

CONTENT ANALYSIS OF CEO STATEMENT AND AUDITOR'S RECOMMENDATION: A CASE STUDY OF BANCA TRANSILVANIA

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Abstract: *The aim of this paper is to determine if recommendations of auditors are implemented by the management and are described in the CEO statements and if they have the same purpose, namely, extending the performance of the bank. The study provides important information on the quality of audit performed in Romania of a bank that is an independent bank holding the majority Romanian stake and investigates the relationship between internal audit and the bank's management. We conducted a content analysis of 6 annual independent auditors' reports and 5 annual CEO statements of Banca Transilvania using emergent coding. For our analysis, we retrieved data from the Annual Reports of Banca Transilvania for the period between 2008 and 2013. The results were significant; the management of the bank takes into consideration auditors' recommendations and implements them, which validates our research question. After implementing the recommendations of auditors in 2009 and 2010, CEO statements present positive financial results of the bank. The study found out that the analysed reports have a very specific structure.*

Keywords: *Internal Audit, Performance, Bank, Management*

JEL Classifications: *G21, M42*

INTRODUCTION

Audit is generally viewed as a manifestation of accuracy control and analysis of financial performance by means of accounts and summaries of accounting.

Internal audit has been highly researched in scientific papers, articles and studies in the literature both nationally and internationally, although content analysis has not been extensively used for areas, such as risk management, human and financial resources. Internal audit and risk management have the same aim that of risk control. The main limitation of internal audit compared to risk management is risk taking. Risk management is the main manifestation and consideration of risks faced by an entity and taking action needed to quantify them. Internal audit may provide guidance to companies in terms of risk management of financial risks or even clearly identify all financial risks affecting the company.

Internal audit practice has its roots in international business that were later applied to national enterprise practice and banking. Internal audit has now expanded to all types of organizations operating regardless of their field of activity.

Auditing plays a very important role in supporting in general the efficient reporting of a company. Bank directors are responsible for the information in the annual reports and the information of auditor's reports. Internal Audit provides an independent

and objective opinion for the management of the company in terms of maintaining acceptable risk levels of the organization and by that increasing its performance.

This paper provides valuable information on the quality of the audit performed in one Romanian bank, which is an independent bank that holds the majority Romanian stake, and describes the relationship between internal audit and the banks management.

The reminder of this paper is organized as follows: Section 2 presents the literature review, Section 3 provides methodology and data used in our study, Section 4 provides results and discussions of the analysis and in Section 5 provides the conclusions.

LITERATURE REVIEW

Internal audit has been extensively researched in numerous scientific papers, articles and studies in the literature both nationally and internationally. It has been found that internal audit leads to new responsibilities and provide the path to building new objectives in risk management. Internal audit contributes to management efficiency of corporate risk leading to its increased performance but it cannot be achieved without effective management of collaboration and support of the views and recommendations of the internal audit.

The role of risk management is not to eliminate risk as this would mean to eliminate the reward, the role is to manage risk so you know where to invest and where not (Jorion P., 2007 p. XIX). Internal audit is an objective and independent form of assessing activities within an entity organized as a service (Joel M., et.al, 2010).

There are numerous research studies carried out in the field that examines the implications of internal audit and corporative risk management. A first analysis conducted in 5 large companies: FirstEnergy Corporation, General Motors, Unocal, WalMart, Accurately and Canada Post Corporation highlights the implications of internal audit in risk management. Internal audit is a key element in risk management of each company but it manifests itself differently from company to company. Taken as a whole, it has the internal audit and risk management implications (Walker L., et.al. 2002:15), as follows:

- Helps to identify risks;
- Facilitates risk identification workshops;
- Integrates information and workshops;
- Helps develop risk management process and risk reports.

Internal audit plays an important role in risk management and strategy of each company. Besides this approach at the enterprise level, there are studies with analysis of the overall impact of the internal audit and corporative risk management. Based on an analysis of the questionnaire given to audit directors of the Institute of Internal Auditors in 122 organizations from different countries, it found that there is a greater exposure of the implication of the internal audit in risk management on the banking sector and education. Internal audit helps to open up new goals or completing objectives in view of the risk management that lead to new contributions and additional responsibilities. (Beasley S.M., et.al, 2006).

Between internal audit and performance of a company there is a strong link resulting in increased company value and goals (Caratas M., Spatariu E., 2014).

The collaboration between internal audit and risk management leads to increased company performance and its value as these identify critical internal audit risks and report them to the existing risk management department. Other studies found that, if internal audit collaborates with risk management, then, the resource allocation is more efficient and improves communication with the company management offering a clearer image on existing and possible risks of the company in its activity (Egerdahl R., et al. 2012). Moreover, implementation of internal audit in conjunction with risk management leads to more efficient risk management of the company (Dima F.C., 2013).

Between internal audit and company performance there is a strong link that results in increased company value and goals. By fulfilling its role of evaluating the effectiveness of internal control and risk management, internal audit contributes directly to minimizing risk in financial reporting (Caratas M.A, Spatariu E.C, 2014). The internal audit acts as a guide leading to risk management performance of companies (Ducu C., 2013).

The objectives of internal audit vary from one company to another but in all companies internal audit department aims to improve risk management, internal control and performance. There are a number of ways in which internal audit risk management can help a company without affecting its independent or internal audit objectives (Dăneci-Patrice D., et.al. 2014):

- Organizing risk management workshops for staff;
- Expertise audit team members may provide risk management solutions;
- Ensuring risk management assessment and recommendations made by the department.

Chartered Institute of Internal Auditors (2014) in "Risk based internal auditing - RBIA" defined a methodology for getting in touch with the general structure of internal audit risk management organization. Risk-based internal auditing allows internal audit to inform the management on the efficient risk management in a company. This paper examines the advantages of RBIA and how it could be implemented.

Historically, a decrease in efficiency of audit-based control was noted in China. Risk-based auditing was introduced due to the need of protecting businesses against the risk of fraud, forgery or lacks the financial statements declaration consistent with the reality of company financial statements. In 2007, risk-based audit was introduced that requires auditors to be familiar with corporate governance of the company that they audit and to identify irregularities in the company's financial situation that lead to efficient risk management (Cao L., et.al. 2015).

Internal audit can also serve to prevent or detect fraud within a company. Internal audit can be viewed as assistance aimed to improve risk management and implement company's goals with added value (Petrescu D., Tieanu A., 2014). The companies that have a periodic internal audit manage to streamline risk management objectives and achieve medium and long-term added value.

Moreover, increasing the performance of a company and therefore maximizing profits, streamline risk management and reduction of costs for achieving objectives in the medium and long-term represents a condition for the existence of internal audit and

control in collaboration and communication with risk management (Petrascu D., Tamas A., 2013).

The study of (Zona, 2013) analyses the evolutionary perspective of Italian firms based on board leadership structure and diversity of CEO's time in office suggested that "CEO objective and interest change over time and that board roles should shift accordingly, from CEO leadership development during the early stages of CEO time in office toward monitoring during the latest stages". The study analyses the impact on innovation investment in Italian firms of the board leadership, the board structure and diversity and the board characteristics. In this study, the agency theory is used and it states that in Italy the effects of board independence are dependent on CEO's time in office.

It should be noted that the quality of a report, especially an auditors' report, is the main instrument in our study. In a recent study (Kabiru, 2013), the quality of auditors' reports in the Nigerian Banking Industry was analysed and the researcher discovered that the quality of the auditors' report plays a great role in the assessment of a bank's performance and that auditors' provide useful information on internal control fragility to the management. In Nigeria, the auditors' report has an impact on bank's performance and agrees with (Millichamp, 1996) that auditors' report influences banking performance, therefore a good auditor report should be encouraged.

The association between corporate accountability report and corporate reputation (Craig R.J., 2012) was made by analysing content of CEO letters of 23 US firms with high reputation and content of CEO letters of 23 US firms having low reputation. The results were abnormal and highlighted the need of caution in estimating statements about the effects on corporate reputation of the language choice in corporate annual reports. The result showed that the size and the visibility can be positively influenced only where corporate reputation is associated with the language choice made in CEO letters.

An analysis of the influence of audit committee on voluntary ethics disclosures using content analysis of company's annual report suggests that only the tenure and multiple directorships audit characteristics are significant in the voluntary ethics disclosure (Rohana O., 2014). The study analyses 94 companies of Bursa Malaysia and deals with stakeholders by suggesting that they need to highlight the ethics disclosure of companies before audit committees.

An analysis of 42 interviews of internal auditors that work in public administration in Quebec suggests that "internal auditing is not the governance watchdog expected by the regulatory bodies" (Roussy M., 2013), the author implies that internal audit holds a protector and helper role. The internal auditors believe that their main role is to serve the top management and the company.

A very interesting content analysis related to reputation was conducted in 2010 (Hooghiemstra R., 2010), in which 50 CEO letters of 50 Japanese companies and 50 CEO letters of U.S. companies were analysed. The study investigated whether the CEO letters explain the causes of positive and negative news of the company. The results were that the CEO letters to the shareholders in U.S. companies emphasize positive news, the U.S. and Japanese CEO letters are statistically identical regarding the fact that CEOs

claim responsibility for positive news and Japanese CEO letters tend to avoid more CEOs responsibility for the negative news (Hooghiemstra R., 2010).

The effectiveness of auditor's report affects the judgments of loan officers (Schneider A., 2008). The study analysed data from 111 bank loan officers and it found that that the probability of extending a line of credit of a company is diminished when the company has an unfavourable internal control opinion compared to the unqualified one. The auditor's reports influence the bank when it extends a loan or rejects the request.

METHODOLOGY AND DATA

The content analysis represents a systematic and replicable technique that compresses numerous words of text into categories that are based on explicit rules of coding (Stemler S., 2001). We conducted a content analysis of 6 annual independent auditors' reports and 5 annual CEO statements using emergent coding, categories are established following some preliminary examination of data (Haney, et.al. 1998).

We analysed the Chairman and CEO statements and independent auditor's reports from the Annual Reports of Banca Transilvania during 2008-2013. We selected Banca Transilvania for our analysis due to bank's specific features, such as bank's independence, it is not a subsidiary and it is not included in an international group and the audit and CEO statements refer only to Romanian business environment and the bank holds majority Romanian-owned stake thus being the only bank of this kind.

The chosen period of time period of time is up to 2013 as the Annual Reports of 2014 and 2015 are still not available for the public view.

The content analysis aimed to answer following questions:

Are audit recommendations considered and implemented by the bank's management?

Are audit recommendations ignored by the bank's management?

The independent auditors' report of Banca Transilvania is targeted at shareholders' of the bank. The reports are divided into 7 sections, as follows:

Section 1: Report on the consolidated financial statements;

Section 2: Management's responsibility for the consolidated statements;

Section 3: Auditor's responsibility;

Section 4: Opinion;

Section 5: Emphasis of matters;

Section 6: Other matters;

Section 7: Report on conformity of the administrators' report with the consolidated financial statements.

After analysing the independent auditors' report of Banca Transilvania, we reached an interesting conclusion that there are 6 sections in the report that are identical, only few words are changed, the meaning of the sentence remaining the same. For example, in the independent auditors' report of 2008 in section Auditors' responsibility, they present "*the procedures selected depend on the auditor's professional judgment...*" and in the independent auditors' reports of 2009, 2010, 2011, 2012 and 2013 in the section Auditors' responsibility, the sentence is changed into "*the procedures selected depend on our judgment...*" then continues an identical content every year. Another

modification in 2008 and 2009 reports in section 2 was found: Management's responsibility for the consolidated statements, they presented: "*The Bank's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances*" and in 2010, 2011, 2012 and 2013 in the same section, they presented: "*Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.*"

It seems that in these sections the only modification that the auditors have made is to shorten the sentence. Thus, the sections can be categorized in one category:

Category 1: "Basic sections of legal responsibility needed to be fulfilled by both parts."

Basic sections of legal responsibility needed to be completed by both parts of the category includes: Section 1: Report on the consolidated financial statements; Section 2: Management's responsibility for the consolidated statements; Section 3: Auditor's responsibility; Section 4: Opinion; Section 6: Other matters and Section 7: Report on conformity of the administrators' report with the consolidated financial statements.

Key words of Category 1: Basic sections of legal responsibility needed to be completed by both parts: consolidated financial statements; bank's management responsibility and auditor's responsibility, law, ethical requirements, procedures, internal control, auditor, opinion, performing, plan, misstatements, fairly, all material, International Financial Reporting Standards, financial performance, cash-flow, evaluating, accounting principles, procedures, accounting estimates, management, effectiveness, present fairly, report, made solely to the bank, as a body, responsibility, shareholders, law, state to the bank's shareholders, auditor's report, no other purpose, opinions, formed, do not accept responsibility to anyone other, administrators' report, not a part of financial consolidated statements.

These sections are identical in the auditors' report regarding the message delivered during 2008-2013 and they highlight in Section 1: Report on the consolidated financial statements, Section 2: Management's responsibility for the consolidated statements and Section 3: Auditor's responsibility, the responsibility of the auditors and the responsibility of the bank regarding the auditor according to Standards on Auditing by the Romanian Chamber of Financial Auditors. The standards require that the auditor comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether consolidated financial statements are free of material misstatement and not for making recommendations of the effectiveness of the internal control of the bank.

In Section 6: Other matters, auditors present the legal responsibility that they have for the bank and the shareholders and no one else. In Section 7: Report on conformity of the administrators` report with the consolidated financial statements, in all of the auditors` reports analyzed from 2008 to 2013, the Order of the National Bank of Romania that changes every two years is presented stipulating that they are obligated to read administrators` report and they found in every report from 2008 to 2013 that there is no financial information presented and therefore the administrator`s report is not a part of the consolidated financial statements of the Bank.

Section 5: Emphasis of matters of the independent auditors` report reveals some content modifications in 2008 and 2009. The section is identical between 2010 and 2013, as follows: *"Without qualifying our opinion, we draw attention to the fact that as presented in Note 2c to the consolidated financial statements, the Group has presented in Euros for the convenience of readers the amounts reported in Lei in the consolidated balance sheet and in the consolidated income statement. This presentation does not form a part of the audited consolidated financial statements."*

It seems that from the perspective of the independent auditors` reports in years 2010 through 2013, the only recommendation they can give is one that "does not form a part of the audited consolidated financial statement". This makes us conclude with 3 questions:

- 1: Does the bank have an extremely efficient internal control and do auditors have nothing to recommend?
- 2: Are the real recommendations not transparent for the public and are these discussed inside the Bank?
- 3: Is the auditing performed for the bank at a very low level?

In order to verify this hypothesis, we must further extend our analysis. In Section 5: Emphasis of matters of the independent auditors` report reveals some content modification in 2008 and 2009.

The key words in this section for 2008 and 2009 are: estimated, impairment loss provisions from loans, could be revised, advances to customers, net lease investments, consolidated financial statements, inherent limitations, uncertainties, financial market, assets valuation, internal methodologies developed, applied, consolidated balance sheet, consolidated income statement, local, international, audited financial statements, convenience of readers, the amounts reported in lei, draw attention, after, the approval, euros, lei, convenience.

After analysing the key word, we came to conclusion that we can categorize this section in 2 categories, as follow:

Category 2: Recommendations for Banca Transilvania

Key words: estimated, impairment loss provisions from loans, could be revised, advances to customers, net lease investments, consolidated financial statements, inherent limitations, uncertainties, financial market, assets valuation, internal methodologies developed, applied, local, international, audited financial statements, draw attention, after the approval.

Category 3: Observations that does not form part of the audited financial statements

Key words: consolidated balance sheet, consolidated income statement, reported in lei, presented in Euros, convenience, readers, the amounts.

In Category 2: Recommendations for Banca Transilvania, the auditors` report of 2008 recommended that the bank should revise the estimated impairment loss provision for loans, the advances to customers and net lease investment based on the internal methodologies developed after the date of the approval of the consolidated financial statements. This recommendation is made due the uncertainties on the local and international financial markets regarding assets valuation and to inherent limitation mentioned by the bank. In the auditors` report of 2009, the recommendations were focused on the limitation regarding the operating environment and assets valuation in the financial statements.

In Category 3: Observations that does not form part of the audited financial statements, auditors make the observation that the bank reported in lei the consolidated balance sheet and income statement and the Group presents in Euros the financial statements mentioned for the convenience of the readers.

We conducted a content analysis of the annual Chairman and CEO statements from 2009 to 2013 of Transilvania Bank and categorized every statement, as follows:

The Chairman and CEO statement of 2009:

Category 1: Business environment

Key words: challenging, business environment, uncertainties, unsettled economic environment, future economic deterioration, crisis

It justifies the bank`s strategy by referring to the uncertain business environment and it highlights the top bank position in the business environment.

The CEO and Chairman of Banca Transilvania specify that the business environment is uncertain, challenging, lacking confidence from the economic and political views but the bank has confidence that it will overcome all of challenges of the business environment

Category 2: Strategies and perspectives of the bank

Key words: liquidity, remain, comfortable, level, loan to deposit ratio, profit, higher, strong position, cost-income ratio, improved, raised, deposits, capital requirements, high standards, improved cash-flow, reduced operational costs.

For the year 2009, the financial results of the bank were at a good level. In 2009, CEO statement refers more to new projects and is implementing according to auditors` report the recommendations made by the audit justifying every modification that the bank has made and needs to make in the year to come.

Category 3: Implementing the audit recommendation:

Key words: implemented, coherent and aggressive provisioning policy, loan loss provisions, protective measures, loan portfolio, adapt, flexibility, costumer facing solutions, adapt, reinforcing, new products, investment, customers, strategies, needed, reconsidered, reviewed

The CEO implements the auditor`s recommendations regarding the estimated impairment loss provision for loans, the advice to customer and the net lease investments based on the internal methodologies developed that may be revised after the date of the approval of the consolidated financial statements.

The auditors specify that the recommendations are made based on the uncertainties on the local and international financial markets regarding assets valuation and because of the inherent limitation mentioned by the bank.

For the net lease investment, BT has implemented a platform that provides the customers with advice and co-financing for business turnover or new investment projects.

Category 4: Gratitude

Key words: financial support from EU, structural funds, clients, EBRD, shareholders, professional team players, partners, loyal customers, new shareholder, IFC and Bank of Cyprus. In this category, the CEO expresses the gratitude for all shareholders, partners and teams and introduces new shareholders.

Category 5: Personal image of the bank

Key words: courage, cautious, intelligence, responsibility, relying, professional team players

The CEO has a very good personal image specifying their courage, intelligence, professionalism and responsible spirit.

The Chairman and CEO statement of 2010

Category 1: Business environment

Key words: Romania, business environment, economic, political, uncertainties, market, challenges, capture business opportunities, Romanian economy, economic contraction, recover, tougher competition

In this category, the CEO presents the economic environment, in which the bank operates as an introduction of changes aimed to reinforce the bank's mission by providing solutions for clients. The CEO is more positive about the business environment than he was in the 2009 statement.

Regarding the business environment, the CEO in his statement of 2010, is certain that in 2011 there will be significant growth as the Romanian economy is expected to recover. Therefore, he is confident about the future positive results of the bank.

Category 2: Implementing the audit recommendation:

Key words: fundamental services, advisory services, clients, expand, balance sheet, operation, providing, improved net interest income, improve, operational program

The solutions represented under category 1 for 2010 are based on the auditors' recommendations regarding the supply of funds, cash management and advisory services. The CEO mentions the improvement of the operational program that is in the auditors' recommendations that conducted to a positive result in 2010. Thus, the auditors' recommendations lead to a positive financial result.

Category 3: Negative financial results:

Key words: although, tougher competition reduced, average margins, corporate loan portfolio

The CEO mentions the negative results in a manner that is justified by the economic environment by avoiding responsibility of the management for the negative financial results.

Category 4: Positive financial result:

Key words: expand, balance sheet, operational performance, top 5 banks, top 3 card issues, and significantly higher figures, will continue, improved net interest income,

operating profit, increased, gross profit, more, operational efficiently, retail loans, grew, contribution, clients, own progress.

In the 2010 statement, the CEO is very pleased with the financial results of the bank and he explains its growth. He also presents the contributions of the bank to its clients and discusses its achievements.

Category 5: Personal image of the bank

Key words: mature team, active players, sustaining the economic well-being, strong capital based, diverse, range of services

In 2010 statement, the CEO has a very positive opinion about the bank and the bank's team. He considers that the bank's team active players sustains economic well-being.

Category 6: Gratitude

Key words: thanks, shareholders, clients, business partners, trust, on-going support, cooperation, team, recognition, devotion, ambitious work, National Guarantee Fund for SME loans.

In this category, the CEO expresses gratitude to clients, partners, teams and shareholders.

The Chairman and CEO statement of 2011

Category 1: Positive financial results

Key words: experienced, growth, assets, loans, deposits, operations, positive history, well-defined strategy, growth potential, performance, own prosperity, success of our clients and partners, client portfolio, staff, new units.

In this category, the CEO mentions a history of positive financial results of the bank, without specifying the period of time of the growth. The positive results refer to the financial statements of the bank over the years and the client portfolio, staff and the opening of new units. There is no specification to growth in terms of results of financial statements for this year.

In 2009, 2010 he was very proud of the financial results of the bank specifying every positive result and justifying the result and in 2011 he mention only vaguely the history of growth.

Category 2: Strategies and perspectives of the bank

Key words: extensive organic growth, intensive organic growth, confidence, economic development, confirmed, preserve a defensive attitude, risk, keep our identity, targeting sectors, right experience, traditional business model, financial stability, efficiently, long term, shall do our best, active, profitable, player, steadiness, coherence, undertakings

The CEO presents the perspectives of the bank in the years to come. He specifies that the bank will switch from extensive organic growth to intensive organic growth which depends on increasing added value. He approaches a defensive attitude of the bank in maintaining the position held currently by the bank, avoiding risk "targeting sectors where we have the right experience"(CEO statement 2011, p.2) and promoting a traditional business model.

The CEO states that the bank will be more precautionous: " we shall do our best to remain a "living body" in the Romanian economic landscape, an active profitable player and last

but not least, a brand acknowledged for the quality, steadiness and coherence of its undertakings""(CEO statement 2011, p.2)

Category 3: Gratitude

Key words: thanks, shareholders, clients, business partners, trust, on-going support, cooperation, team, confidence, support

In this category, the CEO expresses gratitude to clients, partners, teams, and shareholders.

The CEO statement in 2011 is based more on the history of the positive financial results of the bank and the perspective of the bank pointing out that the bank will adopt a more defensive approach.

The Chairman and CEO statement of 2012

Category 1: Business environment

Key words: dominated, uncertainty, lack of confidence, globally, Romanian business environment, supporting, "business as usual"

In this category, the CEO presents the business environment as uncertain and lack of confidence not only in Romania but globally and that the Bank will carry on supporting this environment.

Category 2: Strategies and perspectives of the bank

Key words: applying, conservative, risk management policies, strong liquidity positions, robust provisioning levels, goals, growing profitability, growing market share, defending top position, reality adapted products, optimizing our business model, increasing efficiency, all levels, financial stability, help clients, financial tools, long-term

In this category, the CEO underlined the contribution of the bank to the economy by using conservative risk management policies, strong liquidity position and robust provisioning levels. He specifies the perspectives of the bank regarding bank performance and underlines the top position of the bank.

Category 3: Positive financial results

Key words: quantitative, results, net profit increased, operated income reached, cost/income ratio improved, qualitative improvement, new core banking system, project, enabling, migration

The CEO refers to positive financial results in the financial statements of the bank and also to quality growth by highlighting the project which was run in 2012 and enabled the migration in January 2013.

Category 4: Gratitude

Key words: gratitude, all clients, shareholders, business partners, loyalty, support.

In this category, the CEO expresses the gratitude for all clients, partners and shareholders.

The Chairman and CEO statement of 2013

Category 1: Business environment

Key words: different, economic, recovery, slight growth, exports, foreign investments, stable exchange rate, low inflation rate, growth story,

In this category, the CEO highlights the growth story of the bank in accordance with a recovery of the business environment.

Category 2: Positive financial results

Key words: relevant performance, top 3 positions, disciplined growth, balance sheet growth, deposits growth, gross loans grew, capital position solid, healthy organic potential, return on shareholders' equity ratio grew.

In this category, the CEO presents the performance of the bank from the perspective of positive financial results. He presents a short history of growth since 2008 from the perspective of the shareholders equity ratio.

Category 3: Strategies and perspectives of the bank

Key words: activities, projects, value creation, priority, efficient, effective, combating weaknesses, responsibilities, team, directors, managers, staff, achievements, core-banking system, changes, interface, functionalities, organizational streamlining, new developments, the foundation of the results, SME line, Retail line, Corporate line.

In this category, the CEO presents the achievements of the bank and highlights the core of these achievements referring to the SMEs, retail and corporate services.

Category 4: Gratitude

Key words: Thank shareholders, clients, and staff.

In this category, the CEO expresses his gratitude to clients, staff and the shareholders of the bank.

In 2013 statement, the CEO feels very proud of the achievements of the bank.

RESULTS AND DISCUSSIONS

The auditors` report between 2009 and 2013 is categorized, as follows:

Category 1: Basic sections of legal responsibility needed to be completed by both parts

In this category, the auditors present the legal responsibility of the audited bank and the audit. In all of the auditors` reports during 2008-2013, the sections were divided into: Section 1: Report on the consolidated financial statements; Section 2: Management`s responsibility for the consolidated statements; Section 3: Auditor`s responsibility; Section 4: Opinion; Section 6: Other matters and Section 7: Report on conformity of the administrators` report with the consolidated financial statements have an identical content.

Category 2: Recommendations for Banca Transilvania

In this category, the auditors` report of 2008 recommended that the bank should revise the estimated impairment loss provision for loans, the advances to customers and net lease investment based on the internal methodologies developed after the date of the approval of the consolidated financial statements. This recommendation is made based on the uncertainties on the local and international financial markets regarding assets valuation and due to inherent limitations mentioned by the bank. In the auditors` report of 2009, the recommendations were focused on the limitations related to operating environment and assets valuation in the financial statements.

Category 3: Observations that are not part of the audited financial statements

In this category, the auditors make the observation that the bank reported in lei the consolidated balance sheet and income statement but the Group presents in Euros the financial statements mentioned for the convenience of the readers.

The Chairman and CEO statement of Banca Transilvania from 2009 to 2013 are categorized, as follow:

Category 1: Business environment

This category is present in all of the analysed CEO statements, in this category the CEO presents the business environment that the bank is a part of and in every statement this environment is uncertain but the bank manages to operate in this environment.

Category 2: Positive financial result

This category is present in the CEO statement during 2010-2013 and the CEO expresses proudly the positive financial results of the bank even though the business environment is uncertain.

Category 3: Implementing the audit recommendation

This category is present in the 2009 and 2010 CEO statements. The CEO implements the auditor's recommendation regarding the estimated impairment loss provision for loans, the advice to customer and net lease investments based on internal methodologies developed that can be revised after the date of the approval of the consolidated financial statements.

The auditors specify that the recommendation is made due to uncertainties on the local and international financial markets regarding assets valuation and due to inherent limitations mentioned by the bank.

For the net lease investment, BT has implemented a platform that provides the customers with advice and co-financing for business turnover or new investment projects.

The solutions presented under business environment category for 2010 are based on the auditors' recommendation regarding the supply of funds, cash management and advisory services. The CEO mentions the improvement of the operational program that is in the auditors' recommendations that conducted to a positive result in 2010. Therefore, the auditors' recommendations lead to a positive financial result.

Category 4: Negative financial results

This category is only present in the CEO statement of 2010. The CEO mentions the negative results in a manner that is justified by the economic environment by avoiding responsibility of the management for the negative financial results.

Category 5: Strategies and perspectives of the bank

This category does not appear only in the CEO statement of 2009 as in that statement the strategies applied by the bank were all focused on the auditors' recommendations. In this category, the CEO presents the strategy of the bank and the perspectives and presents the changes that the bank will make in the years to come.

Category 6: Personal image of the bank

In this category, the CEO has a very positive opinion about the bank and the bank's team. He considers that the bank's team active players sustain its economic well-being. The CEO has a very good personal image focusing their courage, intelligence, professionalism and responsible spirit.

Category 7: Gratitude

At the end at every statement, the CEO expresses the gratitude to the bank's clients, partners, shareholders and the team.

CONCLUSIONS

After analysing the auditors' reports and CEO statements of Banca Transilvania, we conclude that the management of the bank takes into consideration the auditors' recommendations and implements them that answers our first question 1: Are audit recommendations considered and implemented by the bank's management, and after implementing the recommendations of the auditors in 2009 and 2010, the CEO statements present a positive financial result of the bank. Therefore, our results confirm other studies:

- the audit has a protector and helper role (Roussy M., 2013);
- a periodic internal audit manages to streamline risk management objectives and achieve medium and long-term added value (Petrascu D., Tieanu A., 2014);
- between internal audit and company performance, there is a strong link that results in increased company value and goals (Caratas M.A., Spatariu E.C, 2014).

We found and agree with (Hooghiemstra R., 2010) that the CEO statements explain the causes of negative and positive results in every year analysed.

After analysing the independent auditors' report of Banca Transilvania, we came to an interesting conclusion that there are 6 sections in the report that are identical, only few words of some sentences are changed, but the meaning of the sentences remains the same. In independent auditors' reports in years 2010, 2011, 2012 and 2013, the only recommendation they gave is the one that "does not form a part of the audited consolidated financial statement". This makes us conclude with 3 questions: 1: Does the bank have an extremely efficient internal control and the auditors have nothing to recommend? 2: Are the real recommendations not transparent for the public and are these only discussed inside the Bank? And 3: Is the auditing performed for the bank at a very low level? Therefore, this study can be further analysed the auditors' reports of other banks and see if any of the three hypotheses mentioned above could be verified.

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