

CONSIDERATIONS REGARDING THE INTERNAL AUDIT IN ROMANIA

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Abstract: The evolution of the economical environment, where the companies works, determines the companies to search all the time solutions for improving the control over the activities developed. A solution is adopting the internal audit function, which offer the answers to the questions which, usual, the managers of the company make them himself referring to the way they and their collaborators could have a better and efficient control as they could have over the activities they have. The necessity of the internal audit function begins to be more important in the context of the Romanian economical environment which is more and more competitive and dynamic. In this article I'll try to get a vision more realistic of the level at which is situated internal audit in Romania, and also I'll try to find that spaces of this complex system, where we have to pass different difficulties paying attention for finding the necessary solutions to resolve them, participating in this way to the progress of the researched theme.

Keywords: internal audit, internal control, internal auditors

The manager of an organization, from private sector or public sector, needs to obtain a reasonable assurance referring to the transactions they have, the decisions they have taken are under control and in this way are touched the scopes of the organization. So, we can say that the internal audit represents the important support of the management of the company for getting to the company's scopes using the systematical activities and very good organized for evaluating and improving the efficiency of the processes of the management and control. The adopting of the internal audit function permits to the management to have more courage in elaborating and adopting strategies, and this facts because the internal audit professionals are working in different spaces and locations of the organization for getting assurance referring to the correct application of the strategy whished by the company, and also how much this proves his efficacy.

The importance of the internal audit is bigger as much as possible the internal audit works in an independent way, without accepting compromises, without having as scope getting the power and without subjectivism. Realized in this way, the internal audit become a tool absolutely necessary to the organizations, and this because of the complexity of the different situations which could appear after mergers, realizing some projects together with other companies.

The result of an internal audit mission is the internal audit report, which is in essence a way of communication, but the value of the internal auditor's work is not gave by this report, and by the way in which the internal auditor have the capacity and possibilities of determining when his recommendations are applied, the evolution and the improving the efficiency of the internal control of the organization in which he activates. We can say in this way that the internal audit department is the key in realizing the internal control because the internal audit gives the assurance over the efficiency and efficacy of the internal control.

If we have in our mind the moment of the appearance of this concept of internal audit in Romania in accordance with the global context, we must admit that the recognizing of the importance of this field of internal audit have been realized late, but this in the context of the domination of the communism system till 1989. The transition to the market economy, which starts in '90 years, was realized very hard, the road to the stable economy was very difficult, finding in this period some bankruptcy of few mastodon organizations. This difficulty was determined also by the instable political strategies used in the economy, which instability we can see it very often in the economical sector.

Step by step the Romanian economy goes to a stable zone and in times with this evolution the managers of the organizations, from private sectors and public sector, have given more attention to the improving of the performances of the organization which they coordinate, and in this way to find efficient and pertinent solutions. If we draw a parallel between the appearance and the developing the internal audit function in

Romania, we can observe some differences which from a point of view are justified by the particularities of the economical environment and the everyone specifically culture.

An important difference which needs more attention could be the facts that in the Romanian economy the trend of internal audit evolution was from this point of view inversed those from the international space. If in the international plan the internal audit function was developed starting from the bigger companies and the multinational companies, extending after to the public sector companies, in the Romania was other way. The internal audit was important at the beginning for the public companies, and prove in this way is the regulations and the laws adopted which regulates the internal audit. After this begin the growing of investing in the Romanian economy, the multinational companies growing in the Romanian economy implies influences of the international practices through which there is the recognizing of the necessity and the efficiency of the internal audit. So, even if the internal audit is at a low level, the internal audit from the Romanian companies is more and more developed, the utility of the internal audit function being bigger and bigger.

The introduction of the internal audit in Romania is relative recent, representing the general effort of the management for a better control in this activity, in the public sector and in the private sector, in the harmonization activity of the internal law system with the European laws, keeping an eye on the efforts made on the integration way in the European Union member countries. The quickly progress of the internal audit implies some confusions, his scopes were not very clear understood by everyone implied in activities in touching with internal audit, and this confusions maybe because of facts that even internal audit's scopes at the global level have been growth very quickly and still progressing.

The concept of internal audit have begun to be used very much in some environments, maybe in excess, and this concept became a fashion, a trend in the context of the Romanian economical environment. This concept was used by different specialists from every sector of activity, some times without knowing what exactly internal audit means. For many times the practical activities prove that the use of this concept in some situations in which was some references to other concept like: internal control, financial control or other terms. Also, there were situations when the confusion was made in the opposite way, and I mean when they must use internal audit term they use other terms with total different signification.

A confusion made with a high frequency by the specialist's referring to this concept, on the evolution of the internal audit in the Romanian economical sector, is making equal the internal audit with the internal control. I have to consider that an influence in making this confusion was from the fact that these two concepts was not very clear delimited from the beginning of the making laws activities, regulating this new internal audit function. The starting point in regulation of the internal audit in Romanian was the Government Order no. 119/31.08.1999 referring to internal audit and preventing financial control, publicized in the Official Monitor no. 430/31.08.1999. After that law, the regulators were trying to eliminate the confusions made in separating the internal audit by the internal control through the Order no. 332 from 25 February 2000 (which was also abrogated by the Order no. 38 from 15 January 2003 for approving the General Norms looking the realizing the internal audit activities) approving The General Methodological Rules for organizing and the function of the internal audit based on the Government Order no. 119/1999 referring to internal audit and preventive financial control, publicized in the Official Monitor no. 96/03.03.2000, where was presented some precise aspects:

- the internal audit represents a sum of activities and actions correlated between them, realized through specialized structures defined at the level of the public institution in case, or at the next high level of the public institution which based on the plan and on the clear agreed methodology are designated to realize a general diagnostic of the system from a technical point of view, managerial point of view, financial and account side.
- the internal audit is represented by a control type endogen and ex post, detailing the fact that when we refer to the ex post character we have in our mind the operation for the decision, and when we think about the global activity realized by the entire audited system for an year, the internal audit having a simultaneous character. This character is generated by the characteristic of the internal audit for watching to the operations from the aspects of the specifically scopes to check on every moment of its realization. So, the internal control of the public institution is the object of the internal audit.
- we don't have to make confusions between internal control, as a sum of tools used by the management of the public institution, whit the scope of an assurance of a good function of the

institution and internal audit which is a control of type endogen are a control of type evaluation and special a final control, the last from the series of controls made by the own structures of the institution in case.

While all this facts, even if one of the attributions of the methodological rules, mentioned in the up lines, was to bring more light over this two concepts: the internal audit and the internal control, even so there was few rules which still determines to make confusion between internal audit and internal control. A clear example could be the part of these methodological rules, Part 2 - organizing the structures of the internal audit, where are made few underline words:

- ex structures of managerial financial control will be absorbed by the internal audit structures, and this internal audit structures will take the attributions given by the Government Order no. 119/1999 and all the attributions of the ex structures of managerial financial control;
- where there wasn't a structure of managerial financial control will be made internal audit structures as the rule of art. No.6 align. (1) from the Government Order no. 119/1999.

After this, the regulators in this sector were preoccupied by the elaborating of some rules which to delimitate at the level of the public institutions the conceptual part of this two functions, and in this way were published rules for internal audit and separate for internal control, and in this way the confusion were eliminated between this two concepts.

The trend of the law for this concept was delimitedated by the publishing of the next few rules:

1. Emergency Government Order no. 75/ 1 June 1999, published in the Official Monitor of the Romania, Part 1, no. 256 / 4 June 1999 was approved with the text modified and added text through the Law no. 133/2002, published in the Official Monitor of the Romania, Part 1, no. 230 from 5 April 2002 and was modified and its text was added through the Government Order no. 67 / 2002 and was approved with the text modified an added text through the Law no. 12 / 2003 published in the Official Monitor of the Romania, Part 1, no. 38 from 23 January 2003. This regulation specifies some terms: terms and conditions of realizing the internal audit activity, definition of internal audit and scopes of internal audit.
2. Ministry of Finance Order no. 1267 from 21 September 2000 for approving the Minimal Norms of internal audit (general framework), published in the Official Monitor of the Romania no. 480 from 2 October 2000, with the principal objective to approve Minimal Standards of internal audit for institutions, representing the general framework for setting the internal audit being compulsory in exercising the internal audit.
3. The Ordinance no. 72 from 2001 (settlement rejected by the Law no. 132 from 19 march 2002) referring to the public internal audit and preventive financial control for modifying and completion of Government Ordinance no. 119 from 31 august 1999 referring to the internal audit and preventive financial control, published in the Official Monitor of the Romania no 339 from 22 may 2002. This settlement underlines an important change of the conceptions and the activity sphere settled by the Government Ordinance no. 119 from 31 august 1999, for the first reason because the title of the ordinance „referring to the internal audit and preventive financial control” was changed to „referring to the *public* internal audit and preventive financial control”.
4. Law no. 301 from 2002 referring to approving the Government Ordinance no. 119 from 31 august 1999 referring to the public internal audit and preventive financial control, published in the Official Monitor of the Romania no 339 from 22 may 2002 adds some completions to the settlement from Government Ordinance no. 119/1999 and Government Ordinance no. 72/2001.
5. Law no. 672 from 19 December 2002 referring to the public internal audit published in the Official Monitor of the Romania no. 953 from 24 December 2002 is structured in six principal chapters: generalities (through this are defined the public internal audit, public institution, are settled the objectives of the internal audit and the public internal audit sphere); structure (referring to the management of the public internal audit department from the public institutions and the organization of the central structures UCAAPI and CAPI); attributions (the attributions settled at the level of the of the public internal audit department from the public entities and from the central structures); the unfolding of the public internal audit (are

settled the types of audit); internal auditors (settled the selection, rights, obligations and incompatibilities); contraventions and sanctions.

6. Law no. 84/18 march 2003 for modifying and completion of Government Ordinance no. 119/ 31 august 1999 referring to the public internal audit and preventive financial control published in the Official Monitor of the Romania no. 195 from 26 march 2003. In this new law was settled the distinction between internal control and the public internal audit. In this way, it was modified inclusive the title of Government Ordinance no. 119/ 31 august 1999, becoming the ordinance „*referring to the internal control and preventive financial control*”. So, it is made a big step forward through a clear distinction between this two notions: internal control and internal audit, everyone of this are settled through two separated normative papers with the characteristics of the laws, making in this way the distinction between this two activities: the public internal audit and internal control from the point of view of organization and as realization.
7. Ministry of Finance Order no. 38 from 2003 for approving the General Norms referring to realizing the public internal audit activity published in the Official Monitor of the Romania no. 130 bis from 27 February 2003. The important elements of the Order are structured in five parts:
 - **First part:** Application of the general norms of the public internal audit in Romania;
 - **Second part:** Methodological norms referring to the public internal audit mission;
 - **Third part:** Procedural guide book;
 - **Part four:** Charter of the public internal auditor;
 - **Part five:** The glossary.
1. Ministry of Finance Order no. 252 from 2004 for approving the Code of Conduct referring the ethics of the public internal auditor published in the Official Monitor of the Romania no. 128 from 12 February 2004. This order abrogates the Ministry of Finance Order no. 880 from 2002 issued with the same scope.
2. Romanian Government Ordinance no. 37/2004 for modifying and completion of settlements referring to the public internal audit, published in the Official Monitor of the Romania no. 91 / 31 January 2004 and the Law no. 106/2004 for approving of this, published in the Official Monitor of the Romania no. 332/16 April 2004. This new settlement represents a step forward for improving juridical framework and the settlements referring to the internal audit, and this brings significant changes for the Law no. 672/2002 referring to the public internal audit and the Emergency Government Ordinance no. 75/1999 republished referring to the financial audit activity.
3. Ministry of Finance Order no. 1702/2005 for approving the Norms referring to the organizing and exercising the activities of consultancy, published in the Official Monitor of the Romania no. 154 / 17 February 2006. This normative act settles the activities of advising from the internal audit activities, and the structure of the norms which regulates the advising activities referring to the internal audit has few elements:
 - general instructions which includes the definition of the advising activity;
 - advising forms: consultancy, facilitating the understanding, professional forming and perfection;
 - types of missions of advising: formal advising missions, informal advising missions, exceptional advising missions;
 - Stages and procedures needed for realizing the advising mission.

Conclusions:

Analyzing in assembly the rules referring to the internal audit from his introductions in Romania (1999) and till in present we could underline few conclusions:

1. There is regulated in especially internal audit from public institutions, being less regulated internal audit from private institutions. Private institutions have possibilities and in the same

time they are obligate to realize the internal audit activity in conformity with Internal Audit Standards issued by CAFR.

2. Despite the important confusions made at the beginning between the objectives of internal audit and internal control (this confusion are determined by the regulated system) we can affirm that in present we don't find this kind of confusions, or these are very rare.
3. At the beginning, the internal audit activity starts with some difficulties, but in the present we can consider that in this sector we are on the good road, the management became more and more dependent of internal audit and more aware of the needing and the importance of the internal audit and in this way the internal audit in Romania is at a stage of consolidation and maturing.
4. Looking at the actual stage of the internal audit in the public institutions we can say that we are on the right way of the internal audit, being generated the premises for creating of a real function of internal audit in conformity with the practices from European Union.

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