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FINANCIAL AUDITING AND CONTROLLING IN INFORMATION AND CONTROL SYSTEM OF BUSINESS ENTITIES – AREAS OF DIVERGENCE AND CONVERGENCE

Introduction

The development of the global economy results in the necessity to adapt companies to the expectations of the evolving market. Relevant and effective measures of companies should include the latest organizational and legal solutions in the areas of accounting and management. Thus, a company holistic and flexible information and control system should be developed to provide reliable information that is secured against significant distortion and to increase the role of information in decision-making processes.

The main aim of the article is to present the role of financial audit and controlling as information and control tools in economic entities and to draw attention to the areas of their divergence and convergence. To achieve the objective, critical analysis of the literature on the subject regarding financial audit and controlling was used and the methods of deduction and synthesis were applied to reach conclusions.

1. Role of accounting in company management system

Present-day accounting is focused mainly on processes within a company and its environment. Accounting is as system that brings financial information to be used in the assessment of economic events and processes as well as in decision-making processes. The interest of accounting in the surrounding and the future as well as the fact that it gives better system solutions make it an important tool in the management process of economic entities and in their information and control systems¹.

¹ M. Bąk, *Obszary zainteresowań współczesnej rachunkowości* [in:] S. Sojak, *Historia, współczesność i perspektywy rachunkowości w Polsce*, Wydawnictwo Uniwersytetu Mikołaja Kopernika, Toruń 2003, p. 23.

The qualities and possibilities of accounting result in the fact that in business practice – apart from its informative function – it also plays control, analytical and stimulation functions which are crucial in company management. Table 1 presents the characteristics of the functions of accounting and their role in managing business entities.

Table 1. Functions of accounting in business entity management

Function of accounting	Role	Recipients/ management level	Relationships with management	Expected result
Informing	To provide information necessary to make decisions in management processes	Internal recipients (company management, lower management levels). External recipients: banks, tax authorities, statistical offices, owners.	Involvement in business entity management by the support of decision-making processes.	To achieve positive material and financial results and to use resources in the most effective way.
Controlling	To protect the property against theft, damage and waste and to contribute to its rational use	Internal recipients (all levels of management). External recipients: fiscal control authorities, police, judicial authorities.	Involvement in revealing losses caused by crime, neglect and mismanagement and active participation in company management.	To achieve the best possible results and eliminate waste and mismanagement.
Analysing	To interpret numerical data provided by accounting through additional analytical and accounting operations.	Internal recipients (company management, lower management levels). External recipients (banks, tax authorities, statistical offices, owners).	Involvement in revealing improprieties; presentation of reserves and making rational decisions.	To obtain additional information about company's situation and rationality in the use of resources.
Stimulating	To encourage active pro-market activities of economic entities .	Internal recipients: all levels of management, employees.	Involvement in the creation of better system solutions and the development of a motivational system.	To develop an economic entity that is active, competitive and follows economic calculation.

Source: Author's research based on: B. Micherda, K. Świetla, *Współczesna rachunkowość. Wybrane problemy metodologiczne*, Difin, Warszawa 2013, pp. 14-16.

The universality and flexibility of accounting are crucial when building a business model for economic entities. A business model presents the ways how an organization conducts its activities, implements the accepted policy, achieves its primary targets or makes use of its resources. One of the most important areas of effective management of company's model is the

access to reliable information. However, one should keep in mind that the risk that is both in the organization and its environment may distort the information and reduce its usefulness. Consequently, regular and complex monitoring is significant. This can be done with the help of control instruments that support the accounting system and are adequate to the model of company's activity and comply with the current legal regulations. In this aspect, one should focus on financial audit and controlling.

2. Role of financial audit in confirming the reliability of a financial statement

The word *audit* originates from the Latin *auditus*, which means audition. One of the definitions of audit says that it is also an inspection conducted by experts of a company with regard to its finance and organization, the valuation of its assets and the analysis of the opportunities for its development².

The international literature on the subject analyses *audit* in various aspects, which results in different classifications and groups. A thorough research leads to the conclusion that there is no ideal and clear definition of the term that would include the vast and versatile scope of auditors' work. Thus, depending on the profile of activity, the scope of operations, the degree of precision and the methods and forms of the process, several types of audit can be distinguished and characterized. One should also consider the precision of the translation of both the classification and the terms regarding the audit. The translation depends on the original language and may significantly differ from the Polish wording.

An important criterion of the classification of audit is the distinction between the external and internal audit. "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes"³. Internal audit may also mean "... a department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach

² *Słownik Języka Polskiego*, Wydawnictwo Naukowe (Dictionary of Polish language), PWN, Warszawa 2008, p. 29.

³ Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

to evaluate and improve the effectiveness of governance, risk management and control processes”⁴.

All forms of internal auditing that are applied at present can be divided into three main categories⁵:

- 1) financial auditing, which consists in the analysis of company operations with accounting methods,
- 2) compliance auditing, which assesses the compliance of operations with regulations, standards and procedures
- 3) operational auditing, which assesses the efficiency of operations and the effectiveness in reaching operational goals.

According to W. Lück⁶, the tasks of internal auditing in Germany are adapted to company needs. In this case, the audit includes: financial auditing, operational auditing and internal consulting. In the Polish literature on the subject, B.R.Kuc defines the following types of internal auditing⁷: sector auditing, quality auditing, marketing auditing, financial auditing, operational auditing, compliance auditing with regard to targets, standards and arrangements, project/program auditing, system auditing, process auditing, product auditing, quality auditing, IT systems security auditing, work safety auditing. The presented above different classifications of audits show that the needs in the area of control and supervision are identical irrespectively of the country and the level of its development.

External auditing is most frequently identified with external control or the audit of financial statements. Table 2 presents the comparison of the basic aspects of the functioning and implementation of external and internal auditing.

Table 2. Comparison of internal and external auditing

Internal auditing	External auditing
Internal auditor conducts the audit in order to bring value added to the organization that employs him/her	The opinions and reports of external auditors are provided to external entities which are interested in the entity under examination
Internal auditor is employed by the organization (although the service may be outsourced). In the public finance sector, the internal auditor is employed in the entity and in the cases defined by the act in a superior or supervising entity	External auditing is conducted by an entity that is independent of the organization.

⁴ Ibidem.

⁵ L.B. Sawyer, M.A: Dittenhofer, J.H. Scheiner: *Sawyer's Internal Auditing*,. IV edition. Altamonte Springs 1996, p. 4.

⁶ W. Lück, *Die Zukunft der Interne Revision, Entwicklungstendenzen der unternehmensinternen Überwachung*, Erich Schmidt Verlag, Berlin 2000, p. 18.

⁷ B.R. Kuc, *Audyt wewnętrzny. Teoria i praktyka*, Wydawnictwo Menedżerskie PTM, Warszawa 2002, p.119.

Internal audit focuses on future events rather than in an ex post control	External audit concentrates on examining past events, particularly on the information included in financial statements.
Internal auditor assesses all areas of organization's operations – both the financial and non-financial ones.	External auditor controls mainly the financial aspects of organization's operations.
Internal auditor conducts the audit continuously; the work is done throughout the whole year.	External auditor usually conducts the audit once a year.
Internal auditor knows his/her organization very well.	External auditor gets acquainted with the organization directly before or in the course of auditing.

Source: R. Krzemiń, K. Winiarska, *Audyt wewnętrzny. Testy i zadania*, Fundacja na rzecz Uniwersytetu Szczecińskiego, Szczecin 2005, p. 21-22.

The presentation of the classifications and functions that are assigned to particular types of audits, particularly to the financial audit, illustrates basic differences in the operating scope and its interpretation. The scope of duties of auditors and the resulting operating range is the fundamental issue. Financial audit can be conducted both by an auditor or a statutory auditor (biegły rewident) who plays the duties of an auditor in a particular entity. When the audit is completed, a report is written and signed by the auditor. It is a frequent case that auditing financial statements is referred to as financial auditing despite a much wider scope of issues and duties that are assigned to auditing. The auditing of financial statements is conducted by an independent expert, i.e. a statutory auditor, within an external audit. The discrepancy in the interpretation and understanding of the term *financial audit* also originates from the different terminology in Poland and other countries for the same operations and professionals who perform them. In other countries the term *auditor* is used and there is no professional title of statutory auditor which in Poland is subject to legal protection. A statutory auditor performs his/her duties on behalf of an auditing company that signs a contract with a customer whose financial statement is to be audited.

The entities on behalf of which financial auditing was performed till 20.06.2017 (when the previous act on statutory auditors expired)⁸ were referred to as entities that are entitled to examine financial statements; now they are called auditing companies (from 21.06.2017)⁹.

The audit of financial statements is a very broad concept. It covers both the operations that involve the examination of financial statements, proposals for changes in the report when

⁸ Ustawa z dnia 7 maja 2009 r. o biegłych rewidentach i ich samorządzie, podmiotach uprawnionych do badania sprawozdań finansowych oraz o nadzorze publicznym, (Act of 7 May 2009 on statutory auditors and their self-government, authorized entities auditing financial statements and public supervision), consolidated text, Journal of Laws 2009, No.77 item 649.

⁹ Ustawa z dnia 11 maja 2017 r. o biegłych rewidentach, firmach audytorskich oraz o nadzorze publicznym, t. jedn., (Act of 11 May 2017 on statutory auditors, audit firms and public supervision) consolidated text, Journal of Laws 2017, item 1089 as amended.

improprieties are found and final conclusions which are in the form of an opinion on the examination of a financial statement.

According to D.Krzywda „, ... the audit of a financial statement includes not only its examination but also the suggestions for necessary corrections to the information that is given in the statement and the opinion on its credibility together with a complementary report...”¹⁰, while the examination of a financial statement is “ ... an objective determination of the credibility and the compliance with the accepted assessment criteria of the information that is presented in the financial statement and of the books of accounts that are the basis for preparing the statement. “¹¹.

The differences between the terms *examination* and *audit of financial statements* are illustrated in Table 3.

Table 3. Relationship between the terms: *examination of financial statements* and *audit of financial statements*

Audit of financial statement		
Examination of a financial statement	Suggestions for necessary corrections	Presentation of an opinion together with a report

Source: D. Krzywda, *Istota, cel i podstawy prawne rewizji sprawozdań finansowych* [in:] D. Krzywda (ed.) *Rewizja sprawozdań finansowych (wydanie drugie zmienione)*, SKwP, Warszawa 2012, p. 13.

Pursuant to the Act of Accounting, art. 65, par.1, the objective of a financial statement examination is to express a written opinion and report that state whether the financial statement complies with the applicable principles (policy) of accounting and truly and clearly presents in all aspects the financial situation and result of the entity whose financial statement is subject to examination. According to the regulations of the National Standard of Financial Audit No.1, the task of a statutory auditor is to state whether the report as a whole and the accounts that were the basis for its development are free of shortcomings such as the omission or distortion of information significant to the reader and whether the information in the statement can be considered credible (reliable and compliant with the applicable accounting rules) and clear¹².

¹⁰ D. Krzywda, *Istota, cel i podstawy prawne rewizji sprawozdań finansowych* [in:] D. Krzywda (ed.) *Rewizja sprawozdań finansowych (wydanie drugie zmienione)*, SKwP, Warszawa 2012, p. 13.

¹¹ Ibidem, p. 13.

¹² *Krajowy standard rewizji finansowej nr 1 Ogólne zasady badania sprawozdań finansowych*, (National Standard of Financial Audit No.1, Overall principles of financial auditing, Annex to Resolution of 16 February 2010 No. 1608/38/2010 of The National Chamber of Statutory Auditors, art. 10).

It is emphasized in the International Standards of Auditing¹³ that the objective of an audit of financial statement is to increase the confidence of intended users in financial statements. This can be achieved when the auditor is enabled to “express an opinion whether the financial statements are prepared, in all material aspects, in accordance with an applicable financial reporting framework”¹⁴. According to ISA, the opinion should state whether the financial statements are reliable in all material aspects or they provide information in a reliable and clear way in line with the framework’s assumptions. The audit that is conducted in compliance with ISAs and the relevant ethical requirements should enable a statutory audit to express such opinion. In order to express the opinion, the statutory auditor should have reasonable assurance whether financial statements taken as a whole do not contain significant distortions due to error or fraud. Reasonable assurance means high level of certainty¹⁵. This is possible when the auditor accumulates sufficient evidence to decrease the audit risk, i.e. the risk of providing an inappropriate opinion.

The verification of data in a financial statement aims at the increase of the credibility of information that is accumulated by the company and is the basis for the decisions made. The determination of their credibility is crucial to company management. The information in the financial statement is obviously significant not only to the owners and the management but also to investors, creditors, banks, government and fiscal authorities. It is referred to as “.. the final product of company accounts that are the language of business. Its quality depends mainly on the fact whether the information in the accounts is reliable”¹⁶. The information recipients and users that make decisions on the basis of the primary or processed data should be guaranteed that they are credible and reliable.

An efficient control system within the entity, operations that are compliant with the applicable provisions and the knowledge and experience of the management are the elements that increase the credibility of data that is accumulated in the entity and presented finally in the form of a financial statement. It should be emphasized that the information should be presented

¹³*International Standards on Auditing, Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*, International Auditing and Assurance Standards Board, IAASB, 2016.

¹⁴ *Krajowy Standard Rewizji Finansowej 200* (National Standard on Auditing 200) as in International Standards on Auditing 200, Ogólne Cele niezależnego biegłego rewidenta oraz przeprowadzanie badania zgodnie z Międzynarodowymi Standardami Badania (Overall objectives of the independent auditor and the conduct of an audit in accordance with IAASB, Annex No. 1.1 to Resolution No. 2783/52/2015 of 10 February 2015 of The National Chamber of Statutory Auditors, art. 3).

¹⁵ *Ibidem*, art. 5.

¹⁶ M. Kutera, A. Hołda, S.T. Surdykowska, *Oszustwa księgowe. Teoria i praktyka*, Difin, Warszawa 2006, p. 21.

regardless of the fact whether it testifies to the success or failure of the management; it must be real, true, i.e. credible. The contents of a financial statement is definitely more credible to external recipients after it is confirmed by an independent person who does not work in the entity. The credibility of a financial statement can be confirmed only by an independent expert, i.e. by a statutory auditor.

3. Financial controlling as an element of company information and decision system.

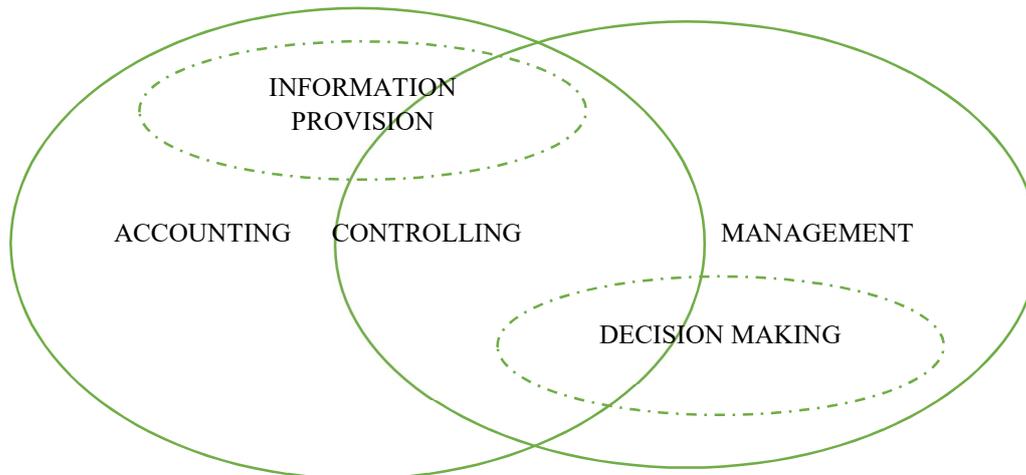
Controlling is certainly an instrument that supports the audit and examination of financial statements in making rational decisions and reducing operational risk. The information provided by controlling makes it possible to develop business models, to plan and control company operations and to increase the satisfaction from the choices made due to the reduction of opportunity cost. The possibility to use the information that is generated by a controlling system in the course of the processes of planning, controlling, coordinating and operational steering and to motivate the staff in companies of various sizes and operational profiles that operate in changing environment testifies to the fact that controlling is a holistic, individual and dynamic tool.

Controlling is also interdisciplinary in character and closely related to various areas of company's business operations. It plays an auxiliary role to the management system and it may consist in¹⁷: information support - by providing information necessary for company management (of different levels); decision-making support - by suggesting solutions aiming at the improvement of company operations; and analytical support - by the analysis of company results, especially the ones that are presented on cash basis (financial controlling)

Another area of company business activity that is closely related to controlling is accounting, which constitutes the main information base for controlling. The relationship of controlling to accounting and management is given in Figure 1.

¹⁷ *Controlling dla menedżerów*, E. Nowak (ed.), CeDeWu.pl, Warszawa 2013, p. 30.

Figure 1. Relationships of controlling to accounting and management



Source: *Controlling dla menedżerów*, E. Nowak (ed.), CeDeWu.pl, Warszawa 2013, p. 30.

The basic task of the accounting system is to process the primary data that concern particular economic events into economic information while the task of controlling is to adapt the information so that it supports decision-making processes taking place in the management system. The economic effects of decisions are recorded in the accounting system. Thus, controlling is a link between accounting and management. That is why one should not forget about the integration of the finance and accounting systems with the controlling system when controlling is to be implemented.

In the appropriate development of these relationships, financial controlling may be helpful. This is a type of functional controlling; it has precisely defined tasks and functions. It can be concluded from the analysis of the interpretations of financial controlling presented in the literature on the subject that the key element of the definition is the relationship of financial controlling to finance management in a company¹⁸. Obviously, one can say that financial controlling and finance management are not the same thing. However, the terms are very closely connected with each other¹⁹.

The first difference between financial controlling and finance management results from the accepted solution regarding the location of these two areas in company organizational structure. The second difference results from their concepts and major assumptions. Finance management is a process that should occur in every company and is an inseparable element of

¹⁸ S. Krajewska, *Znaczenie controllingu finansowego w działalności przedsiębiorstwa*, Zeszyt Naukowy WSZiB w Krakowie, Nr 8, Kraków 2008, pp.112-116.

¹⁹ *Controlling w działalności przedsiębiorstwa*, E. Nowak (ed.), PWE, Warszawa 2004, p. 294.

the whole management process. It is a set of operations that aim at planning, controlling and managing company finance²⁰, while financial controlling is a system whose function is to support finance management and which is facultative. The fact that it functions in companies results from the need to improve finance management with regard to financial problems or the accepted business model. The system of financial controlling should consist of new elements whose implementation should have a positive impact on company's results or it should consolidate the already applied tools and lead to the improvement or development of an overall finance management process. Thus, finance management is an obligatory process that consists of certain standard operations, while financial controlling is a system that introduces new solutions whose implementation should be determined by company's needs²¹.

The main tasks of financial controlling in a company regard the development and modernization of the systems of planning, control and financial steering as well as the preparation of information that is crucial in financial decision making. This scope of operations, which in a substantive, instrumental and informative way supports the financial decision-making processes, results in the responsibility of controlling for the actual quality and the schedule of company financial planning. The complexity, consistency and reliability of operations in this area will result in a more instantaneous identification and reduction of threats and will have an impact on the improvement of company's financial results. Financial controlling and financial audit may become an important element of company's early warning system, improve the reliability of information and, consequently, diminish the level of uncertainty in decision-making processes.

4. Financial auditing and controlling – areas of divergence and convergence

Effective management is a conscious use of modern tools that enable the acquisition of current information and analysis that are necessary to provide the management with current information on processes occurring in the company and their effects and that support the monitoring of the current company's financial situation. Due to their characteristics and tasks, both controlling and financial auditing have an impact on the quality of management and decisions made; they widely support the execution of company information and control functions and constitute a significant element of its business model. The conclusion of the

²⁰ Ibidem, p. 294.

²¹ Ibidem, p. 294.

conceptual analysis is that the comparison of financial audit with controlling is insufficient. In order to discuss fully the issue under investigation it is important that the comparison should be extended by the category of the financial statement audit. Table 4 illustrates the divergence and convergence areas between the categories under discussion.

The characteristics presented in Table 4 shows that the convergence between two categories is connected with the divergence in the case of the third category. Then, depending on the tools that are subject to comparison, this is the case of a complete, partial or non-existent convergence or divergence.

Both the financial audit and the audit of financial statements, being a much wider version of an audit, have one common objective: to confirm the current condition of a particular entity. This is the starting point to further operations. Reliable information on the entity under examination is the basis for corrective measures that will improve further operations of the entity. Control activities do not only consist in checking and comparing the actual state with the assumptions. The task of correctly functioning audit control systems is to suggest changes that would influence favorably a further development of the entity. This is also the target of controlling. The support of decision processes in an entity, the indication of deviations from the plan and their correction in agreement with the management create an overall image of a correctly functioning entity.

Table 4. Financial audit, controlling and audit of financial statements – areas of divergence and convergence

Tools Comparison areas	Financial audit	Financial controlling	Audit of financial statements
Objectives	Control (check) if the accounts are correctly maintained	Activities aiming at the completion of assumed targets in the finance area	Opinion on the financial statement
Basic principle	Correct data record-keeping	Active use of data	Reliable and credible presentation
Time horizon	The past	The past and the presence	The past
Ordered by	Company management/ public administration bodies	Company management	Company management / governing body
Conducted by	Internal auditor – an employee in the entity that is subject to the audit or an auditor from a higher-level body	The controller who is employed by the entity that is subject to the audit	The statutory auditor who is employed in an audit company; no connections to the entity where the audit is conducted

Connection to the entity	Complete – the audit is employed in the entity where the audit is conducted or partial, when the audit is conducted in a lower level entity	Complete – the controller is employed by the entity under examination	None
Independence	None or limited	None	Complete
Execution period	According to schedule	Continuously	According to schedule
Regulations, legal provisions	Internal regulations of the entity, Act on public finance, Code of ethics, auditing standards	Internal regulations of the entity	Act on accounting, Act on statutory auditors, audit firms and public supervision , International Standards on Auditing
Form of result presentation	Report	Report	Opinion

Source: Author's research.

The most important elements of an effective audit, controlling and financial statement audit are the executors, i.e. the auditor, controller and the statutory auditor. Table 5 presents these positions with regard to their professional qualifications, scope of knowledge and psychological profile.

Table 5. Auditor, controller and statutory auditor - professional profile

	Internal auditor	Controller	Statutory auditor
Legal requirements/ Professional qualifications	Act on public finance and/or company internal regulations. Qualifications of fiscal control inspector or statutory auditor.	No legal regulations. Company internal regulations.	Act on statutory auditors, audit firms and public supervision . Qualifications of statutory auditor
Scope of knowledge	<ul style="list-style-type: none"> - tasks and procedures of internal audit and internal control, - public finance and accounting, - law: mainly administrative and economic, - modern technologies and IT solutions, - sector economics, - risk analysis. 	<ul style="list-style-type: none"> - financial and managerial accounting, - finance management, - financial analysis, - strategic management, - information management, - implementation of advanced IT tools, - HRM. 	<ul style="list-style-type: none"> - financial and managerial accounting, - international standards on accounting, - financial analysis, - financial audit, - national and international standards for professional practice, professional ethics, - current legal provisions , - information technologies and computer systems, - microeconomics, macroeconomics, - mathematics and statistics, - financial management in economic entities, - the functioning of financial market.
	<ul style="list-style-type: none"> - open to new ideas, concepts and people, - creative and initiative, - incorruptible, 	<ul style="list-style-type: none"> - communicative, - persuasive and skillful in explaining things, 	<ul style="list-style-type: none"> - independent, - objective, - professionally skeptical, - scrupulous,

<p>Psychological profile</p>	<ul style="list-style-type: none"> - impartial, - loyal to company quality system, - follows ethical principles of auditor's profession, - precise, reliable and committed to determining facts , - analytical, - communicative, willing to help and not to criticize. 	<ul style="list-style-type: none"> - empathic, - assertive, - kind, - with common sense. 	<ul style="list-style-type: none"> - precise, - kind, - well mannered, - avoiding conflicts, - following professional ethics.
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Source: Author's research based on J. Rubik, *Audytora a controller – sylwetka zawodowa*, Prace Naukowe UE we Wrocławiu, Wrocław, 2008 No. 14.

The person that guarantees a successful execution of the tasks of controlling is the controller. His/her characteristics and the responsibilities have not been precisely defined since the time the profession emerged. "In practice, people with the title of controller have functions that are, at one extreme, little more than bookkeeping and, at the other extreme, de facto general management"²². This statement, which was made over 50 years ago, seems still to be valid. The reasons for the variety of controller's tasks and the required skills should be looked for in the differences in the cultures and sizes of companies and sectors in which an entity is operating and also in the development stages of controlling²³.

A controller takes care of the transparency of results, the company finance, processes and strategy, coordinates overall targets and partial plans, sets up future-oriented reporting activities in the company and provides relevant data and information for decision-making²⁴. However, there are more and more wide spread opinions that it is the personal predisposition that counts: the skill to listen and at the same time to analyze what others say and to separate significant things from the ones that are less important. The controller must be a leader who can win people's acceptance and develop a team that is ready to accomplish his/her ideas. Such a person should feel business in all its aspects and be able to find a place in a multinational, public medium-sized or small company²⁵.

²² R.N. Anthony, *Planning and Control System*, Boston 1965, p. 28.

²³ J. Weber, *Jakie zadania powinien podejmować controller i dlaczego?- Zasadnicze przemyślenia dotyczące znanego problemu*, [in:] *Controlling - doświadczenia krajowe i zagraniczne. Problemy, instrumenty, procedury, perspektywy*, Oficyna Controllingu PROFIT, Katowice 2002, p. 8.

²⁴ *Słownik controllera, polsko -angielsko* Wydawnictwo Gdańskie, Gdańsk 2003 (*Controller's Dictionary, Polish – English – German*, International Group of Controlling), translated by S. Olech, Akademia Controllingu, ODITK, Wydawnictwo Gdańskie, Gdańsk 2003, pp. 46-47.

²⁵ B. Andruczyk, *Nowe szanse i wyzwania dla controllera w obliczu integracji z Unią Europejską*, "Controlling i rachunkowość zarządcza", 2003 No. 2, p. 22.

A statutory auditor, as a person of public trust, should be of impeccable character and guarantee a proper performance of the profession of a statutory auditor by his/her previous work. Service commissioners expect and demand top level services from statutory auditors. It is the duty and a challenge for statutory auditors to meet their demands. Thus, legal regulations regarding the admission to the profession and the right to perform it emphasize clearly several issues concerning the quality of work that should be taken into consideration in the course of a financial statement audit. The most significant of them are: impartiality and independence, confidentiality, audit methods, risk, responsibility, principles of professional ethics and the control of the auditing process.

The supervision over professional correctness, which starts from qualifying the candidates for auditors and is continued throughout the continuous process of professional improvement, helps maintain the quality of auditing financial statements. An individual who is entered to the register of statutory auditors becomes a statutory auditor²⁶ whose duty is not only to obey the law but also to adhere to the rules of ethics and standards of financial audit²⁷.

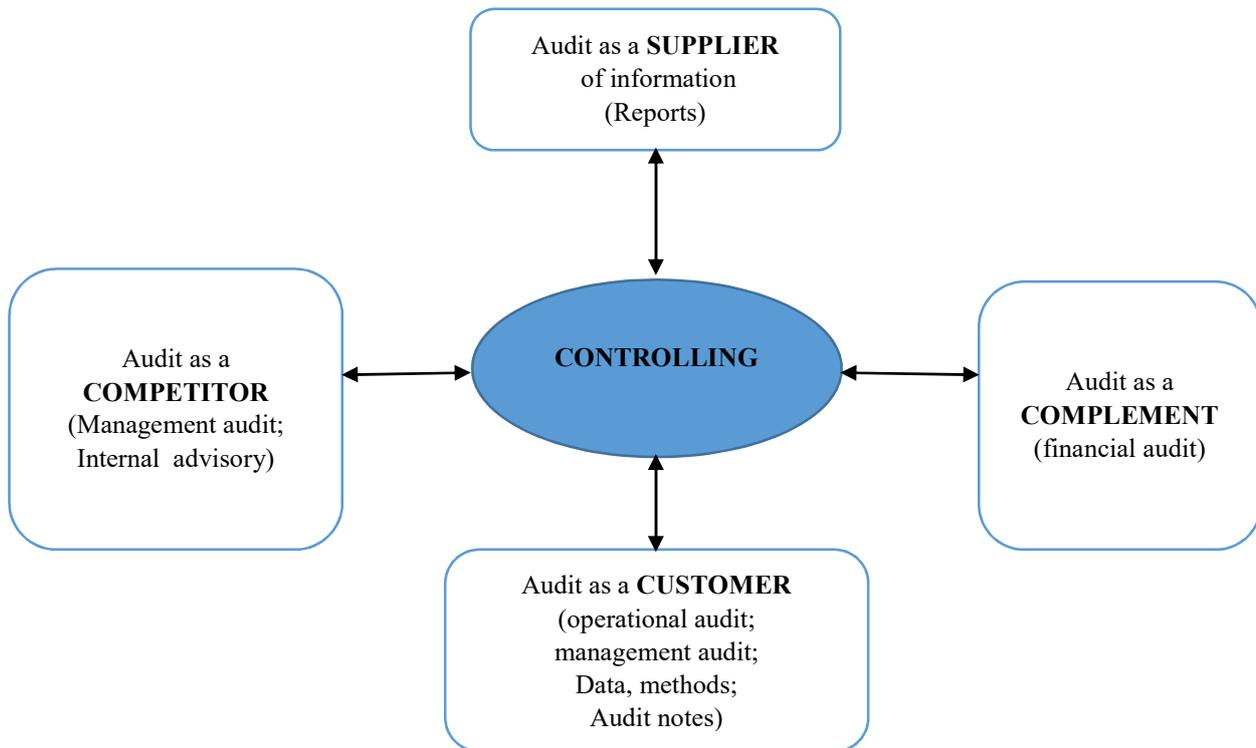
As it was mentioned above, the auditor may have the competencies of a statutory auditor but this is not obligatory. The conditions that must be met by an internal auditor are determined in the act on public finance²⁸. The responsibilities of a controller and auditor are complementary; their tasks – when accomplished correctly - constitute a support to the manager and have an impact on the quality and credibility of financial statements that are examined by a statutory auditor. This co-existence results in mutual relationships between controlling and auditing (Cf. Fig 2)

²⁶ Ustawa z dnia 11 maja 2017 r. o biegłych rewidentach, firmach audytorskich ... (Act of 11 May 2017 on statutory auditors, audit firms ...), op. cit., item 4, par. 1.

²⁷ Krajowy standard rewizji finansowej (National standard on financial audit), No. 1, op.cit.

²⁸ Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych (Act of 27 August 2009 on public finance, consolidated text, Journal of Laws 2019, item 869, art.286 par 1.

Figure 2. Relationships between controlling and auditing in company



Source: V. Lingnau, *Konzepte und Instrumente des Controllings. Controlling und benachbarte Gebiete*, Technische Universität Kaiserslautern, Kaiserslautern 2012/2013.

Figure 2 illustrates clearly the feedback and benefits that result from the co-existence of controlling and auditing. Controlling is placed in the center, which is due to its basic tasks, i.e. to shape and coordinate planning processes, to control and provide information and to steer the whole system with regard to the targets. Auditing and controlling processes cooperate, complement each other and compete effectively; consequently, they create an efficient, complex and modern information and control system to support decision-making processes in a company. Controllers and auditor should serve the management as analysts, consultants and advisors. Thanks to their work, the opinion given by a statutory auditor will constitute a confirmation of reliable and ethical proceedings of the entity's management.

Conclusions

Activities related to auditing and financial controlling in a company are not only restricted to the provision of all improprieties and the presentation of recommendations that aim at removing bottlenecks. They play mainly advisory and managerial roles. The primary function

is to improve the effectiveness of company's operations by initiating necessary changes in procedures and structures as well as to launch preventive measures that would enable the accomplishment of targets and steering a company with the application of a feed forward.

The implementation of controlling on a strategic level by developing an early warning system makes it possible to identify quality risk areas that may pose a danger to the existence of a company in the long-term and it indicates measures to prevent a crisis.

The objective of auditing and controlling is first of all to provide assurance regarding the current condition of an entity. This constitutes the basis for the decision-making processes of the management, shareholders, contractors and potential investors. Moreover, thanks to the information obtained, it is possible to implement corrective measures that will improve further operations of the entity. A constant implementation and use of controlling and auditing in a company enables a constant and deep control over the processes. An additional - optional or obligatory - audit of a financial statement makes it possible to give a precise and credible view of the company and consequently supports the control systems that operate in it.

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Abstract

The development of the global economy results in the necessity to adapt companies to the expectations of the evolving market. Relevant and effective measures taken by companies should include the latest organizational and legal solutions in the areas of accounting and management. Thus, a company holistic and flexible information and control system should be developed to provide reliable information that is secured against significant distortion and to increase the role of information in decision-making processes.

The main aim of the article is to present the role of financial audit and controlling as the information and control tools in economic entities and to draw attention to the areas of their divergence and convergence. To achieve the objective, critical analysis of the literature on the subject regarding financial audit and controlling was used and the methods of deduction and synthesis were applied to reach conclusions

Key words:

Financial audit, financial controlling, accounting, divergence, convergence