

THE PROGRESS AND STRUCTURE OF THE INTERNAL AND PUBLIC AUDIT IN ROMANIA

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Since 1999, Romania has seriously got involved in the System of Internal and public Financial Control. Together with experts of the European Community, we obviously started this process with the elaboration of a strategic document - Policy Paper - finalized in October 2001, by means of which it was set out the architecture of the coming system of internal audit within the public sector.

This new conception is based on the managerial responsibility and liability on an efficient management of the budgetary funds, especially of the European ones. Thus, it is supposed to be adopted the management modern principles, the control systems based on risks assessment, the concise and complete regulations and proceedings, in order to perform the activities and implicitly, an efficient position of internal audit.

Key-words: internal and public audit, internal control, internal control system, managerial control, the Ministry of Public Finances the Central Unity for Internal and Public Audit Harmonisation, the Central Unity for Management and Financial Control Systems Harmonisation, internal audit function.

Present Studies of Implementation the Internal Audit Function

The reformation of the public financial control in Romania supposed the passage from a control system mainly performed by external entities based of inspections and replies to notifications to a control system for each public entity separately, qualified to limit the risks effects the institutions faces on their way to reach the objectives.

The implementation of the action plan of the new system supposed a gradual process:

- elaboration of a normative and procedural frame for internal audit performance (2002);
- institutional structuring, respectively reorganisation of old internal control structures (2003);
- professional training based on elementary formation which covered all the personnel that is working at present in the internal audit domain (2003-2004);
- consolidation of the internal audit activity (2005-present day).

At present, we may assert that in Romania it was created the institutional frame for performing the activity of internal audit in all the central and public institutions as well as in most of the territorial structures. For the local and public administration the process is not finalized yet, there is a segment of territorial and administrative unities, respectively those that make circulate an annual budget of 100,000 to 2,000,000,000 euro, where, because of both the territorial extent and of the limited financial risks, the position of internal audit evolves sporadically. To this effect, there were identified some more solutions to lead to the implementation of the position of internal audit for this segment, as well.

In the context of the general principles for first-class practice, control is associated to a wider meaning, thus being viewed as a managerial position and not as a simple verification operation.

The entities optimum functionality based on an integrated frame of internal control imposes the existence of a control environment correspondent to these which should promote the ethical values, accept the standards of first-class practice and set out the responsibilities in the spirit of the strategies and policies approved by the higher level management.

At present, the managers have understood that it is their responsibility to organize their own internal control system within the entities they ran as well as the fact that the responsibility was entirely transferred to them and this is the reason why they have to get involved in a structuring of maximum efficiency.

The role played by the Ministry of Public Finances and the one played by the Court of Accounts are to assess if the internal control system implemented by the management department works and if it is competent to prevent or to put an end to potential uneconomical uses of funds and to identify the eventual leaks in the funds administration they manage.

Under the given circumstances, the managerial structure will have to "invent" control activities which will allow them to master the risks that may appear and constantly evolve in order to control their effects.

For these reasons, the managers have to build up their own "flexible system for internal control" which can be easily reduced or developed in certain sectors or departments within the public entities and, thus keeping under control the risks evolution and the limit of their consequences.

The definite implementation of the new System for public and internal financial control was accomplished by creating within the Ministry of Public Finances the Central Unity for Internal and Public Audit Harmonisation - C.U.I.P.A.H., in 2003 and the Central Unity for Management and Financial Control Systems Harmonisation -C.U.M.F.C.S.H., in 2005.

The main purpose for the creation of the C.U.M.F.C.S.H. was to help the general management to define and structure its own internal control system.

To this effect, in 2005, the Ministry of Public Finances issued The Internal Control Code⁴³ which comprehends the *Managerial/internal control standards in public entities for the development of the managerial control systems* and consists of dispositions concerning the management obligations and responsibilities in all public institutions of which we mention:

- the managers of the public institutions will dispose measures necessary in the elaboration and development process concerning the managerial control systems, based on international control standards, inclusively on proceedings in written form for each activity separately;
- the managerial structure have the obligation to identify the risks and to perform actions for keeping the risks at an acceptable level;
- for the potential needs of execution of different punctual inspections or control actions, the managers may form their own commissions or, if it is imposed, control departments that may work permanently or certain periods of time, in order to solve the disorders or irregularities encountered within the entity.

The internal control standards represent an important contribution in making public the general principles for first-class practice in the domain, on the basis of which the entities may set out structures of applicability for the internal control and financial managing systems.

Beside the *general norms for internal audit activity performance* there were elaborated, separately, some norms of *management consultancy* by means of which the internal audit comes to support it, identifying and deeply discovering the internal systems operating process so necessary to the basic management whose responsibility is to implement these systems. *The internal audit must be looked at together with the management and internal control system within the public entities.*

Within the public system the internal auditors have a major responsibility towards mass-media and public opinion, while in the private sector, they respond only on clients needs. Thus, if the internal control structures notice any infringement of the normative frame, funds embezzlement, or even frauds, the public opinion may ask if, within this entity, the *position of internal audit* does exist and is applicable in accordance with the principles of the corporatist ruling.

Conclusions

- The executives of public entities must get involved effectively in the structuring of the management and internal control system by means of collaboration with the basic management structures responsible for the assessment of its efficiency in the internal control

⁴³ MPFO no.946/2005 on the Internal Control Code, covering the management/internal control standards for public entities and for the development of the managerial control system, Of. M. no.675 of 28 Inly 2005.

organization and with the internal auditors. The association between the components will represent the value added to the managerial decisions and a guarantee of the fact that the settled targets will be reached maybe quite at performance parameters.

- The development of the system for the professional training of the internal auditors is necessary in the nearer future, as well due to the fact that we must pass over the phase of regular audit and accept the audit and performance systems which require a totally different training, especially in order to deeply master the domain of auditing.
- Concerning the relation with the managerial structure and the guarantee of an independent and objective activity, the major preoccupation for the audit is the systematic updating of the internal audit regulations, document that states the method used in carrying out the internal audit position within the entities.
- Bearing in mind the current status of internal audit implementation, we consider that Romania has set out on the right way and comes to support the creation of an efficient internal audit at the public entities levels, according to the first-class practice of the European Union.
- In the context of a recognized internal audit activity, we may assert that at present, we are in a consolidation phase concerning the internal audit. As a proof for this stand the conclusive results registered from the added value achievements and the improvement of the activities performed within the public entities, but also the awareness of the meaning of management generally of its importance and necessity, for reasons of joining the European structures.

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