

THE SAMPLING PROCESS IN THE FINANCIAL AUDIT .TECHNICAL PRACTICE APPROACH

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Abstract

To ensure an optimum level of the sampling process in the financial audit, professional, the one that performs the audit work has to comply to principles and procedures, such that to obtain, with minimum expenditures collecting the audit evidence edifying in the process of opinion expression.

So, in time have developed and diversified the sampling techniques regarding the studied population (The audit international standards define the population term like "representing a whole data set among a sample is selected and whereof an auditor wants to make conclusions. For example, all the events within the account or the transactions class represents a population." CAR- "Financial Audit 2000", 2000) that can lead to a significant time relief needed for audit checking operations. Population example inside the audit mission, careless of the audited entity nationality : invoices, receipts, providers, clients, budgeted expenditures etc.

"Audit sampling" (sampling) assumes applying audit procedures for less than 100% of the elements within an account or a transaction class balance, such that all the samples will be selected. This will allow the auditor to obtain and to evaluate the audit evidence on some features for the selected elements, in purpose to assist or to express a conclusion regarding the population within the sample was extracted. The sampling in audit can use both a statistical or a non-statistical approach. (THE AUDIT INTERNATIONAL STANDARD 530 –THE SAMPLING IN AUDIT AND OTHER SELECTIVE TESTING PROCEDURES)

Key words : audit ,sample,risks ,audit tests, statistics methods

JEL Classification : M40,M41,M42

In order that the auditor will get enough reasonable evidence, the auditor has to do the necessary work with professionalism and efficiency.

After the sampling process we can say that it represents the application of some audit procedures on a part of the population subjected to auditing total, for obtaining safe evidence, to characterize the whole population. (Financial audit Marin Menu, Iuliana Panaitescu, Constantin Afanase, Dan Vilaia ,Editura Tehnica-Info, Chisinau ,2009).

We can apply the audit tests in the following way:

1-for all population components elements;

Example : we verify all the raw acquisition invoices, example in an entity from the estate construction domain, the auditor verifies every cement acquisition invoice, because from the general estimate afferent to the relative building construction resulted an 35% exceed of the initial cement a necessary and more it hasn't found no add or enlarge of the initial construction, for this is required that every document will be checked, more, when a low level population shows up in the discussion, we can use this sampling technique because it doesn't requires a high time volume, and the expenses are minimum, for example checking a third that hasn't answered to balance confirmation at the year end.

2- for a non-representative sample;

Example : in this cases the pro knows the checked operations particularities and is capable to find an enough number, really small of evidence, needed in the audition process.

If in an entity, the intern control sistem has the objectiv to attach thes short period loan contracts comming from the asociations for covering the stringent needs, ,the prior request of the treasury responsable person with the essay that contains the loan explaining(covering with cash the rent paiment when the entity has to receive amounts from clients) if in this procedure are missing over 10% accompanying documents, we can name the sample unrepresentative, there for can exist fraud.

3-for a representative sample.

Example : a sample is representative or has a high representativeness if the necessary and missing documents from a intern falls in the limit of 5% .

We can conclude that selecting some elements that have a high frauding probality or a cash defalcation etc, it can't be mistaken with the sampling process, because we can't generalize the result on the population which the checking was performed.

Along time there were developed a series of sampling methods and techniques in the audit process, like this:

- a) Random selection;
- b) Systematic selection;
- c) The hazard technic selection;
- d) The profesional judgment selection;

a) Random selection represents a technique where every element of an investigated objectiv can be the selection objectiv in equal way with the other elements.

Example : In the entity Construct S.A. case , the entity sunjected to the audit process , is checked the vericity of the dates regarding the invoice emission process (income) chronologically and systematic, consistent with the ledger, jurnal papers and VAT, in our case we can select 10 invoices out of 850, so the numbers 10,20,30,40,50,60,70,80,90,850 or 1,2,3,4,500,600,700,800,840,850.

To mention that the pro can use this method in case of the elements (populations) when the list presents abnormlities in the electronic format or when the operations are not homogeneous.

b) Systematic selection repesents error detection by choosing aleatory to one or two elements from the checked sample and later as adding the medium sampling mode so that you can select the other probative elements, so that the auditor can appreciate fraud and it ca be applied and it has application when it's checked the tax sums and retention regarding wages including payment and payment approval.

Example : in case of the entity GRIGORE S.A. it's randomly selected an wage element no.8, the medium sampling range being 3, the next wage elements ar selected by adding 3, like: 8,12,15,18. A win of this method when monetary values are auditated, asures a plus to the auditor , becuse the big sums are checked.

c) The hazard technic selection it can't be recognised like a mathematical technic, but in technical-practical approach it's used by professionals when they verify small amounth populations and in the case of checking a large amounth population elements it can't be reached a real conclusion for the whole audited population.

d) The profesional judgment selection represents the checking redress on elements where the probability existing an error or material fraud is very high, for this reason in can appear subjectivism cases from the auditor.

Example : the auditor can use professional reasoning in determinating the sample size, for example if the auditor wants to check the supplier liabilities and sees that we have

liabilities for over 1.500.000 lei to 10 suppliers, and for 25 suppliers the liabilities doesn't totals 250.000, the auditor can check all the suppliers or only the ones that represents 85% from the liabilities, this means the 10 suppliers.

The sampling process steps in financial audit:

1. Sampling planning and setting;
2. Setting the sampling size;
3. Selecting the elements that do the object of the sample;
4. Establish and evaluate the final result.

1. Sampling planning and setting – in this step the financial auditor has the obligation insurancing that these samples are enough for achieving the audit objective, has to follow the following steps:

- a) the objectives in case of audit tests;
- b) population (example : incomes, costs, clients etc.) from which the samples are selected;
- c) representativeness of the population elements;

a) the objectives in case of audit tests – in this case the auditor sets the procedures, methods and techniques used in reaching the objectives and has to know the nature of the audit evidence, the ones that are significant in discovering errors and fraud.

The financial auditor has to straighten his attention on the chosen population for sampling, so the error searching and checking process or the negative facts will be efficient and useful.

b) population (example : incomes, costs, clients etc.) from which the sampling will be selected we can define like a financial and material data useful instrument on that the financial auditor will head his attention to get the final conclusion. Example: the auditor can apply some procedures only the selected population is homogeneous, so in the example of the entity GRIGORE S.A. , the financial auditor considers like a homogeneous population an element segment like clients, receipts, invoices, delivery note (wood materials) – special document according H.G. no. 996/2008 etc.

Financial auditor, according to the objectives that he had regarding auditor process, can divide a population in divisions or a segment of supporting documents. Example : in case of the same entity (wood materials) – special document according H.G. no. 996/2008 etc. Can be considered a population, those notices that shows wood quantity larger than 100 c.m. and another notice categories that have values from 1 to 5 c.m., or it can consider a category all the sent invoices with significative sums that are over 10.000 lei and another category with sums under 10.000 lei .

We can see in case of the entity GRIGORE S.A. the fact that, the more population monetary values are lower , both the sampling size is lower too. Another population dividing or subdividing method is classifying them by risk. Example : liquidities can have high risk rank, the existing value as cash for the pay of external allowances, also can have a high risk rank regarding a tangible asset, that we frame it in low risk rank, because the entity injury with this kind of immobile is all the harder to achieve, because the alienation will assume closing some notarial acts, cadastral drawings and intabulation for right of the property in real estate transcriptions registers etc.

c) Representativeness population elements assumes choosing them according the importance and the level of satisfaction in relation with reaching the financial audit objective and the possibility of expressing an opinion.

2. Setting the sampling size

The financial auditor has to target the sampling size so it can bring him a high level of relevance in discovering the errors, of course the auditor has to establish true reasoning the admission level of an error.

More than this the pro has to assure that the choosed sampling gives the possibility to be a representative for all the checked population elements. The auditor can accept or not a sampling risk and has to link this with the audit risk : control risk, nondetection error risk and inherent risk.

Also we can apreciate the fact that the auditor sampling risk, if we look at it as an error margin, we can apreciate it according significance level.

Example regarding the sampling size at the entity GRIGORE S.A.(T1)

Tabel nr. 1

	Tolerance %		
Insurance level	8	5	3
96	38	84	119
92	34	66	109
81	27	54	99
75	25	50	94
73	14	23	47
60	9	11	21

Regarding the statements above we can remark the following:

- financial auditor has to determinate correctly the torelable error marge
- the sampling dimension varies proportional with the sampling insurance level proposed by the financial auditor.

3.Selecting the elements that will do the object of some tests framing the sampling it has to be specified in the audit schedule prepared at the begining of the audit mission and have the responsability in choosing and selecting population elements, of their component(clients, invoice, statements etc).

No matter of the method, technic or the way that instrumentes the sampling, the financial auditor has to apply directly and without deviations the selection method and more important he shouldn't remove as evidence a sampling element if it has been in another checking procedure, or that the checking will be har to accomplish.

It can exist situations that appear in the document checking process such as lack of documents for some echonomic operations. For example: the last sent invoices are missing, or the invoice annex are missing also is missing an invoice book etc. Elements like this can lead to the conclusion of error generator or fraud or they will be interpreted by the financial audit regarding every feature.

4. Establish and evaluate the finnal result.

We have to take into account the significantly aspect of the errors, if they determine or generates monetary hijackings or they have a low impact in taking an expression decision for a professional oppinion, the financial auditor will quantify the error cause and the effect resulted for the other steps of the audit.

The auditor will check if the discovered errors behind undertaken checks exceed the tolerable error and in this cases we have to reanalyze the sampling risk or we will extend audit procedures.

According to the auditor results, he can ask the entity to investigate the distortions he found or to make the necessary corrections. The auditor can extend the sampling size according to the undertaken checking he can test an alternativ control, only when he considers that the sampling wasn't the eloquence one.

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