of the audit mission. The verification work and the opinion expressed by the auditor will necessarily be concretized in an audit report (Cordoş and Fülöp, 2015). A series of opinions can be expressed in the audit report:

- ✓ unreserved opinion – in the context in which the verified information is truthful and consistent with reality;
- ✓ qualified opinion – in the situation where the auditor cannot express himself regarding all the verified aspects, providing reasonable assurance regarding all the verified information, certifying only a part of the accounting information;
- ✓ adverse opinion – the auditor will formulate this opinion under the conditions in which he finds that there are significant distortions in the audited accounting information;
- ✓ Impossibility of expressing the opinion - in the situation where the auditor does not have access to accounting documents due to the attitude of the company's management or as a result of their destruction or non-existence.

Due to the complexity and importance of the activity carried out by the auditors, they face potentially conflict-generating situations. Internal auditors are faced with situations that require difficult decisions to be made, at which point compliance with the auditor's ethical and moral responsibility is verified. Internal auditors located at certain higher levels of management serve functions of controlling managerial activities, this being another source of potential conflicts of loyalty that can be generated even within the perimeter of the organization. But their responsibilities within the organization require them to seek to protect the entity's assets, minimize loss and inefficiency, and guard against willful wrongdoing and conflicts of interest(Boța-Avram, 2009). In order to overcome this obstacle in the exercise of their profession, auditors can turn to the code of professional ethics that will provide them with a guide in dealing with ethical issues so that in the end they can respect the highest quality standards of the profession practiced.

Obligations derived from the status of auditor

The financial auditor is that natural or legal person who has acquired this status, being assigned by the Chamber of Financial Auditors in Romania (CAFR). After joining CAFR, auditors have, in addition to the right to practice auditing, the following obligations:

- ✓ to conform with the requirements of the Audit Standards and the minimum audit procedures developed by the Chamber, in accordance with the law, as well as the legal regulations;
- ✓ to submit to the quality control procedures of the financial auditor, as well as to the monitoring and investigations of the Chamber on the activity of its members;
- ✓ to pay the annual fee on time;
- ✓ to comply with the continuing professional training program;
- ✓ conclude an insurance contract for professional risk with an insurance company;
- ✓ to notify the Chamber, within a period of 30 days, of information regarding the change of name or address, or regarding the modification of the status of employee, associate or administrator of a financial audit company, or self-employed;

- ✓ to inform the Chamber, within up to 5 days from the occurrence of the events, about: disciplinary sanctions applied by a legal authority or a professional body, convictions handed down by criminal courts, court decisions prohibiting him from managing commercial companies, etc.;
- ✓ to obey the code of ethical and professional behavior in the area of financial auditing.

In parallel with the obligations imposed by the Romanian Chamber of Financial Auditors, auditors must respect and follow a set of fundamental principles at all times: integrity; objectivity; professional competence and prudence; confidentiality and professional conduct.

Compliance with these fundamental principles is worthless and ineffective if these principles are not followed in tandem with another moral value without which the audit activity would be meaningless and result less: the independence of the auditor. Financial auditors, in the independent exercise of the profession, must be free and perceived to be free from any constraint that could affect the principles of independence, objectivity and professional integrity (O.U. no. 75/1999).

The issue of independence is brought to attention and even amplified by the financial context of the past years and, implicitly, by the management that puts pressure on the auditors when there are misunderstandings regarding the informational area subject to control. As a lever of control on the part of the management, there is the possibility of resorting to tenders in order to conclude audit contracts. The acquisition of this practice by an increasing number of companies leads to sub-bidding competition from the auditors at the time of submission of bids. The problem arises when the price reductions become significant and it even comes to the practice of dumping price in the desire to enrich its customer portfolio. As a rebound effect, there is a difficulty for auditors to perform their work at the level of professional standards, as well as the need to recover the difference by practicing some complementary services that can lead to affecting the auditor's objectivity and therefore also his independence. Other threats to the independence of the auditor are represented by prolonged collaborations between the audit firm and the audited firm, a fact that can lead to the development of relationships likely to affect the normal and fair course of the audit process and the situation where the auditor provides a company with related services such as drawing up financial statements, in which case he cannot have the capacity of auditor at the same time.

Despite these disruptive factors, in order not to lose the confidence of information users, auditors have to sustain a high degree of unbiasedness operations and activities of the audited companies. The inquiry of providing flawless independence cannot be discussed because:

- external auditors’ remuneration comes from the audited company; consequently, sometimes they may diverge from the auditing procedures and principles, so that they can retain the client entities;
- internal auditors are, on one hand independent in relation with the audited structures and activities, but, on the other hand, they have a subordination relation towards the entity's senior management (Oprean et al., 2007).

A significant difference is observed in the degree of independence of the auditors depending on the way of relationship with the audited company and the way of reporting to it. Thus, the internal auditor is nevertheless independent in the exercise of his function, in the sense of an independence of mind from the subjects he audits (Cordoş and Fülöp, 2015), this independence being slightly limited by the fact that ultimately, the internal auditor is linked to the company or organization and liable to the management of the organizations they belong to. On the other hand, the external auditor is not directly subordinate to the company, but morally through the status given by the relationship with his client, but it can be stated that he as the independence specific to the holder of a free profession, regulated legally and by statute (Ghiță et al., 2011).

In conclusion, the multitude of obligations that a professional accountant has, both as a result of the status he has as a result of joining the profession, and as a result of the effective exercise of the auditor's work in relation to the audited companies, do nothing but confers increased security in his work and the results of his work and the assurance he himself provides on the audited accounting information. In the spirit of these obligations and as a result of their compliance, the auditor's fundamental role is revealed both in relation to the financial market, to the management of the company through the decisions made with their help, and to corporate governance, an aspect that is to be treated in the following chapter.

The auditor's role in corporate governance

General framework of corporate governance

Corporate governance is a field that has aroused the interest of specialists from various fields. This field has come more strongly to the attention of actors in the economic field with the emergence of the financial crisis and some deficient situations from the point of view of world-renowned governance. The determining factors of these situations were either fraudulent financial reports intended to misrepresent the real situation of the company (eg: the case of Enron, Worldcom), or the lack of professionalism of the managers, the two factors acting in tandem. In the aftermath of the financial crisis and some of the most high-profile audit failures, it is important to determine what is the role, impact and influence of audit on corporate governance and how and to what extent audit is influenced by this guarantor position.

Auditing of companies is a major component in the corporate governance mechanism that leads to a correct and efficient development of strategies. Part of the interested users are represented by the managers of the entity in question who will use this information to base their future decisions and achieve efficient and correct management.

It is of crucial importance to understand what the concept of corporate governance entails in order to properly appreciate the auditor’s role in the governance process. Thus, a first definition of corporate governance is that it is the system by which companies are run (Cadbury Report, 1992). Although it is a succinct definition, it captures very well the essence of the concept of governance, while also revealing that corporate governance refers to the idea of top management. From another point of view, corporate governance is defined as a set of voluntarily adapted laws, rules, regulations and codes of conduct that enable an entity to attract the resources necessary for its activity (The World Bank, 1998). Later, a few years later, Cadbury tried to highlight the importance of corporate governance by stating that corporate governance refers to maintaining a balance among economic and social objectives, but also among common and individual objectives. The governance outline must encourage the proficient use of resources while requiring accountability in the management of these resources. The aim is to align individual, corporate and societal interests as much as possible.

The Organization for Economic Co-operation and Development (OECD) has established a series of basic elements regarding the principles of corporate governance. The auditor’s role in corporate governance can be determined having as a initial point the common framework of corporate governance, but also the principles pronounced by the OECD.

Auditing in the context of corporate governance

The audit fulfills, within the application of corporate governance in a company's environment, a control function of information and some processes in the company's internal environment. Two understandings of control can be encountered. In the Anglo-Saxon view control is an action of supervision, a thorough examination, it also expresses the power to lead as an instrument of regulation of a mechanism (Fülöp, 2014). Instead, in the French sense, control represents a check, a careful inspection of the correctness of the preparation of an act (Onofrei , 2009).

Thus, according to the Anglo-Saxon view, the preventive nature of control can be deduced. The control carried out in this way checks in detail whether the ongoing processes and the documents that are drawn up comply with the legislation and the imposed standards. The main effect of this type of control is that it actively participates in the management activity due to the fact that through its preventive nature, practically, simultaneously with the verification, a continuous regulatory activity is carried out in the sense that, in addition to the verification from the point of view of the veracity of the documents drawn up also draw tasks on how they must and will be drawn up later.

Slightly different is the French view on control, in the sense that from the point of view of the main function, they fulfill the same objectives, but they are not similar in terms of the existence or not of a preventive character. The control, in the French view, involves only the verification of the correctness of the preparation of the documents at the moment after their preparation and not necessarily during their preparation. Therefore, control, from this point of view, participates in the management activity only by guaranteeing the veracity of the information on which the management bases its decisions and strategies.

From the point of view of the exercise of control, the typology of control includes internal control and external control. The internal control includes all the controls inside the entity, while the external control includes all the controls addressed to the entities, outside it (Onofrei, 2009).

The role of internal audit

Internal auditing represents an independent impartial guarantee and advisory occupation intended to add value and drive improvement to the organization's activities (Institute of Internal Auditors, 1999). Thus, the audit is presented as an independent activity, but still subordinate to the management of the entity. Internal audit supports the organization accomplish its purposes through a methodical and disciplined methodology to evaluating and refining the efficiency of risk management, control and governance processes.

It can be seen how the activity of the internal auditor supports the control process throughout it and from implementation to evaluation. First of all, it checks the areas most exposed to risks, among which are information systems due to the importance of not only correct data, but also a viable way of transmitting said data, information representing the source of effective management. The internal auditor also has the role of treasurer of the company's assets in that he verifies the property rights over the assets, the correctness of the transactions and the formation of added value.

The internal auditor’s role is also to implement systems for verifying the company's internal control and the degree of fulfillment of its objectives. Thus, a double control filter is created, the auditor reaching the position of verifying the activity of the internal control and to the extent of the degree of assurance it provides regarding the verified information, as well as investigating those data samples that either do not have have been verified by the internal control, or whose verification does not present a sufficient threshold of confidence.

In the third stage of the process in question, the auditor's communication activity with management and, implicitly, the active involvement in corporate governance takes place. In the first phase, the auditor provides advice to the management so that, together with it, they succeed in creating an internal operational control system at the highest possible parameters. Afterwards, the auditor supervises the way in which his recommendations were implemented and, in the situation where it is necessary, makes the necessary changes to ensure the objectives in mind. The internal auditor can do in-depth, ongoing analysis and develop strategic action plans (Fiolleau et al., 2019).

Due to his positioning in relation to the company's environment, namely inside it, it is necessary for the internal auditor to subordinate himself to a structure or a representative of the company and to whom he also performs part of the previously mentioned services. Therefore, "the internal audit is performed in the interest of management (...) and can be focused on financial-accounting documents, management operations, as well as on the quality of managerial activity" Onofrei , 2009). Considering the scope of the auditor's work, as well as the direct beneficiary of the auditor's activity, the positioning of the internal auditor within the company can be established. Thus, the internal auditor's place in the organization of the enterprise is determined by his authority and responsibility. In this sense, internal audit is a functional responsibility and because of this, it does not exert a direct influence on employees (Țingău, 2007).

Corporate governance strives for transparency and accountability, and internal audit is the function within an organization that can make a significant contribution to achieving a surplus of transparency on the organization's activities (Fülöp & Szekely, 2017). It can be stated, therefore, that the internal auditor supports corporate governance and responds to its principles. By ensuring the transparency of the transactions carried out by the entity, the internal audit brings more certainty for the management component, ensuring an effective practical implementation of the elaborated strategies.

It is of particular importance that internal auditors are aware of the size of their role within the entity and corporate governance. They must adopt a global view of corporate governance, seeking to improve their skills and activities towards assessing, improving and monitoring the organization's corporate governance skills. It is very significant that the director of internal audit understands all the components of corporate governance, in order to be able to identify which are those areas where internal audit can make its contribution (Boța-Avram, 2009).

It is possible to foresee, considering the current conditions, a transformation of the function of the internal audit into a proactive one, which in harmony with the duties of the internal auditor reveals the importance it has in the application and support of a successful corporate governance. In conclusion, the scope of the internal auditor has undergone mutations, moving to a new position of support, through consulting and assurance. In this context, the internal audit also moves, from a strictly specialized person to a complex person through its training (Betti & Sarens, 2021). It would be premature and erroneous to establish permanently what is the scope of the internal auditor in corporate governance because with the evolution of the world economy, the financial markets, the requirements of investors, the input needed by the corporate governance system changes and folds and the scope of the internal auditor with the perpetual certainty that he will retain the importance of the role he has.

Internal audit's relationship with management

It should be noted that without a solid and constructive relationship between the internal auditor and the management of an organization, the benefits of internal audit would not materialize. As a result of his activity, the reporting that the internal auditor makes to the general manager has as a direct goal a consolidation of the position of the auditor in the internal hierarchy of the organization. He can participate in various meetings with the management of the company to support their decisions and strategies by providing access to useful information and documents. Therefore, a balanced relationship must be developed between the internal auditor and management, neither hostile nor too open, but based on mutual trust (Fülöp & Szekely, 2017). Based on this relationship, management must take into account and promptly implement the recommendations made by the auditor and in turn inform him of any changes in the company's strategies and risk profiles. Although it is necessary for the auditor to perform his duties in accordance with professional standards and provide information of an increased quality, it becomes worthless if it cannot be transmitted by the auditor and received effectively by management, a fact that highlights the need to develop a positive relationship between management and the internal auditor.

Audit committees and their role

Audit committees are a concept brought to the attention of companies by corporate governance, being defined by pillar number 5 of corporate governance in the model developed by Pickett (1997). Thus, the essential concerns of the audit committee are concentrated on the course of organizing and ensuring the proper working of risk management, internal control, internal audit and its relation with external audit (Crişan & Fülöp, 2014). It can be inferred that these audit committees arose as a result of a need, a need for communication between auditors and management through which to transmit information, recommendations and to support the latter.

The audit committees must be formally constituted in such a way as to ensure that they have a relationship with the Board of Directors, to which they are subordinated and must report to them at regular time intervals. They should have access to terms of reference regarding their affiliation, authority and obligations, and should usually meet no less than twice a year.

Audit committees should consist of at least three members. Members should include non-executive directors and they must be mostly independent. The external audit must participate, together with the financial director, in the meetings of the audit committee. Considering the fact that the responsibility for the financial statements lies entirely with the Board of Directors, any extra members of it have the right to participate in the meetings of the audit committee. No less than once a year, the audit committee should have a meeting with the external auditor, from which the executive members are absent, to ensure that there are no unresolved issues or risks.

Audit committees should have clearly delineated authority to investigate any matter within their area of competence and responsibility, have the necessary resources to do so and full access to information. The audit committee has the possibility to request external advice from professionals and to invite people external to the company, but with relevant experience, to meetings, if the situation requires it.

Summing up, the audit committee developed responsibilities for assuring the rigor of accounts and reports to shareholders, the remuneration and appointments of directors, assuring shareholders of the independence regarding the expressed opinions (Tiron Tudor et al., 2009).

The role of external audit

The external auditor differs from the internal one by the position he has in relation to the audited entity and the additional independence conferred by this position, a characteristic aspect of the profession in question. Therefore, the external audit is carried out by an independent professional and has third parties and the audited company as direct beneficiaries. The areas covered by the external audit are the degree of indebtedness that can be given to its transactions and financial statements (financial attestation audit); conformity with legal provisions and laws, statutes and managerial decisions (audit of compliance or legality), as well as compliance with the principles of economy, efficiency and effectiveness in the activity carried out (audit of performance) (Popescu et al., 2011). Thus, the external audit offers a broad and overall view of the company, verifying and analyzing all the aspects on which the good functioning of the entity depends, starting with the way of drawing up the financial statements and their degree of veracity, with the legal basis of the activity carried out, as well as falling within the established economic performance parameters.

Internal audit and external audit have a complementary relationship, they have to frequently exchange information on the extent of audits and audit findings (AL-Qadasi et al, 2019). The internal audit is in a position to provide information for the external audit to certify and to facilitate the work of the external auditors, while the external audit must respect the contribution of the internal audit and respond to each other due to the fact that, as a result of being positioned closer to the board of internal audit administration, it has an advantage in terms of the assurance and communication it can provide to the board.

The external auditor is highly dependent on the control environment he finds within the entity as a outcome of the work of the internal audit function. As a result of this causal link, the external auditor is influenced in the audit mission carried out by the control environment, positive or negative, found which has direct effects on the time allocated to the audit and the extent of the additional procedures performed by the auditor. In the external audit process, the auditor relies on the control activities and valuation of the risks of material misstatement at the assertion level (Țingău , 2007). Due to the fact that the external auditor determines the extent of the applied procedures based on the internal control, he must evaluate in advance how, internally, material misstatements are detected and the extent to which they are corrected.

Regarding the role he plays, the external auditor, in carrying out the assumed mission, through the steps he takes, contributes not only to the completion of the financial audit but also to influencing the environment of the enterprise (Gillet-Monjarret, 2022). Among the steps referred to is the assessment of internal control and internal audit. In the situation where the internal control is evaluated as operating at the necessary standards of professionalism and independence, the external auditor can reduce the area of the sample on which he will make the checks, as well as the extent of the applied procedures and his own controls. In the opposite case, when the internal control is missing or ineffective, the external auditor is forced to carry out his own controls, controls that must have a much greater analytical character compared to the situation where the internal control can provide a reasonable degree of assurance regarding the information audited.

Due to the importance of the role of the last filter in the way of fraud and misrepresentation of information, the level of independence that the external auditor has is crucial. The external audit is independent towards the entity's management, both in terms of external assessments and the general attitude towards the audit (Popescu et al., 2011). In order to maintain this degree of independence, conferred by the positioning in relation to the entity and its management, it is necessary to adopt measures that do not allow the development of relationships, other than professional, between the audit firm and the audited entity. As a result, both auditors and the audit firm should be rotated periodically - and in accordance to at least one auditing expert, this change ought to be made every three years (Hilb, 2005).

In conclusion, it can be stated that the role of the external auditor doubles that of the internal auditor in terms of the area of expertise, but also provides additional assurance regarding areas that the internal audit cannot certify due to the independence it demonstrates by the entity's management and the entity itself.

2. CONCLUSIONS

It is indisputable that the auditor's liability, both legal and professional, is increasingly well defined from a legal and practical point of view and is used with increasing frequency in contractual clauses. As we stated initially, in order not to destabilize the balance that the auditor comes to bring to the corporate governance environment, it is necessary to have a reasoned correlation between the role of the auditor, his facts and the responsibility that rests on him.

External audit is one of the main pillars on which corporate governance currently rests. It can be seen that for companies, especially large ones, the external audit is not only a safety measure but also a source of prestige and image. It is crucial for companies listed on the stock exchange to be audited by a prestigious audit firm that can virtually verify the compliance of the company's financial results. The share price in the market can be easily influenced by a favorable audit report or not, so we can say that the external audit adds an element of buoyancy to companies at a time when economic storms are common (Tiron et al., 2018).

Trust is an important element in business relationships. The external audit is the element that provides mutual trust between managers and shareholders, assuring them of the veracity of the financial statements. Thus, shareholders will support managers in decision-making, while managers will satisfy the wishes of shareholders by developing the company with the help of effective corporate governance (Fülöp, 2012).

Having such an important role, it is natural that the responsibility and, implicitly, the responsibility of the auditor should be commensurate. However, it is important to keep a reasonable proportion of the liability that achieves its purpose, namely, that of providing certainty about the quality of the services provided by the auditor without, however, producing negative side effects by creating excessive pressure which, in the end, will result precisely in the non-fulfillment of the goal. Empirical studies have demonstrated that an excessive liability to which the auditor is exposed has adverse effects on the auditor's efficiency, on the freedom of reasoning, resulting in either the commission of accidental mistakes or the performance of a defective audit mission.

Between the auditors and the audited entities, this phenomenon of negotiation will persist, having as its object, on the one hand, the auditor's contractual obligations and their monetary compensation and, on the other hand, the auditor's liability in the event of non-fulfillment of the contractual obligations. It is very likely that this negotiation will not end, this being a favorable situation, this phenomenon having the potential to be a source for future regulations in the field of financial audit. What is crucial instead is that this negotiation has a cooperative character seeking advantages for both parties and that the negotiation space is around that level of accountability that helps both to achieve its finality or purpose and to create an environment that stimulates the auditor to maximize the quality of the audit services provided.

It can be stated, thus, that there is a strong relationship of causality and interdependence between the activity of professional accountants and the responsibility they have for the acts committed in connection with their professional activities. Liability analysis is of foremost importance due to the fact that it represents a genuine quality control tool for the services provided by accounting professionals, the limits of liability also constituting a guarantor of the certainty of the information provided by them. A vicious circle thus appears in which the obligations that professional accountants have determine the type and extent of liability, but at the same time the liability that can be incurred also determines the extent to which professional accountants assume certain obligations or even define them. This phenomenon will be continuously fueled by a game of negotiation between accounting professionals and the beneficiaries of the information provided by them, a game in which we believe that the most significant aspect is to identify economic entities and their stakeholders as the winners.

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