REGULATION AND COORDINATION OF INTERNAL AUDIT IN PUBLIC ENTITIES FROM ROMANIA

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Abstract

The research of the regulations and the way of coordinating the internal audit in the public sector in Romania, contributes to the essential understanding of the audit issue, to the identification and remedy of the existing dysfunctions, in accordance with the existing policies.

The adherence to the European Union has always entailed, and still entails, the adopting and applying of the Community’s “acquirement”, of the corresponding legislation in all the economic and social activities. Within the institutional reforms, the improvement and development of the system composed by financial and public audit is an essential element; this is where the well-established communitarian principles would fit, practices that the countries of the European Union apply successfully in forming, administrating and using public financial resources.

Keywords: audit, public sector, Romania

1. INTRODUCTION

The permanent evaluation, in an objective way, of the efficiency, effectiveness and economy of the use of the resources of the patrimonial entities, as well as of the way they are managed, by an own organizational structure, leads to the increase of the confidence of employees, investors, society; not only, on how to manage public funds.

The purpose of researching this topic is the existence (feedback) of internal audit in the public sector in Romania as the best way to highlight the performance of assets, respectively knowledge of strengths and identification of weaknesses it has, the way in which they can be managed in order to increase the performance in the activity carried out.

This motivation was also born from the need to know the possibility of adapting the internal public audit to the new requirements of socio-economic-technical development, to which public entities are also subject.

In this context, I believe that the research on how to regulate and coordinate public internal audit in the public sector in Romania will highlight the ability of public internal audit to contribute to strengthening the function of ensuring management, efficient and effective risk management and use efficient, effective and economical of the resources of the public entity.

Given the current context in which most public entities are aligned or in line with European legislation and the European context, but also through the existence of programs funded by European funds, to which most apply for the development and use of allocated funds, public entities become obliged to continuously improve the use of resources, ensuring a transparent and judicious way of using the allocated funds.
Thus, it becomes imperative to establish high-performance internal audit structures with a high professional qualification, having the ability to provide feedback with a high level of accuracy, compared to current needs, thus giving users of audit reports a high degree of confidence.

2. Regulation of the internal audit activity in Romania

Starting with 1999, with the publication of OUG 75/1999 on the activity of financial audit, the first regulation on internal audit in Romania was also defended. Until this date, this activity was not part of the organizational culture of the existing patrimonial entities. The legislative norm that regulates the internal audit in our country is OUG no. 75/1999, regarding the financial audit activity, amended and supplemented by Law no. 133 / 19.03.2002 and Government Ordinance 67 / 29.08.2002.

According to the 3 normative acts mentioned above, the internal audit is defined as an activity of objective examination of all the activities of the patrimonial entities, having as main objective the provision of an independent evaluation of the management, control and risk management processes, having as objectives. [1.]

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**Figure 1 Internal audit objectives**

- verifying the compliance of the activities of the audited economic entity with its policies, programs and management;
- assessing the adequacy and application of financial and non-financial controls ordered and performed by the management of the unit in order to increase the efficiency of economic activity;
- evaluating the adequacy of financial and non-financial data / information intended for management to know the reality of the economic entity;
- protejarea elementelor patrimoniale bilaștiere și extra-bilaștiere și identificarea metodelor de prevenire a fraudelor și pierderilor de orice fel.

Starting with the application of the International Accounting Standards and the audit of the financial statements, and the implementation of the European directives, the internal audit was regulated by the Order of the Minister of Finance no. 1267 of 21.09.2000, which approves the previously cited Norms, the minimum internal audit of internal audit.
According to the normative act, it becomes mandatory starting with the financial year 2001, for the following entities whose financial statements were subject to financial audit [8]

Figure 2 Assets subject to financial audit

- national companies and societies;
- autonomous kings;
- companies;
- banks;
- insurance and reinsurance companies;
- securities companies;
- other companies operating on the capital market.


Given the enumeration above, it should be noted that for the companies they apply to companies large and very large met 2 of the 3 size criteria (turnover, assets, number of employees) established by Order of the Minister of Public Finance.[9]

The International Internal Audit Standards have been fully assimilated by the Romanian Chamber of Financial Auditors (CAFR) and thus it has issued internal audit norms regarding the qualification, operation, and practical modalities of application. Therefore, by CAFR Decision no. 35 of 30.11.2004, the International Standards on Internal Audit were assimilated, 2004 edition, elaborated and applied by the Institute of Internal Auditors, including the General Framework of International Standards on Internal Audit. Following this decision, starting with January 2005, the internal auditors were obliged to comply with the two documents, and the tasks of the Romanian Chamber of Financial Auditors were to verify and monitor compliance with professional internal audit standards and norms.

In conclusion, we can say that the internal audit activity is regulated in Romania by the Companies Law no. 31/1990, amended and supplemented by Law no. 441/2006 and the Emergency Ordinance of the Government of Romania no. 75/1999, regarding the financial audit activity, republished, approved by Law 133/2002, but also by the Internal Audit Norms established by the Council of the Romanian Chamber of Financial Auditors, meeting in the meeting of April 19, 2007 in accordance with International Standards of Audit.

3. Conduct internal audit in public institutions

Regarding the public sector in Romania, we can say that it has adopted the internal audit progressively, due to the need to direct public institutions towards efficiency, effectiveness, and therefore towards an evolution in terms of its functioning and management of funds public.

The scope of internal audit is quite comprehensive, and the main purpose of public internal audit is to help public entities to improve their work, to evaluate and increase the efficiency and effectiveness of the management system based on risk management, internal control and the efficiency of the management of public funds. Therefore, the public audit function must always be seen as part of financial management aimed at improving the performance of activities carried out in order to manage public resources.

The way of organizing the internal audit in the public sector in Romania, thus, from a structural point of view, the internal audit in the public sector, is organized as follows: [10]
The Public Internal Audit Committee (C.A.P.I.); Central Harmonization Unit for Internal Public Audit (U.C.A.A.P.I.); Public internal audit committees; The internal public audit departments of the public entities.

All contribute as the main objectives of the internal public audit, namely to ensure and advise the managers of patrimonial entities, in order to improve the systems and activities carried out, as well as to support the managerial act by improving the risk management, be applied accordingly.

The public internal audit department is dimensioned, as number of auditors, based on the volume of activity and the size of the associated risks, so as to ensure the audit of the activities included in the scope of the public internal audit. The internal public audit department within the organizing entity, respectively at the level of the associative structure is dimensioned, as number of auditors, so as to ensure the accomplishment of the internal public audit activity at all local public entities included in the cooperation agreement. Expenditure incurred by the public internal audit activity carried out in a cooperative system, representing staff costs, expenditure on taxes, contributions and other fees related to staff rights granted and those with internal travel shall be allocated accordingly to the signatories to the agreement. Depending on the number of days / auditor provided, the other material expenses, unless the parties agree otherwise, remain the responsibility of the organizing entity or the associative structure.

The notion of public internal audit represents according to law 672/2002 a functionally independent and objective activity of ensuring and advising the management factors regarding the management of public revenues and expenditures (regardless of the source of financing). At the same time, this law lists the main types of audit missions, respectively types of internal audit as follows: [11]

Audit missions can be:

Figure 3 Types of audit missions

- insurance missions;
- counseling missions;
- evaluation missions.

The mission of evaluating the public internal audit activity presents an appreciation of the quality of the assurance and advisory missions that the internal auditors carry out.

Internal audit regardless of the size of public institutions is performed through a special procedure: the internal audit mission. This involves the following steps:
In order to fulfill their attributions, the internal auditors must show objectivity, independence, professionalism and integrity. If these obligations are fulfilled and their actions are taken in good faith, the internal auditors may not be sanctioned or transferred to another position.

It should also be specified that internal auditors are prohibited from disclosing data, facts or situations that they have found during the performance of public internal audit missions, as they are responsible for the protection of documents related to the public internal audit.

As a conclusion to the above, we can say that the status, appointment, obligations and prohibitions of internal auditors are identical to those of civil servants, but in addition they must comply exactly with the provisions of the Code of Ethical Conduct of the internal auditor, proving of objectivity, independence, professionalism, integrity and confidentiality.

4. CONCLUSIONS

Internal audit through the activities they carry out adds value to the organizations within which they are carried out. In fact, internal audit is a profession that has redefined itself over the years, out of the desire to respond to the ever-changing needs of entities.

Internal audit can act as an efficient and effective agent of change in public institutions as long as it is able to improve itself, ie to be its own agent of change. In other words, internal audit can help public institutions to progress as long as it adapts its procedures, methods, concepts and mentalities to the requirements and expectations of the management of public entities.

Like any activity, the internal audit reveals a series of dysfunctions that result on the one hand from the content of normative acts, and on the other hand from the confrontation with the realities of a market economy. The existence of a modern legal framework and rules and procedures developed in accordance with internationally accepted auditing standards and good practice in the European Union would be fundamental guarantees that public audit internal is a real agent of change in public institutions.

An important conclusion is that Internal Audit applies to all entities, regardless of their size and nature. With regard to the public sector, we can say that it has progressively adopted internal audit, as it directs public institutions towards efficiency, security and quality. Therefore, it is necessary to define the concept of public internal audit.
5. REFERENCES


[7.] Legea nr. 133/2002 pentru aprobarea Ordonanței de urgență a Guvernului nr. 75/1999 privind activitatea de audit financiar


[9.] Ordinul nr. 94/2001 pentru aprobarea Reglementărilor contabile armonizate cu Directiva a IV-a a Comunităților Economice Europene și cu Standardele Internaționale de Contabilitate
