TYPES OF OPINIONS EXPRESSED BY STATUTORY AUDITORS

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***Abstract**: The results of an audit are recorded in the "audit report" which is intended for shareholders and other users of information concerned. At the same time, statutory auditors should communicate those charged with governance entity significant issues identified during the mission that governance interest. The audit report should clearly state in writing the opinion of the auditor must evaluate whether the financial statements were established as a benchmark system identified accounting. There are many types of views: unqualified opinion; qualified opinion; contrary opinion; disclaimer of opinion.*
***Keywords:** statutory audit, the audit report, qualified opinion, contrary opinion, a disclaimer of opinion.*

1. Obligation of Statutory Audit

Most users of information presented in the financial statements give great importance, representing the main source of information, no other possibilities for obtaining of additional information that caters to the needs of knowledge further.

Statutory audit work performed by statutory auditors is to express an opinion on the financial statements.

Statutory audit is carried out by statutory auditors who verify the annual financial statements, by virtue of legal provisions, the mandate received from shareholders.

It is obligatory to audit annual financial statements at the balance sheet date all entities that exceed two of the following size criteria: total assets. EUR 4,000,000; net turnover. 8,000,000 euros; average number of employees 50.

There are subject also statutory audit entities at the balance sheet date exceed the limits of at least two of the following three criteria: total assets: 3.65 million EUR; net turnover: EUR 7.3 million; The average number of employees during the financial year: 50. The obligation of auditing in this case applies when entities exceeding those limits in two consecutive financial years.

They are also required to submit annual audited financial statements of public interest entities, the entities admitted to trading on a regulated market, entities that prepare consolidated financial statements, the entities that apply IFRSs, regardless of the size criteria.

Annual financial statements prepared by joint stock companies that are driven in two-tier system, consisting of directorate and supervisory board are subject to statutory audit.

They are also subject to the statutory audit of annual financial statements prepared in order to carry out the merger, division or closure, persons who are required audited financial statements.

Stock companies that are not obliged to submit annual financial statements audited by statutory auditors are bound to appeal to their certification by the commissions. Public institutions are audited by the Court of Auditors.

Annual financial statements of public companies are subject to statutory audit, which is carried out by statutory auditors, natural or legal persons authorized by law.

Annual financial statements of non-profit legal persons of public interest are also subject to statutory audit, which is performed by the statutory auditors, in compliance with accounting regulations applicable to non-profit legal entities.

2. The Audit Report

The final stage of an audit is to issue a report setting out the conclusions reached by the auditor following the audit evidence collection and analysis, the basis of these conclusions.

The audit report is the final stage of an audit in writing and must contain a clear expression of opinion on the financial statements audit according to Standard no. 700, "Forming an opinion." Basically, the audit report presents the conclusions reached by the auditor as audit evidence collection and analysis.

Before issuing the audit report, the engagement partner, review the documentation audit and discuss with the audit team to be convinced that they have obtained sufficient appropriate audit evidence and appropriate to support their conclusions, in order to express the audit opinion.

The audit report should clearly state in writing the opinion of the auditor should evaluate whether the financial statements were established as a benchmark system identified accounting. The audit report should clearly state in writing the opinion of the auditor should evaluate whether the financial statements were established as a benchmark system identified accounting.

Standard audit report contains the following essential elements:

Title

Not to be confused with reports by other persons or committees and to emphasize that the auditor meets all principles of ethics requires that title to be included in the expression "independent auditor". The title of the report can be formulated as follows: "Report of auditing the financial statements of SC .... At December 31, compiled by independent financial auditor, ... "

The recipient

Depending on the specific requirements of each entity, the recipients audit report are:

Board of Directors (Governance)

General Meeting of Shareholders or members;

Stock market etc.

The introductory paragraph

This paragraph has three functions:

a) tospecify that they conducted an audit and not a related service;

b) to identify the entity being audited and audited financial statements, as follows:

The audited financial statements have been prepared by S.C., 31 December .... These summary documents accounting is distinguished by: total assets; Fiscal value; net profit; no. pages (with reference to the accompanying financial statements).

This identification can be done by specifying that were audited statements of the entity in question, keeping it titles the complete set of financial statements (balance sheet, income statement, statement of changes in equity, cash flow statement and notes to annual financial statements). Ministry of Finance and other regulatory authorities may require disclosure in the financial statements additional information, either in the form of additional annexes or in additional notes.

c) to refer to the accounting policies disclosed in the notes.

Management's responsibility

The auditor's report must state that the responsibility for the preparation and fair presentation of the financial statements audited entity's management. This responsibility involves: designing and implementing appropriate internal controls, selecting and applying appropriate accounting policies and achieving reasonable accounting estimates etc.

According to art. 30 of the Accounting Law no. 82/1991 (M) annual financial statements are accompanied by a written statement of management (Board of Directors or Executive Board) which assumes responsibility for annual financial statements.

This paragraph can be formulated as follows: "The leadership (the government) is responsible for the preparation and fair presentation of these financial statements in accordance with and for the design and implementation .... adequate internal control ".

Auditor's responsibility

The auditor's report must state the auditor's responsibility to express an opinion on the financial statements.

This paragraph should disclose the extent of the steps implemented by the auditor (during the year we ...) and to confirm that the audit was conducted in accordance with Standards (Standards) audit.

Also in this section shall be recorded statements of auditor confirming that the audit was planned and exercised so as to obtain reasonable assurance that the financial statements contain material misstatements and that the audit provides a reasonable basis for expressing an opinion on the financial statements. This paragraph could be worded as follows:

"We conducted our audit in accordance with auditing standards require that the audit .... These standarde be planned and designed so as to obtain reasonable assurance that the financial statements are free of material misstatement. Our mission is to audit: assessing the accounting and internal control system; random examination of the probative elements justifying the data contained in the financial statements; assessing the accounting principles used and significant estimates made by management (all exemptions from accounting principles were listed and evaluated disclosures); checking the preparation and presentation of financial statements, analytical Closer examination etc.

As a result, we believe that our audit represents a reasonable basis for expressing an opinion on the financial statements.

Auditor's opinion

In this paragraph, the auditor should express clearly its view on ensuring true and fair view on the financial position, financial performance and other information related to the work presented by audited financial statements. Paragraph booked auditor's opinion may appear as follows:

"In our opinion the financial statements give a true, clear and complete (present frankly, in all its aspects significant) on the financial position and the results and other information related to the work of S.C. .... On December 31. These financial statements have been prepared in accordance with (indicate rules) and in accordance with (indicate other regulations). "

Before reaching this conclusion, the auditor should ensure that:

- Has obtained sufficient appropriate audit evidence
- The financial statements are free of material misstatement of information.

Other reporting responsibilities

National accounting regulations (Order no. 1802/2014) require auditors to hear and determine the degree of conformity of "Directors' report" with "financial statements" audited.

In the "Directors' Report" and in other documents included in the "Annual Report" may also include other financial and non-financial information on the volume of physical production, employment, profitability of sectors or activities, etc.

In this case, the auditor must rule on the consistency or inconsistency of these other significant information audited financial statements.

In this regard, the statutory auditor:

- Expresses an opinion on: the consistency of the management report with the financial statements for the same financial year; and report the directors in accordance with applicable legal requirements;
- Declare whether, based on knowledge and understanding acquired during the audit of the entity and its environment, has identified significant erroneous information given in the directors' report, indicating the nature of such erroneous information.

Date of report

The audit report must bear the date of completion of audits. This is to confirm that the auditor has taken into account at the completion of its mission, the events and transactions occurring after the balance sheet date, called events. This date may not be earlier than analyzing financial statements by the Board of Directors.

Address of auditor

The name and address (country, city) audit firm or cabinet with responsibility for audit.

Auditor's signature

The report must contain the name of the audit firm and name of the person it represents.

3. Types of Opinion Expressed by Statutory Auditors

In the paragraph for auditor' opinion, he should clearly state his opinion on ensuring true and fair view on the financial position, financial performance and other information related to the work presented by audited financial statements. The paragraph may appear as follows:

"In our opinion the financial statements give a true, clear and complete (present frankly, in all its aspects significant) on the financial position and the results and other information related to the work of S.C. .... On December 31. These financial statements have been prepared in accordance with (indicate rules) and in accordance with (indicate other regulations). "

The types of opinion expressed by the statutory auditors are unqualified opinion; qualified opinion; contrary opinion; disclaimer of opinion.

a. Clear opinion

It is then expressed when the auditor believes that the accounts present a true and fair view (the annual financial statements present fairly, in all material respects, in accordance with the applicable financial reporting framework).

If the auditor has made some observations or recommendations that are useful to those who will use the report, they enroll in a separate paragraph or in an annex to the report, stating that it is not a reserve.

b. Qualified opinion

A view can be formulated when the auditor finds errors, anomalies or irregularities which, although significant, are not sufficiently important to assess whether the financial statements give a true.

The auditor should express a qualified opinion when:

- Based on sufficient appropriate audit evidence collected, the auditor concludes that the misstatements of information is significant, but not ubiquitous; or
- The auditor is unable to obtain sufficient appropriate audit evidence, but concludes that the possible effect on the annual financial statements of undetected misstatements, if any, could be significant, but not permanently.

It formulated then, when the auditor believes that the overall annual financial statements present a fair picture (accounts present misstatement individual or aggregate, but not permanent).

c. Contrary opinion

Such a view may be made because of disagreements between management and auditors, which disagreement may be due either when management refuses the application of principles, processes, accounting policies either when management refuses to correct some errors very significant.

The auditor should express an adverse opinion when it has obtained sufficient appropriate audit evidence, but based on this evidence concludes that the misstatements of information are both significant and permanent for annual financial statements.

It is expressed then, when the auditor believes that the overall annual financial statements are materially misstated (accounts present significant distortions and permanent individual or aggregate) that they do not present a true and disagreements with entity management are significant and have an impact important on the balance sheet, which is incomplete, untruthful, misleading.

d. Disclaimer of opinion

Such an opinion may be made when audit limiting effect is so significant that the auditor was unable to obtain sufficient appropriate audit evidence, and therefore cannot express an audit opinion.

The auditor must refuse to express an opinion when it was unable to obtain sufficient appropriate audit evidence necessary to substantiate an opinion and the auditor concludes that the possible effects of undetected misstatements could be both significant and permanent.

4. Case Studies on Expressing Opinions

Case Study 1

Establish the audit opinion, knowing that the auditor has established a materiality as a whole, the value of 30,000 lei and following the statutory audit procedures resulted:

a. misstatements were not identified, in which case he will express a clear opinion;
b. there have been identified and corrected insignificant misstatements (10,000 lei), in which case he will express an unqualified opinion;
c. significant uncorrected misstatements were identified (50,000 lei), thus exceeding the materiality as a whole, and the management refused to correct them, in which case he expresses a qualified opinion;
d. very significant uncorrected misstatements were identified, (500,000 lei), thus exceeding the materiality as a whole and the management refused to correct them, in which case he will express a contrary opinion.

Case study 2

Bring arguments for the views expressed by Auditors knowing that materiality as a whole was set at 50,000 lei and Audit Procedures after Auditors found:

a. the accounting records is inadequate in case the auditor will refuse stating an opinion;
b. There were identified uncorrected misstatements amounted to 700,000 lei, which are very significant errors (700,000 lei) exceeding materiality as a whole and the management refused to correct them, in which case he expresses a contrary opinion;
c. uncorrected misstatements were identified in the amount of 70,000 lei, exceeding materiality and significant errors have been identified as a whole, and the management refused to correct them, in which case he expresses a qualified opinion;

d. there have been identified and misstatements of 40,000 lei, which are insignificant errors so he expresses a clear opinion;
e. there were not misstatements so he will express a clear opinion.

5. Conclusions

Regarding the expression of opinion by the statutory auditors we can draw the following conclusions:

- Information users typically cannot check the quality of accounting information and are required to base their decisions on information provided by others, information that may not be correct or complete. Therefore the role of statutory audit is to improve the confidence of the intended users of annual financial statements by voicing an opinion by the auditor on the fact that the accounts are prepared in all material respects in accordance with a framework for financial reporting applicable;
- Statutory audit is an activity to ensure the accuracy of information, which is required by law as mandatory for certain entities for reasons of substantial public interest;
- Audit report should clearly state in writing the auditor's opinion and must assess whether the annual financial statements were established as a benchmark system identified accounting. There are many types of views: qualified opinion; contrary opinion; disclaimer of opinion;
- Clear opinion is expressed when the auditor believes that the accounts present a true (annual financial statements present fairly, in all material respects, in accordance with the applicable financial reporting framework);
- Qualified opinion is formulated when the auditor believes that the overall annual financial statements present a fair picture (accounts present misstatement individual or aggregate, but not permanent);
- Contrary opinion is formulated when the auditor considers that he obtained sufficient appropriate audit evidence, but based on this evidence concludes that the misstatements of information are both significant and permanent annual financial statements;
- A disclaimer of opinion is expressed when the auditor was unable to obtain sufficient appropriate audit evidence necessary to substantiate an opinion and the auditor concludes that the possible effects of undetected misstatements could be both significant and permanent.

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