

THE SCHOOL FINANCIAL AUDIT IN ROMANIA

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Abstract: *This paper aims to find out what is the school financial audit about, the role of the audits, the accountability offered by audit systems, especially in school administration, how to develop a school's financial audit model. The need for such a study stems from the desire to provide security to all stakeholders that the funding of school education is adequate and efficient and the school account is meant to be audited. This study reveals a lack of: technical competence of employees, responsibility assumption and ambiguous legislation. Also, the finding confirms that the school financial audit model consists of general audit standard and reporting standard. In order to avoid that the level of allocated resources directly affects the performance of the audit in schools, we recommend a regular training of accountants and auditors and to ensure a functional decentralization at the school level. An effective management system should also include internal reviews and a yearly basis—and on an as-needed basis audits to ensure accuracy and prevent fraud.*

Key words: *Financial audit; School audit; Accountability; Financial Management;*

JEL classification: *M42, M41, I22.*

1. Introduction

There is growing interest in the value of public sector audit, especially performance audits (Talbot and Wiggan, 2010).

In auditing the financial statements of schools (whether it is a statutory audit or any kind of financial audit), two categories of reference standards are used: accounting rules and audit rules.

Accounting rules (standards) are set by the regulatory bodies in the field of accounting which are, as a rule, autonomous public interest bodies. Accounting rules are common and mandatory for all those who establish, control and use the financial statements. The entities that have the obligation to establish financial statements are those provided in art. 1 of the Accounting Law no. 82/1991. Those who control are provided by the legislation (auditors) and have as reference in their activity the accounting rules (Figure no. 1). The financial statements are intended to meet the common information needs of a wide range of users. For many users, these financial statements are the only source of complementary information to meet their needs. These financial statements must be established according to one or more of the following references:

- international financial reporting standards;
- national accounting standards or norms;
- other well-specified and recognized accounting references, applied

for the preparation and presentation of financial statements.



Figure no. 1 – Audit rules

2. Literature review

As Ștefănescu & Trincu-Drăgușina (2020) say: „Public resources' management and use, public sector entities' performance, in the context of the economic environment turbulences and of the complexity and heterogeneity of the public services demand are of interest to a wide range of interested parties”.

Financial audit means the examination performed by a competent and independent professional accountant on the financial statements of a school (or parts of the financial statements) in order to express a reasoned opinion on the true, clear and complete picture of its financial position and position the results (performances) obtained by it.

Performance audit refers to an independent examination of a program, function, operation or the management systems and procedures to assess whether the school is achieving economy, efficiency and effectiveness in the employment of available resources.

Nwankwo (2006) affirms „efficiency is concerned with doing things right while effectiveness is doing the right thing. Efficiency and effectiveness are separate concepts and cannot be used interchangeably, in particular it is perfectly possible to have all effective organization which is inefficient and vice versa”.

3. Research objective

It is said that the school financial audit system has a constant weakness. The main objective of this research is that the school financial audit model consists of general audit standard and reporting standard which is the assurance and counseling, designed to improve the systems and activities of the public entity (Figure no. 2) and supporting the fulfillment of the objectives of public entities through a systematic and methodical approach, through which the effectiveness of the management system based on risk management, control and administrative process is evaluated and used.

The benefits of such a study could be:

- Determining the role of audit in school administration;
- Accountability of audited factors;
- Identifying the possibilities of fraud of school funds;
- The contribution of the audit to the proper use of resources;
- Correlation of the financial audit with the performance audit;

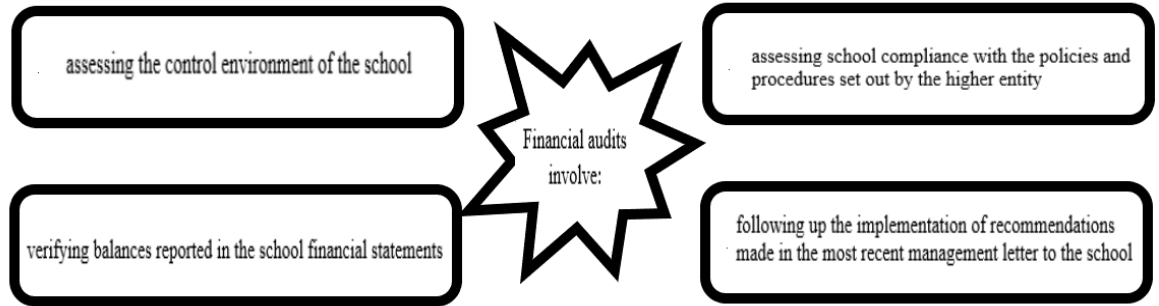


Figure no. 2 – Financial audits

4. Problem statements

In the pre-university education units from Romania, regular audit missions are carried out by the specialized departments of the territorial administrative units to which they are subordinated or by auditors of the Romanian Court of Accounts.

To ensure the continuous maintenance of a solid control system based on each area a responsibility it is necessary to:

- Evaluate the use of resources in pursuing the defined objectives of the school
- To assess compliance with budgetary provisions / operational guidelines
- To review compliance with legal and regulatory procedures
- Ensuring the continuous examination of accounting records and reports on when detecting fraud, errors and mistakes for corrective action
- Ensure that each transaction, especially of a financial nature, is properly approved and authorized before execution
- Advising on financial issues for effective decision-making by school management

Anyone who accepts the position of trust or responsibility becomes responsible for his actions and inactions regarding his position (Figure no. 3).

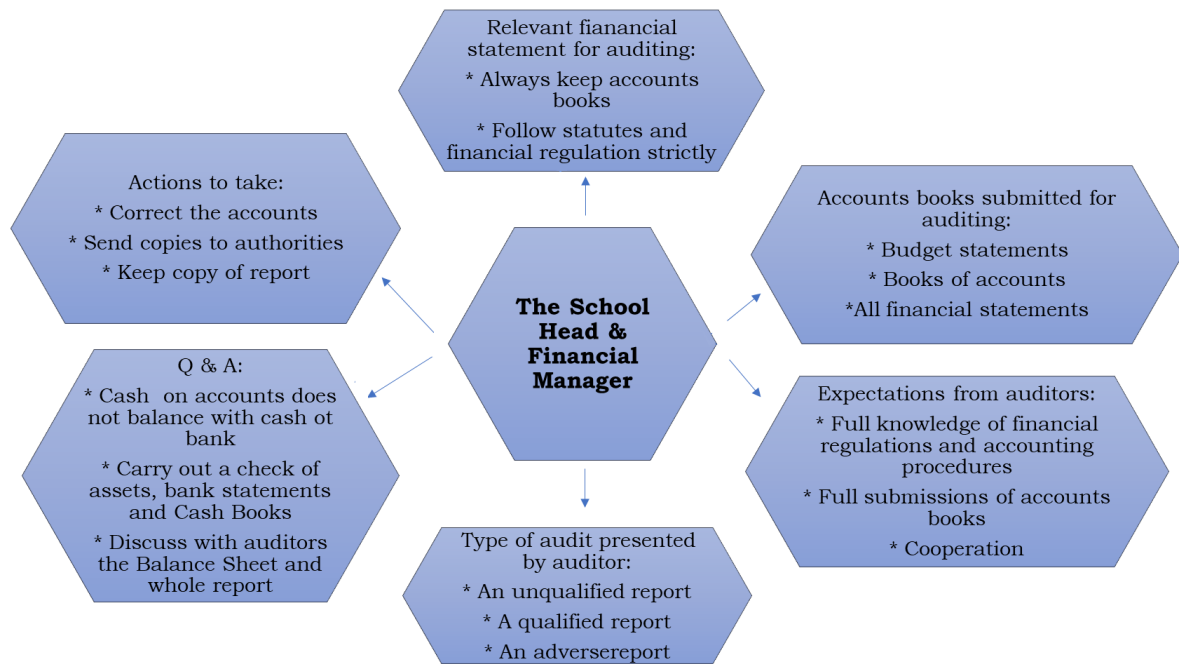


Figure no. 3 – Role of The School Head and Financial Manager

Descriptive approach to the role of accounting professional bodies in the field of education and development of professional accountants should include independence, objectivity and fairness. Accountants and auditors should maintain integrity and objectivity in fulfilling their professional responsibility. These principles help the school as the accountant to see himself as an independent person and also to be objectively a professional in the exercise of attributions.

Factors that militate against a successful audit:

- The ambiguous legislation regarding the subordination of schools (the financing of salary expenses is provided by the Ministry of Education from the state budget, and the financing of material expenses by town halls / county councils from local budgets) which does not allow a unitary audit;
- The tendency of auditors to verify financial reports not correlating with performance auditing resulting in an unfaithful picture of reality on the ground;
- Lack of technical skills of employees of pre-university education units;
- Inadequate internal audit;
- The ignorance of the schools board to manage responsible the resources;

5. Conclusions and recommendations

It is often argued that from the financial statement prepared by the management of the school

it may not actually represent its financial position, which is why it exists the need for an audit.

Auditing clearly contributes to greater efficiency in the use of public school budgets and also to:

- It will help ensure that the plans are realistic;

- It helps to protect the financial resources of the school, because an effective control is established;
- Ensure adequate, accurate and up-to-date recording in accounting, as this will be the first requirement of auditors;
- Eliminates divergences and establishes discipline because audit procedures require a clear definition of responsibilities;
- It obliges to comply with the established objectives (budgetary estimates), because the management will be forced to provide them reasonable and acceptable explanations;

To improve the financial performance of schools, we make the following recommendations:

- Opening up school management in terms of audit missions - perception as a factor of progress, not as a check;
- Ensuring a functional decentralization at the level of educational units;
- Administration of modern schools based on the delegation of responsibility and authority;
- Regular training of accountants and auditors;
- Adequate remuneration to avoid the temptation of fraud.

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