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The Professional Reasoning – A Basis for Establishing the Signification Threshold

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Abstract

The present study refers to the signification threshold, as a basic element which influences the development and the quality of the entire financial audit process. During the article it is underlined the fact that the way of determining the signification threshold inside the audit missions is based on the professional reasoning of the auditor, fact that determines the appearance of some significant differences both in choosing the benchmarks as a calculus basis and to the quantitative level of them. The study comprises reference to the International Standards of Audit which are applied in Romania starting 2009 and to the Technical Audit Norms who are applied in Spain starting 1991 and which are expected to be replaced in the near future. In the end of the article it is underlined the necessity of the appearance of some regulations which would guide more the auditors in framing the professional reasoning and establishing at least of some minimum limits, which will lead to establishing a more homogeneous signification threshold.

Keywords: Signification Threshold, Professional Reasoning, Materiality, the Error Size

Introduction

The financial auditors because of the nature of their job accept a certain „error margin” in doing the mission’s papers. The basic problem is the „error’s size” that can be accepted. “The size of the error’s margin determines the signification threshold” (Dobroțeanu, 2002, page 148), so that this not to have a significant character, meaning to influence the „truthful image” of the financial situations.

The General Frame for drawing up and presenting the financial situations, emitted by the Committee for the International Accounting Standards states that the signification threshold “represents the relative importance of the element or errors, judged in the specific circumstances of the omission, or wrong declaring”.

The objectives of the research are:

- explaining the importance of the signification threshold inside the audit mission;
- explaining the way of determining the signification threshold according to the International Audit Standards;

- highlighting the news introduced by ISA compared to the Spanish Technical Norms;
- highlighting the fact that the way of determining the signification threshold is based almost entirely on the professional reasoning of the auditor, fact that determines the appearance of some significant differences in establishing the level of the signification threshold and therefore of the level of the audit papers made by different auditors;
- evaluating the fact if the introduction of ISA are enough to improve the way of determining the signification threshold;
- proposing solutions for reducing this effect.

In order to realise this study I have chosen two different countries, Spain and Romania. In Romania starting December 2009 have been introduced the Clarified Audit Standards, and in Spain, a country with a longer tradition than Romania, these Standards haven't been introduced yet, and still function the Technical norms emitted at the beginning of 1991.

In Romania it is used the term, "signification threshold" as it suggests the fact that it is about a maximum tolerable limit of the "measures in which the financial situations can be distorted, but acceptable from the stakeholders point of view" (Domnişoru, 2011, page 209). In Spain the term signification threshold is named "relative importance" (importancia relativa) or "materiality" (materialidad). The term materiality refers to the fact that "the measure in which the problem raise in its relative importance becomes material too" (Domnişoru, 2011, p. 209), meaning that it reaches an irregularity concrete degree, which cannot be neglected.

Different international organisms have manifested their preoccupation towards the different way of applying or a wrong one of the signification threshold (SEC, AICPA, IFAC). Therefore, the importance of the signification threshold inside the audit missions represents an intensely debated theme in the last decades. As evidence are the empiric studies developed starting the years 1950-1960-1970 which still continue today. These studies are reunited at the international level in the speciality literature in four articles which realise a synthesis of all the realised studies, specifying the results and obtained conclusions. These four articles belong to the following authors: Holstrum and Messier (1982); Isakander and Iselin (1999); Messier, Bennie and Elifsen (2005) and the most recent one is that of Montoya, Martinez and Fernandez (2008).

From studying the four articles I could clearly state that the auditors differently mark the signification threshold and that the taking decisions process for its establishing are influenced by some financial and non-financial factors. Therefore, the qualitative factors are considered as being the main determinants of the signification threshold, and they are influenced by different non-financial factors, such as:

- the characteristics of the audited firm - the size of the firm, of the sector, firm's culture, the financial situations, used accounting policy, management's characteristics, the internal control and of the audit Committee. Also it has been stated that the auditors are more permissive with the big firms and with those in which there is an efficient internal control.
- the characteristics of the audit firm - the size of the audit firm, its structure, the auditors' experience. For example it has been demonstrated that the auditors having a bigger experience base on a single factor in determining the signification threshold this being the net profit, an the auditors from the very structured firms use a higher number of factors.
- the individual characteristics of the auditors - the experience level, the understanding ability, the dependence towards fees, the age, disposition and gender. This way the auditors with a bigger experience are stricter towards complex transactions, working with higher levels of the signification threshold. Also, the manager auditors establish a signification threshold lower than the senior

auditors, and between the professional auditors it has been noticed a much higher consensus degree than the senior auditors regarding the using the same factors for establishing the signification threshold.

Also in the Spanish specialty literature I have identified multiple preoccupations of the university professors and professional auditors connected to the International Audit Standards, which still haven't been adopted in this country. Moreover personalities from the Accounting and Audit Institute in Spain and from the Professional Corporations continuously publish normative comments in the specialty literature, referring the International Audit Standards and the impact that their adopting would have in Spain.

The Scientific Research Method

The research method is a qualitative one. In order to demonstrate the proposed objectives I have realised a serious documented research of the International Audit Standards which are applied in Romania and of the Technical Audit Norm which is applied in Spain. Therefore based on it I have realised a critical analyses of the aspects connected to the signification threshold, underlining the news the Clarified Audit Standards introduce. The comparison is present all along the research.

Because of the fact that the theoretical research has lead me to the conclusion that at the basis of the signification threshold is the professional reasoning of the auditors I have also realised an empiric research on this theme, which was based on interviews, taken to a large number of auditors-physical and juridical persons in the two countries. The discussions with them confirmed the fact that the professional reasoning of the auditors plays an important part in establishing the signification threshold.

Reglementing the Signification Threshold in Romania and Spain

Along the years there have been many critics regarding the financial audit, on the way it is applied practically the concept of signification threshold. A clear example is the SEC¹ president's discourse Arthur Levitt "The number game", whose result was publishing "SAB 99: Materiality". In this document it is underlined the importance of the qualitative factors in establishing the signification threshold.

As a result of the received critics, IAASB² has initiated the revising process of the International Audit Standards, which was materialised by publishing ISA Clarified and which become available starting the end of 2009. These contain two standards which refer to the signification threshold, namely ISA 320 "The signification threshold in planning and developing an audit"³ and ISA 450 "Evaluating the identified falsifications along the audit"⁴. It is considered that these two standards bring significant qualitative improvements to the financial audit process, regarding the usage of the signification threshold.

¹ Securities and Exchange Commission

² IAASB – International Auditing and Assurance Standards Board

³ International Audit Standard no. 320 "the signification threshold in planning and developing an audit", the International Accountants Federation, "International Audit Standards and Quality Control-Financial Audit 2009 Manual", Irecson Publishing House, Bucharest, 2009, page. 353

⁴ International Audit Standard no. 450 "the signification threshold in developing and developing an audit", the International Accountants Federation, "International Audit Standards and Quality Control-Financial Audit 2009 Manual", Irecson Publishing House, Bucharest, 2009, page. 419

The activity of determining the signification threshold is reglemented in Romania by the two reminded standards, ISA 320 and ISA 450, and in Spain by the, "Technical Audit Norm on the signification threshold"⁵ from 1999 and in "Technical Norm on executing the works"⁶ from 1991.

I have noticed that both in Romania at the International Audit Standards and in Spain at the Technical Norms level the lack of some basic criteria with a "compulsory" character, regarding determining signification threshold. ISA 320 in paragraph 6 underlines the fact that it isn't necessary to be a fixed value as a minimum limit, under which any falsification could be considered insignificant, but it has to be taken into consideration the nature or the particular circumstances in which these have been produced and how do they affect the financial situations. The same things are stated in the Technical Spanish Norm in the paragraphs 1.4 and 1.5.

The signification threshold is expressed in a qualitative form (low or raised level) but mostly in a quantitative form. There are several studies which try to explain which would be the most suitable criteria to establish the signification threshold and how this should be dimensioned at the audit mission's level. The empiric studies have demonstrated that in practice the most used is the size of the raw profit, in a level comprised between 1 and 10%.

In Romania, ISA 320 in the paragraphs A2 – A11 specifies some perceptual examples applied to some benchmarks, chosen as starting points in establishing the signification threshold according to the specific competences of the entity. They refer to elements of the financial situations such as total actives, total incomes, debts or own capital. Also it refers to net actives, the profit before taxation, business figure, ordinary result, financial result, etc. Both in choosing the benchmark and in determining the applicable percentage the most important thing is the professional reasoning of the auditor. In Spain, the Technical Audit Norm on "The signification threshold concept" from 1999 exposes in a table "the orientate quantitative parameters", which can be used to evaluate the signification threshold.

⁵ Norma Técnica de auditoría sobre el concepto de "Importancia Relativa", edited in Boletín Oficial del Instituto de Contabilidad y Auditoría de Cuentas no. 38 and approved by the ICAC Resolution from June 14th 1999

⁶ Norma Técnica sobre Ejecución del Trabajo, published in Boletín Oficial del Estado from May 7th 1990 and approved by the ICAC Resolution from January 19th 1991

Table 1. The orientate parameters in Spain to evaluate the signification threshold

THE FIRM'S SITUATION	BENCHMARK	PERCENT
Firm with normal benefits	The results of the ordinary activity (the exploiting results + the financial result)	5 – 10%
Firm with loss or a low level of profitability	Business figure Total actives Own Founds	0,5 – 1%
Firms in the development stage	Own Founds	3 – 5%
SME	The result of the ordinary activity Business figure Total actives	5 – 12% 1 – 3% 1 – 3%
Non-profit firms	Total incomes Total expenses Total actives	0,5 – 1%

Source: Extract from the Annexes of the Technical Audit Norm on "The signification threshold concept" from 1999

The signification threshold plays an important part inside the audit process influencing all its stages:

- in the planning stage it is used to establish the nature, length, the applying moment of the audit procedures;
- executing stage of the audit works the established signification threshold influences the level of the tolerable error, meaning the maximum limit of error acceptance, influencing this way the length of the different procedures on different work areas;
- in the final stage it is used to evaluate the importance of the found errors during the audit, influencing therefore the expressed opinion inside the audit Report.

Establishing the significance threshold in the planning stage of the audit is important as it determines the quantity of the work that the auditor will continue to do. An estimation of the global significance threshold at a very low level determines the risk of collecting too much evidence, probably not necessarily, but if a very high level is established we get into the situation when certain errors could remain undiscovered, influencing this way the trustful image of the financial situations. It is therefore necessary a reasonable estimation, which would represent a balance between the work in the conditions of efficacy and a global significance threshold which might be accepted in case of a litigation, avoiding this way the posture of "professional inadvertent".

The Calculation Way of the Significance Threshold According to ISA

It is true that every auditor establishes the significance threshold subjective, according to his professional reasoning. There are auditors who sustain that for establishing the significance threshold it is used mostly a percentage of 0, 5% on the business figure, and others who state that the most used method is applying a percent of 5-10% on the net profit. The quantitative establishing of these significance thresholds can lead to the situation in which the auditor does not check the insignificant quantitative differences, but they can have from a qualitative point of view a special relevance.

Stage I. According to ISA 320, point A3, the significance threshold for the financial situation on the whole is determined as a percent from the value of a benchmark chosen by the auditor. The way of calculation of the significance threshold in the planning stage will be presented in the following examples:

Supposing that we have the financial situations of a firm, in which appear the following data: Total actives 350.000 €, Business figure 1.100.000 €, the raw profit, 100.000 € and Total stock holdings 200.000 €.

Table 2. Examples of significance threshold calculations

Example nr. 1	
The auditor establishes two levels of the significance threshold, using different benchmarks and different percentages this way:	
Total actives = 350.000 €	
Significance threshold	(1) $350.000 \times 1\% = 3.500 \text{ €}$ (the lowest)
	(2) $350.000 \times 2\% = 7.000 \text{ €}$
Business figure = 1.100.000 €	
Significance threshold	(3) $1.100.000 \times 0,5\% = 5.500 \text{ €}$
	(4) $1.100.000 \times 1\% = 11.000 \text{ €}$ (the highest)
The raw profit = 100.000 €	
Significance threshold	(5) $100.000 \times 5\% = 5.000 \text{ €}$
	(6) $100.000 \times 10\% = 10.000 \text{ €}$
Example nr. 2	
Another auditor would calculate the level of the significance threshold this way:	
The raw profit = 100.000 €	
significance threshold	(1) $100.000 \times 3\% = 3.000 \text{ €}$ (the minimum limit)
	(2) $100.000 \times 8\% = 8.000 \text{ €}$
Total actives = 350.000 €	
significance threshold	(3) $350.000 \times 3\% = 10.500 \text{ €}$
	(4) $350.000 \times 8\% = 28.000 \text{ €}$ (the maximum limit)
Total stockholders 200.000 €	
significance threshold	(5) $200.000 \times 3\% = 6.000 \text{ €}$
	(6) $200.000 \times 8\% = 16.000 \text{ €}$

Source: Own processing

Usually the significance threshold is established between the smallest and the biggest calculated factor, between the factors nr. 1 and 6. This way the chosen significance threshold in the first example would be:

$$(3.500 + 11.000) : 2 = 14.500 : 2 = 7.250 \text{ €}$$

The significance threshold chosen in the second example is:

$$(3.000 + 28.000) : 2 = 31.000 : 2 = 15.500 \text{ €}$$

We notice how different reasoning of the two auditors gives very different results of the significance threshold: the first 7.250 €, and the second 15.500 €. A significance threshold of 7.250 € can be considered a high significance threshold for a small society or very low for a very big society.

The difference between the two auditors is of 8.250 €, fact which in my opinion represents a significant figure.

This way are established the borders of the significance threshold which means “an extension of omissions or falsifications in the financial situations. Any falsification which sums more than the superior limit is considered significant. Any falsification which sums less than the inferior limit are considered insignificant. Any falsification comprised between the inferior and superior limit is solved by the auditor” (Munteanu, 2011).

In the presented case the auditors will consider certain information which falsify the image with more than 8% from the total incomes, total actives or total stockholders, will be significant and qualitative considerations will be made regarding them.

If the falsification of the information is smaller than 3% from the total incomes, total actives or total stockholders they will be considered insignificant, and if the falsifications of the image will be between 3 and 8% they will be judged individually by the auditor.

According to circumstances, the significance threshold can be established under or over the calculated limits, according to certain qualitative factors such as: significant errors from the preceding years, possible frauds, non-explaining the modifications of the accounting policies, a stop of the cash flux, the careless attitude of the management towards the financial situations, etc.

Stage II. ISA 320 in paragraph 10 and N.T. Spanish from 1999 in paragraph 3.2 establish that, besides the global plan the auditor must evaluate the existence of the transactions, of the counts balances or the additional relevant information which might influence the users’ decisions. For these specific cases the auditor can establish inferior levels of the significance threshold. This will be “sub-divided” subsequently into individual significance thresholds, proportionally to the counts and transactions. It will be taken into consideration their value, but also other aspects too such as nature and their significance in the general context, the fraud suspicion or applying the internal control.

The allocated sum for the significance threshold of an account is called “tolerable error” for that account. In practice it is quite difficult to anticipate which of the accounts presents a higher error probability. Therefore, this distribution of the significance threshold on accounts can be made in different ways. It can be distributed equally on each account, but this modality does not take into consideration only the fact that an account can be more important than other by its value, or the number of transactions that it makes.

Another modality is distributing the significance threshold equally to the accounts value, or the auditors can take into consideration the experience of the past years in order to appreciate which accounts contain more falsifications, which are touchier to falsifications than others and can act under this impulse.

Table 3. Example of distribution of the significance threshold on accounts

Client's name	XYZ	Accounting period	1.01.2010 – 31.12.2010	Ref.
The significance threshold is of 15.500 €	The distribution of the significance threshold on segments			
		%	€	
Corporal and non corporal fixed assets	15		2325	
Finished goods stocks	10		1550	
Accounts receivable	2		310	
Short term investments	0		0	
Cash and bank-payments	5		775	
Cash and bank –collections	5		775	
Creditors	3		465	
Creditors on long term	15		2325	
Sales	5		775	
Purchases	10		1550	
Expenses	10		1550	
Salaries	5		775	
TOTAL	100%		15.500 €	

Source: Self processing

In Romania it is also used the term functional signification threshold, which ISA 320 defines this way: "it represents the sum or sums established by the auditor at a lower level than the signification threshold for the financial situations as a whole, to reduce at a low adequate level the probability that the non-corrected falsifications or the non-detected aggregations to surpass the signification threshold for the financial situations as a whole". It is used in the final stage of the audit when the auditor will sum up the value of all the found errors to see if together they surpass the established signification threshold.

In Spain the term "Functional signification threshold" is not used. Still in the Technical Audit Norm, on the "Concept of signification threshold" from 1999 it is stated that "the relative importance from the planning stage must be inferior to the one that the auditor uses to express his", fact that refers to what ISA 320 calls functional signification threshold.

Stage III. A very important thing established by ISA 320, but which is NOT stated by the Spanish Technical Norm is the fact that, according to the progress of the audit process, this inferior signification threshold established for different transactions, accounts balances or relevant information will have to be REVISED when new information appear indicating the fact that there might be falsifications, which taken together with the cumulated falsifications might modify their level. In this case it will be applied an inferior level, closer to the new circumstances, fact that will also determine the modifications of the established audit procedures.

At the end of the audit mission the auditor will have to evaluate the total value of the errors which might have remained undiscovered or uncorrected. In the case in which:

$$\Sigma \text{ uncorrected errors} + \Sigma \text{ undiscovered errors} \geq \text{signification threshold},$$

The auditor will have to reduce the risk of the audit by extra procedures, or will ask the firm's management the correction of the financial situations according to the discovered errors. If the management considers those insignificant falsifications, the auditor will have to ask for written explanations, according to ISA 580 "Written statements" (IFAC, 2009, page 635).

The same ISA 320 states that the following stages in developing the identifying activities and risk evaluations:

- are identified and the risks of significant falsifications is evaluated, according to ISA 315 "Identifying and evaluating the risks of significant falsifications by understanding the entity and its environment" (IFAC, 2009, page 295);

- it is determined the nature, the moment and the applying domain of the extra audit procedures according to ISA 330 "The auditor's answer to the evaluated risks" (IFAC, 2009, page 363);

- it is evaluated the effect of the uncorrected falsifications, if there are, on the financial situations according to ISA 450 "Evaluating the identified falsifications during the audit" (IFAC, 2009, page 419) and on formulating an opinion and reporting regarding the financial situations according to ISA 700 "Formulating an opinion and reporting regarding the financial situations" (IFAC, 2009, page 719).

ISA 450 in the paragraphs 10, 11 and A11 at A20 states the fact that for evaluating if a falsification is significant or not, individually or cumulated, together with other falsifications inferior to the signification threshold, the auditor has to have into consideration both the size and the specific circumstances in which they have been produced and for the present or anterior period too. The Spanish Technical Norm does not state this situation.

Next we will give an example of revising the signification threshold after the end of the audit and summing up the found errors along the audit:

Supposing that in January 2011 (the following year of the audited period) one of the most important installation of the firm has broken, fact that will cause the significant drop of the business figure. In these conditions the auditor proposes to the firm's management the modification of the financial situation with 60.000 € (the non amortized value of the installation) fact that will have a significant impact on the financial situations: will diminish with 60.000 € the total actives, will drop the declared profit with the same amount of money, will increase directly the sales cost and put into discussion the activities' continuity principle.

The management of the firm does not agree the auditor's proposal. Therefore this will ask the completing of the written statement according to ISA 580. The auditor will revise the level of the signification threshold as a whole, of the tolerable error and will revise the level of the evidence and made procedures.

Table 4. Revising the signification threshold as a whole

Example nr. 2 (S.T. = 15.500 €)	
Raw profit =	100.000 – 60.000 = 40.000 €
Signification threshold	(1) 40.000 x 3% = 1.200 € (minimum limit)
	(2) 40.000 x 8% = 3.200 €
Total actives =	350.000 – 60.000 = 290.000 €
Signification threshold	(3) 290.000 x 3% = 8.700 €
	(4) 290.000 x 8% = 23.200 € (maximum limit)
Total stock holders	200.000 €.
Signification threshold	(5) 200.000 x 3% = 6.000 €
	(6) 200.000 x 8% = 16.000 €
P.S. Global P.S. =	(1.200 + 23.200) : 2 = 12.200 €

Source: Self processing

All the errors and found falsifications along the mission, and the following events must be recorded. Also the non-adjusted errors and will evaluate their impact on the financial situations.

Table 5. The summary of the errors

The nature of the errors	Reference	The current error	The effect on the profit	The effect on the balance sheet	Adjusted	Considered insignificant
		Debit			Y/N	Y/N
Non adjusted errors from the preceding exercise	...	0	-	-	-	-
Recognising the installation break down	...	60.000	60.000	60.000	No	No
Total possible adjusting	...	60.000	60.000	60.000	-	-

Source: Self processing

The auditor will state that the effect of the uncorrected falsifications is significant, fact that will determine it according to ISA 705 "Modification of the independent auditor's report" (IFAC, 2009, page775), to express inside the audit Report an opinion with "reserves" and will formulate an attention paragraph according to ISA 706 "The observations paragraphs and explanation paragraphs from the independent auditor report" (IFAC, 2009, p. 804) regarding the continuity of the activity.

ISA 450 in paragraph A16 presents a list of eleven concrete situations in which the falsifications can be considered significant, even if their value doesn't reach the level of the established signification threshold, but the list can be completed with other situations. The enumerated situations by ISA 450 are: when aren't respected the regulation dispositions, clauses connected by debts, contractual clauses or the perseverant applying of the accounting policies, when it is masked

a change into earnings, when are denaturalised the instalments used to evaluate the financial situations, of the results or a certain element from the financial situations, when the falsification has as an effect growing the management's compensation, when it refers to elements that involves other parts, or when the omitted information, though it isn't asked particularly by the financial reporting frame may affect the understanding of the users connected to the situation or financial position, the cash fluxes or any other communicated information by the means of financial situations.

This represents the news introduced by the Clarified Audit Standards, which should produce the biggest effects in the auditors reasoning on the signification threshold. It was stated with the purpose of revolutionising the auditors' criteria when deciding upon an element, if it is significant or not, no matter its value, taking into consideration the nature or circumstances in which it was produced and its influence upon the audit opinion. This way they try reducing the subjectivity degree of the auditors.

The Spanish Technical Norm from 1999 contains several examples of qualitative nature circumstances which can influence the decision on the relative importance, but they are not as clear and explicit as those presented by ISA 450.

ISA 320 in paragraph and The Spanish audit Technical Norm in paragraph 3.1 state that the auditor must record in his work documents all the elements connected to the establishing and applying the signification threshold, and ISA 450 completes in paragraph 15 and in A25 that the auditor will have to write:

- the minimum value used as a signification threshold, under whose level the events have been considered insignificant;
- all the accumulated falsifications along the audit process and when they have been corrected;
- the conclusions on the signification level of the uncorrected falsifications, taken individually or together (paragraphs 15 and A25).

The Spanish Technical Norm states only partially these obligations.

The Results of the Empiric Research

Regardless the fact that in my opinion the importance of the signification threshold inside the audit works is very big, influencing its course, we notice that there are no criteria or compulsory percents which would establish the mark up for the signification threshold, all this remaining at the auditor's latitude, to his professional reasoning.

This conclusion determined me to research even more this matter. In the multiple interviews that I had with the financial auditors in Romania and Spain I have insisted on this subject and i have noticed that this fact determines two different behaviours among the auditors, generating significant differences when establishing the level of the signification threshold, a lack of consensus in applying the criteria or percentages, influencing to my opinion negatively the comparability of the financial information emitted by the firms.

As a conclusion of the realised investigations we could remark the following aspects:

- the auditors appreciate differently the importance of the two factors of quantitative nature when realise the professional reasoning on the signification threshold. There are differences of opinions between them both in choosing the benchmark which is to be used and in chosen percentage.

- as the time spent inside the audit firm grows, it determines the progressive incorporation of the internal culture of the firm in the process of realising the professional reasoning, leave the impression that they are thinking the same;

- the lack of a consensus between the auditors regarding the establishing the level of the quantitative percentage of the signification threshold, for the same situation;
- the auditors which work at the big audit firms – those which act at the national and international level- have the tendency to use high levels of the signification threshold, while the individual auditors, who work mostly at the local level use lower levels of the signification threshold. This phenomenon could be explained probably by a closer knowledge of the local market, of the firms which act on this market;
- the entrance of the big multinational audit firms on the national markets had an important influence.

Conclusions

As it has been demonstrated all along the article, the signification threshold influences the entire audit process. Its wrong applying has negative effects on the guarantee the fact that the financial situations mirror the clear image of the firm, having direct implications in the economic environment.

The mentioned international studies, the practical presented case of calculating the signification threshold according to ISA and the interviews realised to the financial auditors in Spain and Romania have demonstrated that there are significant differences between the auditors when establishing the signification threshold. They count almost entirely on their experience and professional reasoning. This thing influences the uniformity of the audited financial situations, giving the occasion to some unprofessional audit missions, influenced by the auditors' subjectivity, to reflect more a personal behaviour than a professional one.

As it could be noticed along the article, the International Audit Standards are more detailed; they give more conceptual clarifications than the old Audit Norms from Spain. Moreover they introduce news that could produce effects on the auditors reasoning when establishing the signification threshold. That is why we underline the necessity of introducing as quickly as possible in Spain of the International Audit Standards, to ensure the comparability at the European level. Still, in our opinion the news introduced by Clarified ISA are not enough and that is why we ask for introducing norms or regulations to guide the auditors in framing the professional reasoning as uniformly as possible.

We consider as necessary both in Romania and in Spain:

- establishing at least some limits and minimum criteria, which would help to establishing a more homogenous and uniform signification threshold;
- giving extra attention to circumstantial changes produced along the audit;
- detailed documentation of the works connected to the signification threshold;
- giving extra attention to the inferior figures to the established level of the signification threshold and their corroboration with the functional signification threshold.

Therefore we propose establishing some quantitative benchmarks minimum to the signification threshold, which it cannot be lower, to determine a minimum quantity necessary as audit evidence. The absence of some compulsory common norms give birth to this lack of consensus between the auditors, fact that stops the establishing of a system which would allow the complete comparability of the financial information published by the firms.

"The last two decades have represented a period of great changes in the business environment" (Tabără and Briciu, 2012), and as a result not even the financial audit could not remain still. On the contrary, it has to be permanent with a step forward, to give confidence in the transactions which

develops on the market. "The XXI century is considered, justified, the century of the performance revolution in will predominate the management and the performance audit" (Tabără and Briciu, 2012). The globalisation phenomenon and the world economic crises which have started in 2008 have influenced and will continue to influence the structure and the content of the legislation concerning the financial audit.

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