

AUDIT AUTHORITY – PUBLIC EXTERNAL AUDITOR OF EUROPEAN FUNDS

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Abstract: *European funds provided to Romania as a Member State are managed and implemented by Management Authorities established for each category of funds and programs, and the audit of these funds is made by Audit Authority in its quality of public external auditor, being in accordance to the national and European legislation in effect. The Audit Authority was constituted based on the Law no.200/2005 concerning the approval OUG nr22/2005 for completing the Law no.94/1992, concerning the organizing and functioning of Court of Auditors, and it develops audit activities in accordance, system audit, audit of operations, certification audit of accounts, audit at the end of the financing programs for providing an opinion concerning the way of managing the European funds which it is annually reported to the European Commission. The main steps that the Audit Authority traverses within the audit process consist in elaborating the audit strategy, planning the audit activity, implementing the audit, reporting, monitoring and verifying the actions taken as a result of recommendations.*

Keywords: *audit, European funds, audit authority, system audit, operation audit.*

JEL Classification: *M42.*

1. Introduction

Romania's integration in the European Union had a positive impact on the development of our country, through the investments realised from the European funds made available by the Union. Nationally, the European funds are managed and implemented by Management Authorities, with the possibility of also delegating a part of the activities to Intermediate Bodies. The management of non – reimbursable European funds made available to Member States by the European Union is based on the principle of shared management, principle according to which the Member States and the European Commission assume together the responsibility for the efficient management of these funds. Therefore, in 2005 it was constituted based on Law no. 200/2005 concerning OUG approval no. 22/2005 for completion of Law no. 94/1992 concerning the management and functioning of the Court of Auditors art. 14¹-14⁷, Audit Authority as the only national competent authority in making an external public audit of European funds., being a part of Court of Auditors as an organisation without Juridical personality, but operationally independent from the Court. (Law no.200/2005). Audit Authority's objectives consists in obtaining a reasonable insurance that the European funds are managed and that they function accordingly, protecting Romania and European Union's Financial interests, and consolidating the institutional capacity of Audit Authority as an independent, professional and credible institution of external public audit of non-reimbursable European funds. (Court of Auditors, 2017, p.632). Audit Authority has a well determined mission, which consists in accomplishing the external public audit upon the way of management of European funds, in accordance with the national and European regulations in effect. The audit actions are annually programmed in accordance with the established activity program, or multiannual – in appointment periods – in accordance with the established audit strategies on fund or operational programs and they are made at the entities which manage the European non – reimbursable funds, at authorities for certification and payment and at the projects' beneficiaries financed from European funds.

2. Methodology

Our research has the purpose to present the theoretical aspects concerning the achievement of audit missions by the Audit Authority, in its quality of external public

auditor of European non-reimbursable funds, in accordance with the national and European regulations in effect.

As methods and research techniques in our study, we have appealed to the theoretical research, to studying the normative acts, synthesis and graphic representation. The theoretical research was consisted in studying the specialty literature. The study of legislation or normative acts consisted in studying the Law no. 200/2005 on which the establishment of Audit Authority was based on. Synthesis was used for presenting the theoretical aspects, the domain of European funds audit being a vast study field. Graphic representation was consisted in presenting the number of verified entities and the number of audit missions accomplished by Audit Authority.

3. The Deeds of Audit Authority

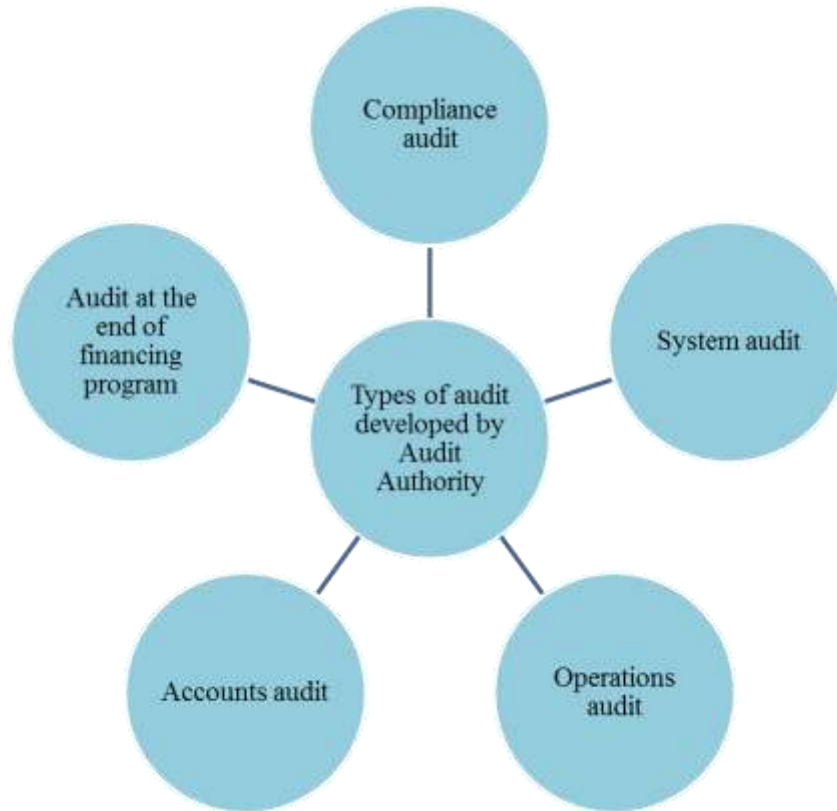
Audit authority has clearly established deeds which include (Court of Counts, 2017):

- Verifying the conformity of management and control systems for operational programs co-financed by the structural instruments and by European Fisheries Fund, with the community legal stipulations;
- Verifying based on a representative sample, the expenses reported by the authorities responsible with the management and implementation of the mentioned funds;
- Annual reporting concerning the compatibility of management and control systems of the authorities responsible with managing and implementing the above-mentioned funds, referring to their capacity to ensure the conformity of operations to the community stipulations;
- Verifying the existence and correctness of the national element of co-financing;
- Delivering the audit documents concerning the annual accounts of payment agencies, as well as SAPARD Euro account, concerning the thoroughness, accuracy and reliability of these accounts;
- Emitting the opinion on the insurance declaration, delivered by payment agencies for agriculture and rural development;
- Issuing the closure statements, accompanied by audit reports, for each program or measure, financed by the mentioned funds, as the case.
- Following the respecting of accreditation criteria, by the audited entities, the stated recommendations as a result of the audit actions effected by the Audit Authority.

4. Types of Audit Made by the Audit Authority

The audit activity developed by the Audit Authority is a very complex one, comprising a variety of audit types specific to each programming period, according to Figure no.1.

Figure no. 1. Types of audit developed by Audit Authority



Source: Own processing based on Court of Auditors, *The White Book of Romania's Court of Auditors 2008-2017*, Bucharest, 2017, pp.629-630.

- Compliance audit – this type of audit consists in obtaining a reasonable insurance that the management system and the control system, used for implementing the European programs are in accordance to the European principles and regulations;
- System audit - this type of audit consists in obtaining a reasonable insurance that the management and control systems effectively work for preventing possible errors or irregularities, and if these took place the possibility of detecting them correctly to exist;
- Operations audit - this type of audit consists in obtaining a reasonable insurance that the expenses reports transmitted to the European Commission are exact and real, and the afferent transactions respect the legislation in effect and the applicable European regulations;
- Accounts audit - this type of audit consists in obtaining a reasonable insurance that the accounts represent a trustworthy image of the economical operations incurred in implementing the European programs;
- Audit at the end of the financing program - this type of audit consists in obtaining a reasonable that the program was implemented in accordance with the European regulations, and the Partial / Final Closure Statement is emitted.

5. The Stages of the Audit Process

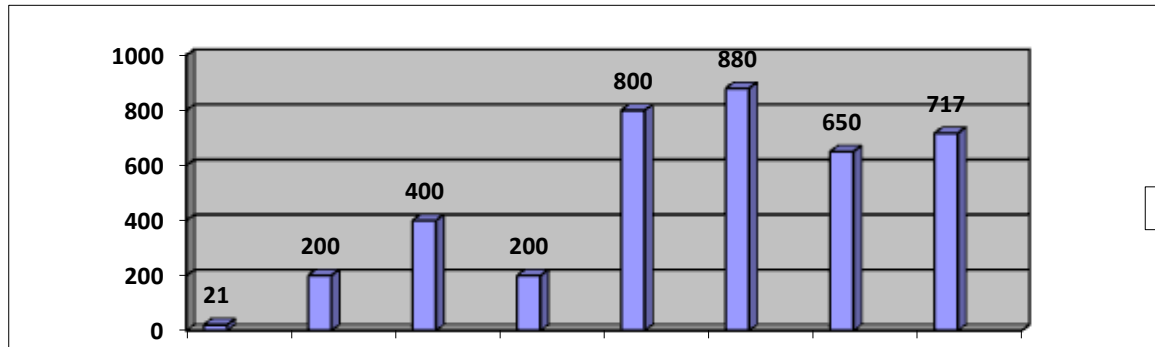
The audit process developed by the Audit Authority presumes the browsing of five stages (Court of Auditors, 2017, p.631):

- a) Elaborating the audit strategy – annual and multiannual programming – this first stage consists in determining the audit priorities based on the risk analysis and on European regulations articles;
- b) Planning the audit activity, this stage consists in establishing the audit mission’s objectives, the strain of applicability and the audit methodology;
- c) The audit execution consists in activities developed at the scene, having the purpose of obtaining the audit samples based on which the audit conclusion to be substantiated;
- d) The reporting is the fourth stage of the audit process and it consists in releasing the audit report which comprises the findings, conclusions and the audit’s recommendations;
- e) Monitoring and verifying the actions undertaken as a result of recommendations, this stage consists in verifying the extent to which the recommendations were implemented by the audited entities.

6. Authority Audit’s Activity in Numbers

The audit activity developed by the Audit Authority targets the entities implied in managing and implementing the European funds and they comprise the Certification and Payment Authority, Management Authorities, Intermediate Bodies and the beneficiaries of the European funds. Between 2008 and 2015, the Audit Authority had verified over 3800 entities, according to Figure no. 2.

Figure no. 2. Entities verified by the Audit Authority

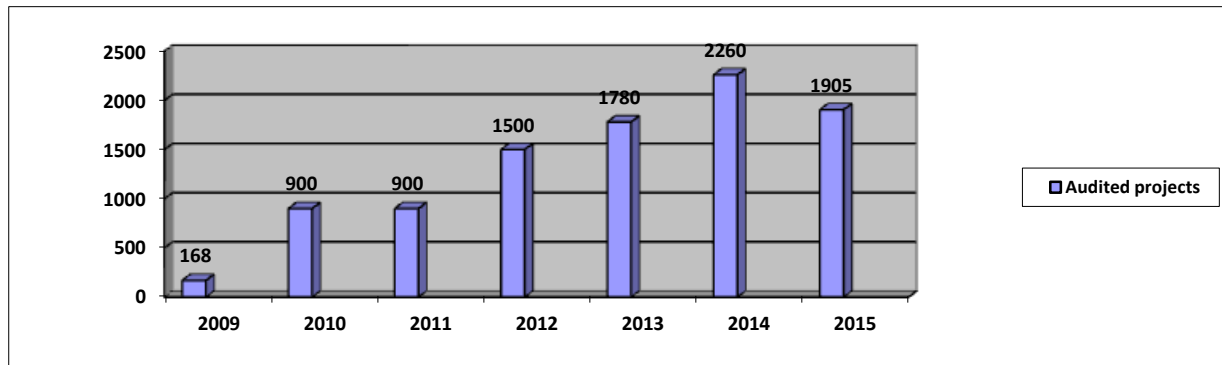


Source: Court of Auditors, *The White Book of Romania’s Court of Auditors 2008-2017*, Bucharest, 2017, p.660.

From the displayed data, we can infer that in the period between 2008 and 2015 the number of verified entities had presented continuous fluctuations, the greatest number of verified entities being registered in 2013 (880 entities), and the smallest number of only 21 verified entities was reached in 2008 due to the fact that Romania was in the first period of programming after its integration in the European Union and the number of accessed projects was at a reduced level.

The number of verified projects by the Audit Authority between 2009-2015 is a considerable one, being over 9400 according to Figure no. 3.

Figure no. 3. Projects audited by the Audit Authority



Source: Court of Auditors, *The White Book of Romania's Court of Auditors 2008-2017*, Bucharest, 2017, p.660.

We can observe that the number of audited projects follow a ascendant trend between 2009 and 2014, from 168 audited projects in 2009 reaching a maximum of reference period of 2260 in 2014.

7. Findings of Audit Authority as a Result of the Developed Audit Activity

As a result of the developed audit missions, there have been observed a series of deficiencies concerning the management and implementation of European funds/programs made available for Romania as a Member State, which regarded (Public Reports of the Court of Auditors 2008-2015):

- Expenses settlement in the absence of supporting documents;
- Works/services settlement which either weren't executed/accomplished, or they weren't a part of the financed activity;
- Failure to comply to the provisions within the financing contract;
- Failure to achieve the objectives which were provided by the financing contract;
- Failure to comply to the provisions concerning public acquisitions;
- Authorization for payments of ineligible expenses, requested by the beneficiaries;
- Non registering all the identified debits in the Debtors' register;
- Non compliance by the beneficiaries of the eligibility requests from the financing contracts;
- Works which were done outside the eligibility period;
- Surpassing the estimated value provided in the concluded contracts;
- Making works which qualitatively did not correspond;
- Delays in contracting and executing certain works;
- Non compliance by the beneficiaries with the date concerning making payments;
- Delays in making controls at the scene;
- Effecting double payments to some beneficiaries which activate in the agricultural sector;
- Miscalculation of penalties as a result of late submission of payment applications for surface support;
- Documents wrongly compiled concerning the agricultural surface;
- Errors in the accounting records, concerning the financed operations;
- Beneficiaries' failure to comply with information and advertisement provisions;
- The beneficiaries' lack of information concerning the result of the payment requests verification.

8. Conclusions

Non reimbursable European funds made available to the Member States by the European Union are managed based on the shared management principle, principle which implies that the responsibility concerning the funds' management recurs both to the Member States but also to the European Commission. Audit authority is the only competent national authority in making external public audit of the non reimbursable European funds and emitting an opinion concerning the way of managing and practising these funds. The activity of audit for the European funds entails realizing a variety of audit types, emphasizing the system audit through which the entities which manage and implement the European funds and the authorities of certification and payments, are verified, as well as on the operations audit which is taking in account the operations occasioned by implementing the financed projects from European funds. The audit process infers going through five stages, from elaborating the audit strategy and till monitoring and verifying the actions effected as a result of recommendations. The audit activity developed by the Audit Authority from after Romania's integration in the European Union till in 2015 has implied the verification of over 3800 entities and auditing over 9400 projects, as well as identifying the main deficiencies and presenting the recommendations destined to improving the activity of management and implementation of the European funds.

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